CPFL Energy INC
Form 6-K
March 24, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2017
Commission File Number 32297

CPFL Energy Incorporated

(Translation of Registrant's name into English)

Rua Gomes de Carvalho, 1510, 14º andar, cj 1402
CEP 04547-005 - Vila Olímpia, São Paulo – SP
Federative Republic of Brazil
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F ___X___ Form 40-F _______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ]

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _______ No ___X____

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_________________

Summary

Registration data

1. General information

Company name:	CPFL ENERGIA S.A.
Date of adoption of company name:	08/06/2002
Type:	publicly-held Corporation
Previous company name:	Draft II Participações S.A
Date of incorporation:	03/20/1998
CNPJ (Corporate Taxpayer ID):	02.429.144/0001-93
CVM code:	1866-0
CVM registration date:	05/18/2000
CVM registration status:	Active
Status starting date:	05/18/2000
Country:	Brazil
Country in which the securities	
Are held in custody:	Brazil

Other countries in which the securities can be traded

Country	Date of admission
United States	09/29/2004

Sector of activity:	Holding company (Electric Energy)
Description of activity:	Holding company
Issuer's category:	Category A
Date of registration in the current category:	01/01/2010

Issuer’s status:	Operating
Status starting date:	05/18/2000
Type of ownership control:	Private Holding
Date of last change in ownership control:	11/30/2009
Date of last change of fiscal year:	
Month/day of the end of fiscal year:	12/31
Issuer´s web address:	www.cpfl.com.br

Newspaper or media where issuer discloses its information:

Newspaper or media	**FU**
Diário Oficial do Estado de São Paulo	SP
Valor Econômico	SP
www.cpfl.com.br/ri	SP
www.portalneo1.net	SP
www.valor.com.br/valor-ri	SP

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2. Address

Mail Address: Rodovia Engenheiro Miguel Noel Nascentes Burnier, 1755, Km 2,5, Parque São Quirino, Campinas, SP, Brazil, zip code 13088-140

Telephone (019) 3756-6083, Fax (019) 3756-6089, E-mail: ri@cpfl.com.br

Registered Office Address: Rua Gomes de Carvalho, 1510, 14º– Cj 2 Vila Olímpia, São Paulo, SP, Brazil, zip code: 04547-005

Telephone: (019) 3756-6083, Fax: (019) 3756-6089, E-mail: ri@cpfl.com.br

3. Securities

Share trading

Trading mkt	*Stock exchange*
Managing entity	*BM&FBOVESPA*
Start date	*09/29/2004*
End date	
Trading segment	*New Market*
Start date	*9/29/2004*
End date	

Debenture trading

Trading mkt	*Organized market*
Managing entity	*CETIP*
Start date	*05/18/2000*
End date	
Trading segment	*Traditional*
Start date	*05/19/2000*
End date	

4. Auditor information

Does the issuer have an auditor?	Yes
CVM code:	385-9
Type of auditor:	Brazilian firm
Independent auditor:	Deloitte Touche Tomatsu Auditores Independentes
CNPJ (Corporate Taxpayer ID):	49.928.567/0001-11
Period of service:	03/12/2012
Partner in charge	Marcelo Magalhães Fernandes
Period of service	03/12/2012
CPF (Individual Taxpayer ID)	110.931.498-17

5. Share register

Does the company have a service provider: Yes

Corporate name: Banco do Brasil

CNPJ: 00.000.000/0001-91

Period of service: 01/01/2011

Address:

Rua Lélio Gama, 105 – 38º floor, Gecin, Centro, Rio de Janeiro, RJ, Brazil, zip code: 20031-080, Telephone (021) 38083551, Fax: (021) 38086088, e-mail: aescriturais@bb.com.br

6. Investor relations officer

Name: Gustavo Estrella

Investor Relations Officer

CPF/CNPJ: 037.234.097-09

Address:

Rodovia Engenheiro Miguel Noel Nascentes Burnier, 1755, Km 2,5, Parque São Quirino, Campinas, SP, Brazil, zip code 13088-140

Telephone (019) 3756-6083, Fax (019) 3756-6089, email: gustavoestrella@cpfl.com.br.

Date when the officer assumed the position: 02/27/2013

Date when the officer left the position:

7. Shareholders’ department

Contact Leandro José Cappa de Oliveira

Date when the officer assumed the position: 10/06/2014

Date when the officer left the position:

Address:

Rodovia Engenheiro Miguel Noel Nascentes Burnier, 1755, Km 2,5, Parque São Quirino, Campinas, SP, Brazil, zip code 13088-140

Telephone (019) 3756-6083, email: leandrocappa@cpfl.com.br

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Capital Composition

Number of Shares	Closing Date
(In units)	12/31/2016
Paid-in capital	
Common	1,017,914,746
Preferred	0
Total	**1,017,914,746**
Treasury Stock	0
Common	0
Preferred	0
Total	**0**

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Company Data

Cash dividends

Event	Approval	Description	Beginning of payment	Type of share	Class of share	Amount per share (Reais/share)
RCA	01/05/2017	Dividend	01/20/2017	ON (common shares)		0.21788

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Financial Position – Assets

(In thousands of Brazilian reais – R$)

Code	**Description**	**Current Year 12/31/2016**	**Prior Year 12/31/2015**	**Prior Year 12/31/2014**
1	Total assets	8,908,964	8,948,469	8,318,287
1.01	Current assets	791,016	1,795,763	1,792,189
1.01.01	Cash and cash equivalents	64,973	424,192	799,775
1.01.06	Taxes recoverable	82,836	72,885	49,070
1.01.06.01	Current taxes recoverable	82,836	72,885	49,070
1.01.08	Other current assets	643,207	1,298,686	943,344
1.01.08.03	Others	643,207	1,298,686	943,344
1.01.08.03.01	Other receivables	229	943	977
1.01.08.03.02	Derivatives	-	70,153	-
1.01.08.03.04	Dividends and interest on capital	642,978	1,227,590	942,367
1.02	Noncurrent assets	8,117,948	7,152,706	6,526,098
1.02.01	Long-term assets	250,625	211,432	234,239
1.02.01.06	Deferred taxes	171,073	140,389	150,628
1.02.01.06.02	Deferred tax assets	171,073	140,389	150,628
1.02.01.08	Receivables from related parties	52,582	2,814	12,089
1.02.01.08.02	Receivables from subsidiaries	52,582	2,814	12,089
1.02.01.09	Other noncurrent assets	26,970	68,229	71,522
1.02.01.09.04	Escrow deposits	710	630	546
1.02.01.09.07	Advance for future capital increase	-	52,680	55,157
1.02.01.09.10	Other receivables	26,260	14,919	15,819
1.02.02	Investments	7,866,100	6,940,036	6,290,998
1.02.02.01	Equity interests	7,866,100	6,940,036	6,290,998
1.02.02.01.02	Investments in subsidiaries	7,866,100	6,940,036	6,290,998
1.02.03	Property, plant and equipment	1,199	1,215	843
1.02.03.01	Intangible assets	1,199	1,215	843
1.02.04	Intangible assets	24	23	18
1.02.04.01	Other intangible assets	24	23	18

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Financial Position – Liabilities and Equity

(In thousands of Brazilian reais – R$)

Code	**Description**	**Current Year 12/31/2016**	**Prior Year 12/31/2015**	**Prior Year 12/31/2014**
2	Total liabilities	8,908,964	8,948,469	8,318,287
2.01	Current liabilities	255,755	1,206,708	1,338,488
2.01.02	Trade payables	3,760	1,157	790
2.01.02.01	Domestic suppliers	3,760	1,157	790
2.01.03	Taxes payable	454	747	1,859
2.01.03.01	Federal taxes	453	747	1,859
2.01.03.01.01	Income tax and social contribution	-	-	1,628
2.01.03.01.02	PIS (tax on revenue)	15	63	1
2.01.03.01.03	COFINS (tax on revenue)	90	391	3
2.01.03.01.04	Other federal taxes	348	293	227
2.01.03.03	Municipal taxes	1	-	-
2.01.03.03.01	Other municipal taxes	1	-	-
2.01.04	Borrowings	15,334	973,252	1,304,406
2.01.04.01	Borrowings	-	973,252	-
2.01.04.01.01	Local currency	-	330,164	-
2.01.04.01.02	Foreign currency	-	643,088	-
2.01.04.02	Debentures	15,334	-	1,304,406
2.01.04.02.01	Debentures	-	-	1,289,386
2.01.04.02.02	Interests on debentures	15,334	-	15,020
2.01.05	Other liabilities	236,207	231,552	31,433
2.01.05.02	Others	236,207	231,552	31,433
2.01.05.02.01	Dividends and interest on capital payable	218,630	212,531	13,555
2.01.05.02.04	Derivatives	-	981	-
2.01.05.02.07	Other liabilities	17,577	18,040	17,878
2.02	Noncurrent liabilities	683,188	67,565	36,264
2.02.01	Borrowings	612,251	-	-
2.02.01.02	Debentures	612,251	-	-
2.02.01.02.01	Debentures	612,251	-	-
2.02.02	Other liabilities	69,929	65,930	35,539
2.02.02.02	Others	69,929	65,930	35,539
2.02.02.02.05	Provision for equity interest losses	19,301	33,969	-
2.02.02.02.08	Other payables	50,628	31,961	35,539
2.02.04	Provisons	1,008	1,635	725
2.02.04.01	Tax, social security, labor and civil provisions	1,008	1,635	725
2.02.04.01.02	Social security and labor provisions	467	1,209	378

2.02.04.01.04	Civil provisions	541	426	347
2.03	Equity	7,970,021	7,674,196	6,943,535
2.03.01	Issued capital	5,741,284	5,348,312	4,793,424
2.03.02	Capital reserves	468,014	468,082	468,082
2.03.04	Earnings reserves	1,995,356	1,672,481	1,536,136
2.03.04.01	Legal reserve	739,103	694,058	650,811
2.03.04.02	Statutory reserve	1,248,433	978,423	885,325
2.03.04.08	Additional dividend proposed	7,820	-	-
2.03.08	Accumulated comprehensive income	(234,633)	185,321	145,893
2.03.08.01	Accumulated comprehensive income	(234,633)	185,321	145,893

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of income

(In thousands of Brazilian reais – R$)

Code	Description	Current Year 01/01/2016 to 12/31/2016	Prior Year 01/01/2015 to 12/31/2015	Prior Year 01/01/2014 to 12/31/2014
3.01	Revenue from sale of energy and/or services	1,713	1,157	61
3.03	Gross profit	1,713	1,157	61
3.04	Operating income (expenses)	871,501	897,040	985,010
3.04.02	General and administrative expenses	(50,860)	(29,911)	(26,175)
3.04.06	Share of profit (loss) of investees	922,361	926,951	1,011,185
3.05	Profit before finance income (costs) and taxes	873,214	898,197	985,071
3.06	Finance income (costs)	17,184	(22,948)	(25,464)
3.06.01	Finance income	70,878	74,854	117,855
3.06.02	Finance costs	(53,694)	(97,802)	(143,319)
3.07	Profit (loss) before taxes on income	890,398	875,249	959,607
3.08	Income tax and social contribution	10,487	(10,309)	(10,430)
3.08.01	Current	(20,197)	(70)	(23,266)
3.08.02	Deferred	30,684	(10,239)	12,836
3.09	Profit (loss) from continuing operations	900,885	864,940	949,177
3.11	Profit (loss) for the year	900,885	864,940	949,177
3.99.01.01	ON - common shares	0.89	0.85	0.96
3.99.02.01	ON - common shares	0.87	0.83	0.94

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Comprehensive Income

(In thousands of Brazilian reais – R$)

Code	Description	Current Year 01/01/2016 to 12/31/2016	Prior Year 01/01/2015 to 12/31/2015	Prior Year 01/01/2014 to 12/31/2014
4.01	Profit for the year	900,885	864,940	949,177
4.02	Other comprehensive income	(394,176)	65,548	(225,720)
4.02.01	Comprehensive income for the year of subsidiaries	(394,176)	65,548	(225,720)
4.03	Comprehensive income for the year	506,709	930,488	723,457

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Cash Flows – Indirect Method

(In thousands of Brazilian reais – R$)

Code	Description	Current year 01/01/2016 to 12/31/2016	Prior Year 01/01/2015 to 12/31/2015	Prior Year 01/01/2014 to 12/31/2014
6.01	Cash flows from operating activities	1,556,255	617,661	1,185,901
6.01.01	Cash generated from operations	11,049	44,553	91,513
6.01.01.01	Profit for the year, including income tax and social contribution	890,398	875,250	959,607
6.01.01.02	Depreciation and amortization	193	169	173
6.01.01.03	Provision for tax, civil and labor risks	425	1,497	640
6.01.01.04	Interest on debts, inflation adjusment and exchange rate changes	42,395	94,588	142,278
6.01.01.10	Share of profit (loss) of investees	(922,362)	(926,951)	(1,011,185)
6.01.02	Changes in assets and liabilities	1,545,206	573,108	1,094,388
6.01.02.02	Taxes recoverable	3,261	(12,350)	1,564
6.01.02.03	Escrow deposits	(37)	(48)	(444)
6.01.02.06	Dividends and interest on capital received	1,606,073	627,014	1,248,982
6.01.02.09	Other operating assets	(10,033)	933	(411)
6.01.02.10	Trade payables	2,603	366	(336)
6.01.02.12	Tax, civil and labor risks paid	(1,115)	(674)	(209)
6.01.02.14	Income tax and social contribution paid	(27,117)	(2,172)	(21,463)
6.01.02.16	Interest paid on debts	(45,470)	(36,858)	(138,599)
6.01.02.17	Other taxes and social contributions	(1,162)	804	(389)
6.01.02.19	Other operating liabilities	18,203	(3,907)	5,693
6.02	Net cash generated by (used in) investing activities	(1,426,698)	(532,392)	(389,988)
6.02.01	Purchases of property, plant and equipment	(573)	(535)	-
6.02.02	Securities, pledges and restricted deposits	(200)	-	-
6.02.04	Purchases of intangible assets	-	(12)	(13)
6.02.08	Intragroup loans	(41,405)	10,845	(2,822)
6.02.09	Advance for future capital increase	(1,384,520)	(52,680)	(27,153)
6.02.10	Capital increase in existing investment	-	(490,010)	(360,000)
6.03	Net cash generated by (used in) financing activities	(488,776)	(460,853)	(986,810)
6.03.01	Borrowings and debentures raised	609,060	829,997	-
6.03.02	Repayment of principal of borrowings and debentures	(888,408)	(1,290,000)	-
6.03.03	Dividends and interest on capital paid	(204,717)	(850)	(986,810)
6.03.06	Repayment of derivative instruments	(4,711)	-	-
6.05	Increase (decrease) in cash and cash equivalents	(359,219)	(375,584)	(190,897)
6.05.01	Cash and cash equivalents at the beginning of the year	424,192	799,775	990,672

6.05.02	Cash and cash equivalents at the end of the year	64,973	424,191	799,775

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Changes in Equity – from January 1, 2016 to December 31, 2016

(In thousands of Brazilian reais – R$)

Code	Description	Paid-in capital	Capital reserves, stock options and treasury stock	Earnings reserves	Retained earnings/accum losses
5.01	Opening balances	5,348,312	468,082	1,672,481	
5.03	Adjusted opening balances	5,348,312	468,082	1,672,481	
5.04	Capital transactions with shareholders	392,972	(68)	(385,152)	(2
5.04.01	Capital increase	392,972	-	(392,972)	
5.04.08	Prescribed dividend	-	-	-	
5.04.09	Dividend proposal approved	-	-	-	(2
5.04.10	Dividend proposed	-	-	7,820	
5.04.13	Capital increase in subsidiaries with no change in control	-	(68)	-	
5.05	Total comprehensive income	-	-	-	9
5.05.01	Profit for the year	-	-	-	9
5.05.02	Other comprehensive income	-	-	-	
5.06	Internal changes in equity	-	-	708,027	(6
5.06.01	Recognition of reserves	-	-	45,044	(
5.06.04	Equity on comprehensive income of subsidiaries	-	-	-	
5.06.08	Changes in statutory reserve in the year	-	-	662,983	(6
5.07	Closing balances	5,741,284	468,014	1,995,356	

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Changes in Equity – from January 1, 2015 to December 31, 2015

(In thousands of Brazilian reais – R$)

Code	Description	Paid-in capital	Capital reserves, stock options and treasury stock	Earnings reserves	Retained earnings/accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	4,793,424	468,082	1,536,136	-	145,892	6,943,534
5.03	Adjusted opening balances	4,793,424	468,082	1,536,136	-	145,892	6,943,534
5.04	Capital transactions with shareholders	554,888	-	(554,888)	(199,826)	-	(199,826)
5.04.01	Capital increase	554,888	-	(554,888)	-	-	-
5.04.08	Prescribed dividend	-	-	-	5,597	-	5,597
5.04.09	Dividend proposal approved	-	-	-	(205,423)	-	(205,423)
5.05	Total comprehensive income	-	-	-	864,940	65,548	930,488
5.05.01	Profit for the year	-	-	-	864,940	-	864,940
5.05.02	Other comprehensive income	-	-	-	-	65,548	65,548
5.06	Internal changes in equity	-	-	691,233	(665,114)	(26,119)	-

5.06.01	Recognition of reserves	-	-	43,247	(43,247)	-	-
5.06.05	Changes in statutory reserve in the year	-	-	647,986	(647,986)	-	-
5.06.09	Equity on comprehensive income of subsidiaries	-	-	-	26,119	(26,119)	-
5.07	Closing balances	5,348,312	468,082	1,672,481	-	185,321	7,674,196

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Changes in Equity – from January 1, 2014 to December 31, 2014

(In thousands of Brazilian reais – R$)

Code	**Description**	**Paid-in capital**	**Capital reserves, stock options and treasury stock**	**Earnings reserves**	**earning**
5.01	Opening balances	4,793,424	287,630	1,545,177	
5.03	Adjusted opening balances	4,793,424	287,630	1,545,177	
5.04	Capital transactions with shareholders	-	180,452	(567,802)	
5.04.08	Dividend proposal approved	-	-	(567,802)	
5.04.09	Prescribed dividend	-	-	-	
5.04.10	Interim dividend	-	-	-	
5.04.11	Capital increase in subsidiaries with no change in control	-	362	-	
5.04.12	Gain (loss) in participation with no change in control	-	(207)	-	
5.04.13	Business combination CPFL Renováveis / DESA	-	180,297	-	
5.05	Total comprehensive income	-	-	-	
5.05.01	Profit for the year	-	-	-	
5.05.02	Other comprehensive income	-	-	-	
5.05.02.03	Share of comprehensive income of subsidiaries and associates	-	-	-	
5.06	Internal changes in equity	-	-	558,760	
5.06.01	Recognition of reserves	-	-	47,459	
5.06.04	Changes in statutory reserve in the year	-	-	620,288	
5.06.05	Equity on comprehensive income of subsidiaries	-	-	-	
5.06.08	Realization/reversal of earnings retained investment	-	-	(108,987)	
5.07	Closing balances	4,793,424	468,082	1,536,135	

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Individual Financial Statements

Statement of Value Added

(In thousands of Brazilian reais – R$)

Code	**Description**	**Current Year 01/01/2016 to 12/31/2016**	**Prior Year 01/01/2015 to 12/31/2015**	**Prior Year 01/01/2014 to 12/31/2014**
7.01	Revenues	2,461	1,821	81
7.01.01	Sales of goods and services	1,888	1,274	78
7.01.03	Revenues related to construction of own assets	573	547	3
7.02	Inputs purchased from thrid parties	(13,305)	(10,322)	(7,701)
7.02.02	Materials, energy, third-party services and others	(11,045)	(7,825)	(5,081)
7.02.04	Others	(2,260)	(2,497)	(2,620)
7.03	Gross value added	(10,844)	(8,501)	(7,620)
7.04	Retentions	(194)	(169)	(173)
7.04.01	Depreciation, amortization and depletion	(194)	(169)	(173)
7.05	Wealth created by the Company	(11,038)	(8,670)	(7,793)
7.06	Wealth received in transfer	998,853	1,011,012	1,141,740
7.06.01	Share of profit (loss) of investees	922,362	926,950	1,011,185
7.06.02	Finance income	76,491	84,062	130,555
7.07	Total wealth for distribution	987,815	1,002,342	1,133,947
7.08	Wealth distributed	987,815	1,002,342	1,133,947
7.08.01	Personnel and charges	33,168	16,938	15,507
7.08.01.01	Salaries and wages	17,914	9,963	8,455
7.08.01.02	Benefits	13,978	5,987	6,257
7.08.01.03	FGTS (Severance Pay Fund)	1,276	988	795
7.08.02	Taxes, fees and contributions	483	28,424	25,807
7.08.02.01	Federal	443	28,394	25,782
7.08.02.02	State	40	30	25
7.08.03	Lenders and lessors	53,279	92,040	143,456
7.08.03.01	Interest	53,229	91,918	143,318
7.08.03.02	Rentals	50	122	138
7.08.04	Shareholders	900,885	864,940	949,177
7.08.04.02	Dividends	192,857	173,708	281,430
7.08.04.03	Retained earnings / Loss for the year	708,028	691,232	667,747

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Financial Position – Assets

(In thousands of Brazilian reais – R$)

Code	**Description**	**Current Year 12/31/2016**	**Prior Year 12/31/2015**	**Prior Year 12/31/2014**
1	Total assets	42,170,992	40,532,471	35,144,436
1.01	Current assets	11,379,187	12,508,652	9,214,704
1.01.01	Cash and cash equivalents	6,164,997	5,682,802	4,357,455
1.01.02	Financial investments	449	23,633	5,323
1.01.02.02	Financial investments at amortized cost	449	23,633	5,323
1.01.02.02.01	Held-to-maturity securities	449	23,633	5,323
1.01.03	Trade receivables	3,765,893	3,174,918	2,251,124
1.01.03.01	Consumers	3,765,893	3,174,918	2,251,124
1.01.06	Taxes recoverable	403,848	475,211	329,638
1.01.06.01	Current taxes recoverable	403,848	475,211	329,638
1.01.08	Other current assets	1,044,000	3,152,088	2,271,164
1.01.08.03	Others	1,044,000	3,152,088	2,271,164
1.01.08.03.01	Other receivables	777,450	946,671	1,030,001
1.01.08.03.02	Derivatives	163,241	627,493	23,260
1.01.08.03.03	Leases	19,281	12,883	12,395
1.01.08.03.04	Dividends and interest on capital	73,328	91,392	54,483
1.01.08.03.05	Concession financial asset	10,700	9,630	540,094
1.01.08.03.06	Sector financial asset	-	1,464,019	610,931
1.02	Noncurrent assets	30,791,805	28,023,819	25,929,732
1.02.01	Long-term assets	8,809,442	8,392,634	6,751,305
1.02.01.03	Trade receivables	203,185	128,946	123,405
1.02.01.03.01	Consumers	203,185	128,946	123,405
1.02.01.06	Deferred taxes	922,858	334,886	938,496
1.02.01.06.02	Deferred tax assets	922,858	334,886	938,496
1.02.01.08	Receivables from related parties	47,632	84,265	100,666
1.02.01.08.03	Receivables from owners of the Company	47,632	84,265	100,666
1.02.01.09	Other noncurrent assets	7,635,767	7,844,537	5,588,738
1.02.01.09.03	Derivatives	641,357	1,651,260	584,917
1.02.01.09.04	Escrow deposits	550,072	1,227,527	1,162,477
1.02.01.09.05	Taxes recoverable	198,286	167,159	144,383
1.02.01.09.06	Leases	50,541	34,504	35,169
1.02.01.09.07	Concession financial asset	5,363,144	3,597,474	2,834,522
1.02.01.09.09	Investments at cost	116,654	116,654	116,654

1.02.01.09.10	Other receivables	715,713	560,014	388,828
1.02.01.09.11	Sector financial asset	-	489,945	321,788
1.02.02	Investments	1,493,752	1,247,631	1,098,769
1.02.02.01	Equity interests	1,493,752	1,247,631	1,098,769
1.02.02.01.04	Other equity interests	1,493,752	1,247,631	1,098,769
1.02.03	Property, plant and equipment	9,712,998	9,173,217	9,149,486
1.02.03.01	PP&E - in service	9,462,696	8,499,051	8,761,398
1.02.03.03	PP&E - in progress	250,302	674,166	388,088
1.02.04	Intangible assets	10,775,613	9,210,337	8,930,172
1.02.04.01	Intangible assets	10,775,613	9,210,337	8,930,172

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Financial Position – Liabilities and Equity

(In thousands of Brazilian reais – R$)

Code	**Description**	**Current Year 12/31/2016**	**Prior Year 12/31/2015**	**Prior Year 12/31/2014**
2	Total liabilities	42,170,992	40,532,471	35,144,436
2.01	Current liabilities	9,018,493	9,524,873	7,417,104
2.01.01	Payroll and related taxes	131,707	79,924	70,251
2.01.01.02	Payroll taxes	131,707	79,924	70,251
2.01.01.02.01	Estimated payroll	131,707	79,924	70,251
2.01.02	Trade payables	2,728,131	3,161,210	2,374,147
2.01.02.01	Domestic suppliers	2,728,131	3,161,210	2,374,147
2.01.03	Taxes payable	681,544	653,342	436,267
2.01.03.01	Federal taxes	260,607	265,126	166,527
2.01.03.01.01	Income tax and social contribution	57,227	43,249	57,547
2.01.03.01.02	PIS (tax on revenue)	28,759	33,199	15,096
2.01.03.01.03	COFINS (tax on revenue)	126,939	159,317	69,701
2.01.03.01.04	Other federal taxes	47,682	29,361	24,183
2.01.03.02	State taxes	416,102	384,151	266,493
2.01.03.02.01	ICMS (state VAT)	416,096	384,151	266,493
2.01.03.02.02	State taxes - other	6	-	-
2.01.03.03	Municipal taxes	4,835	4,065	3,247
2.01.03.03.01	Other municipal taxes	4,835	4,065	3,247
2.01.04	Borrowings	3,422,923	3,640,314	3,526,208
2.01.04.01	Borrowings	1,875,648	2,949,922	1,191,025
2.01.04.01.01	In local currency	1,260,527	1,287,278	1,047,191
2.01.04.01.02	In foreign currency	615,121	1,662,644	143,834
2.01.04.02	Debentures	1,547,275	690,392	2,335,183
2.01.04.02.01	Debentures	1,242,095	458,165	2,042,075
2.01.04.02.02	Interest on debentures	305,180	232,227	293,108
2.01.05	Other liabilities	2,054,188	1,990,083	1,010,231
2.01.05.02	Others	2,054,188	1,990,083	1,010,231
2.01.05.02.01	Dividends and interest on capital payable	232,851	221,855	19,086
2.01.05.02.04	Derivatives	6,055	981	38
2.01.05.02.05	Private pension plan	597,515	-	21,998
2.01.05.02.06	Regulatory charges	10,857	9,457	4,000
2.01.05.02.07	Use of public asset	807,623	904,971	835,940

2.01.05.02.08	Other payables	366,078	852,017	43,795
2.01.05.02.09	Sector financial liability	33,209	802	85,374
2.02	Noncurrent liabilities	22,779,831	20,877,460	18,330,004
2.02.01	Borrowings	18,621,065	18,092,904	15,623,751
2.02.01.01	Borrowings	11,168,393	11,712,865	9,487,351
2.02.01.01.01	In local currency	6,293,533	6,438,701	6,192,973
2.02.01.01.02	In foreign currency	4,874,860	5,274,164	3,294,378
2.02.01.02	Debentures	7,452,672	6,380,039	6,136,400
2.02.01.02.01	Debentures	7,423,519	6,363,553	6,136,400
2.02.01.02.02	Interest on debentures	29,153	16,486	-
2.02.02	Other liabilities	2,001,356	782,427	797,093
2.02.02.02	Others	2,001,356	782,427	797,093
2.02.02.02.03	Derivatives	129,781	633	633
2.02.02.02.04	Private pension plan	1,019,233	474,318	518,386
2.02.02.02.05	Taxes, fees and contributions	112,207	33,205	13,317
2.02.02.02.06	Sector financial liability	317,406	-	-
2.02.02.02.07	Use of public asset	86,624	83,124	80,992
2.02.02.02.08	Other payables	309,292	191,147	183,765
2.02.02.02.09	Federal taxes	26,813	-	-
2.02.03	Deferred taxes	1,324,134	1,432,594	1,401,009
2.02.03.01	Deferred income tax and social contribution	1,324,134	1,432,594	1,401,009
2.02.04	Provisions	833,276	569,535	508,151
2.02.04.01	Tax, social security, labor and civil provisions	833,276	569,535	508,151
2.02.04.01.01	Tax provisions	288,389	184,362	171,119
2.02.04.01.02	Social security and labor provisions	222,001	171,990	125,641
2.02.04.01.04	Civil provisions	236,915	194,530	185,741
2.02.04.01.05	Others	85,971	18,653	25,650
2.03	Consolidated equity	10,372,668	10,130,138	9,397,328
2.03.01	Issued capital	5,741,284	5,348,312	4,793,424
2.03.02	Capital reserves	468,015	468,082	468,082
2.03.04	Earnings reserves	1,995,355	1,672,481	1,536,136
2.03.04.01	Legal reserve	739,102	694,058	650,811
2.03.04.02	Statutory reserve	1,248,433	978,423	885,325
2.03.04.08	Additional dividend proposed	7,820	-	-
2.03.08	Other comprehensive income	(234,634)	185,321	145,892
2.03.09	Noncontrolling interests	2,402,648	2,455,942	2,453,794

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of income

(In thousands of Brazilian reais – R$)

Code	Description	Current Year 01/01/2016 to 12/31/2016	Prior Year 01/01/2015 to 12/31/2015	Prior Year 01/01/2014 to 12/31/2014
3.01	Revenue from sale of energy and/or services	19,112,089	20,599,212	17,399,196
3.02	Cost of sales and/or services	(14,806,069)	(16,268,045)	(13,261,541)
3.02.01	Cost of electric energy	(11,200,242)	(13,311,747)	(10,643,130)
3.02.02	Cost of operation	(2,248,795)	(1,907,198)	(1,672,359)
3.02.03	Cost of services rendered to third parties	(1,357,032)	(1,049,100)	(946,052)
3.03	Gross profit	4,306,020	4,331,167	4,137,655
3.04	Operating income (expenses)	(1,471,999)	(1,468,851)	(1,444,643)
3.04.01	Selling expenses	(547,251)	(464,583)	(402,698)
3.04.02	General and administrative expenses	(849,416)	(863,499)	(773,630)
3.04.05	Other operating expenses	(386,745)	(357,654)	(327,999)
3.04.06	Share of profit (loss) of investees	311,413	216,885	59,684
3.05	Profit before finance income (costs) and taxes	2,834,021	2,862,316	2,693,012
3.06	Finance income (costs)	(1,453,474)	(1,407,863)	(1,182,708)
3.06.01	Finance income	1,200,503	1,143,247	785,795
3.06.02	Finance costs	(2,653,977)	(2,551,110)	(1,968,503)
3.07	Profit (loss) before taxes on income	1,380,547	1,454,453	1,510,304
3.08	Income tax and social contribution	(501,490)	(579,176)	(623,861)
3.08.01	Current	(867,198)	(12,860)	(466,021)
3.08.02	Deferred	365,708	(566,316)	(157,840)
3.09	Profit (loss) from continuing operations	879,057	875,277	886,443
3.11	Consolidated profit (loss) for the year	879,057	875,277	886,443
3.11.01	Attributable to owners of the Company	900,885	864,940	949,177
3.11.02	Attributable to noncontrolling interests	(21,828)	10,337	(62,734)

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Comprehensive Income

(In thousands of Brazilian reais – R$)

Code	Description	Current Year 01/01/2016 to 12/31/2016	Prior Year 01/01/2015 to 12/31/2015	Prior Year 01/01/2014 to 12/31/2014
4.01	Consolidated profit for the year	879,057	875,277	886,443
4.02	Other comprehensive income	(394,175)	65,548	(225,719)
4.02.03	Actuarial gains (losses), net of tax effects	(394,175)	65,548	(225,719)
4.03	Consolidated comprehensive income for the year	484,882	940,825	660,724
4.03.01	Attributtable to owners of the Company	506,709	930,488	723,457
4.03.02	Attributable to noncontrolling interests	(21,827)	10,337	(62,733)

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Cash Flows – Indirect Method

(In thousands of Brazilian reais – R$)

Code	**Description**	**YTD Current Year 01/01/2016 to 12/31/2016**	**YTD Prior Year 01/01/2015 to 12/31/2015**	**YTD Prior Year 01/01/2014 to 12/31/2014**
6.01	Cash flows from operating activities	4,634,026	2,557,974	1,592,573
6.01.01	Cash generated from operations	5,015,992	4,551,471	4,462,978
6.01.01.01	Profit for the year, including income tax and social contribution	1,380,547	1,454,454	1,510,304
6.01.01.02	Depreciation and amortization	1,291,165	1,279,902	1,159,964
6.01.01.03	Provision for tax, civil and labor risks	228,292	258,539	191,228
6.01.01.04	Interest on debts, inflation adjustment and exchange rate changes	2,052,959	1,519,819	1,486,061
6.01.01.05	Private pension plan	76,638	60,184	48,165
6.01.01.06	Loss on disposal of noncurrent assets	83,576	16,309	20,726
6.01.01.07	Deferred taxes - PIS and COFINS	(8,579)	19,138	24,946
6.01.01.08	Others	(1,832)	(5,824)	(2,431)
6.01.01.09	Allowance for doubtful debts	176,349	126,879	83,699
6.01.01.10	Share of profit (loss) of investees	(311,414)	(216,885)	(59,684)
6.01.01.11	Impairment	48,291	38,956	-
6.01.02	Changes in assets and liabilities	(381,966)	(1,993,497)	(2,870,405)
6.01.02.01	Consumers, concessionaires and licensees	(205,828)	(1,055,143)	(265,103)
6.01.02.02	Taxes recoverable	128,453	(62,041)	(134)
6.01.02.04	Escrow deposits	756,171	22,827	65,732
6.01.02.05	Sector financial asset	2,494,223	(858,860)	(932,719)
6.01.02.16	Dividends and interest on capital received	83,356	24,050	40,374
6.01.02.06	Receivables - Eletrobrás	186,052	181,141	(352,379)
6.01.02.08	Concession financial assets (transmission companies)	(55,134)	(44,244)	(62,299)
6.01.02.07	Other operating assets	265,404	(82,279)	20,634
6.01.02.08	Trade payables	(782,963)	787,063	470,982
6.01.02.13	Regulatory charges	(514,935)	808,223	11,415
6.01.02.15	Tax, civil and labor risks paid	(216,998)	(247,512)	(188,000)
6.01.02.18	Payables - CDE	(70,907)	19,696	25,807
6.01.02.09	Income tax and social contribution paid	(875,883)	(276,061)	(552,070)
6.01.02.17	Sector financial liability	288,144	(23,170)	21,998
6.01.02.12	Interest paid on debts and debentures	(1,570,985)	(1,595,649)	(1,333,570)

6.01.02.10	Other taxes and social contributions	(63,986)	412,703	193,357
6.01.02.11	Other liabilities with private pension plan	(77,183)	(112,172)	(118,897)
6.01.02.14	Other operating liabilities	(148,967)	107,931	84,467
6.02	Net cash generated by (used in) investing activities	(3,815,219)	(1,524,894)	(933,007)
6.02.02	Purchases of property, plant and equipment	(1,026,867)	(550,003)	(345,049)
6.02.03	Securities, pledges and restricted deposits	(125,517)	(147,914)	(7,839)
6.02.11	Payment of amount for business combination	-	10,454	-
6.02.05	Purchases of intangible assets	(1,211,082)	(877,793)	(716,818)
6.02.07	Sale of noncurrent assets	-	10,586	43,024
6.02.12	Intragroup loans	44,922	29,776	949
6.02.13	Capital increase in existing investments			(45,445)
6.02.14	Business combination, net of cash acquired	(1,496,675)	-	70,829
6.02.15	Repayment of advances to suppliers	-	-	67,342
6.03	Net cash generated by (used in) financing activities	(336,612)	292,267	(508,533)
6.03.01	Borrowings and debentures raised	3,774,355	4,532,167	3,186,384
6.03.02	Repayment of principal of borrowings and debentures	(4,016,693)	(4,037,685)	(2,559,771)
6.03.03	Dividends and interest on capital paid	(231,749)	(5,204)	(1,016,641)
6.03.08	Capital increase by noncontrolling interests	467	7	1,123
6.03.04	Business combination payment	(21,234)	(61,709)	-
6.03.06	Repayment of derivative instruments	158,242	(135,309)	(119,628)
6.05	Increase (decrease) in cash and cash equivalents	482,195	1,325,347	151,033
6.05.01	Cash and cash equivalents at the beginning of the year	5,682,802	4,357,455	4,206,422
6.05.02	Cash and cash equivalents at the end of the year	6,164,997	5,682,802	4,357,455

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Changes in Equity – from January 1, 2016 to December 31, 2016

(In thousands of Brazilian reais – R$)

Code	Description	Paid-in capital	Capital reserves, stock options and treasury stock	Earnings reserves	Reta earnings/ac loss
5.01	Opening balances	5,348,312	468,082	1,672,481	
5.03	Adjusted opening balances	5,348,312	468,082	1,672,481	
5.04	Capital transactions with shareholders	392,972	(68)	(385,152)	
5.04.01	Capital increase	392,972	-	(392,972)	
5.04.08	Prescribed dividends	-	-	-	
5.04.09	Dividend proposed	-	-	7,820	
5.04.10	Dividend proposal approved	-	-	-	
5.04.13	Capital increase in subsidiaries with no change in control	-	(68)	-	
5.05	Total comprehensive income	-	-	-	
5.05.01	Profit for the year	-	-	-	
5.05.02	Other comprehensive income	-	-	-	
5.06	Internal changes in equity	-	-	708,027	
5.06.01	Recognition of reserves	-	-	45,044	
5.06.05	Changes in statutory reserve in the year	-	-	662,983	
5.06.06	Realization of deemed cost of property, plant and equipment	-	-	-	
5.06.07	Tax on realization of deemed cost	-	-	-	
5.06.09	Other changes in noncontrolling interests	-	-	-	
5.07	Closing balances	5,741,284	468,014	1,995,356	

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Changes in Equity – from January 1, 2015 to December 31, 2015

(In thousands of Brazilian reais – R$)

Code	Description	Paid-in capital	Capital reserves, stock options and treasury stock	Earnings reserves	Retained earnings/ accumulated losses	Other comprehensive income	Equity	Noncontrolling interests	C
5.01	Opening balances	4,793,424	468,082	1,536,136	-	145,892	6,943,534	2,453,795	
5.03	Adjusted opening balances	4,793,424	468,082	1,536,136	-	145,892	6,943,534	2,453,795	
5.04	Capital transactions with shareholders	554,888	-	(554,888)	(199,826)	-	(199,826)	(8,140)	
5.04.01	Capital increase	554,888	-	(554,888)	-	-	-	-	
5.04.08	Prescribed dividends	-	-	-	5,597	-	5,597	-	
5.04.09	Dividend proposal approved	-	-	-	(205,423)	-	(205,423)	(8,147)	
5.04.10	Capital increase in subsidiaries with no change in control	-	-	-	-	-	-	7	
5.05	Total comprehensive income	-	-	-	864,940	65,548	930,488	10,337	
5.05.01	Profit for the year	-	-	-	864,940	-	864,940	10,337	
5.05.02	Other comprehensive	-	-	-	-	65,548	65,548	-	

	income							
5.06	Internal changes in equity	-	-	691,233	(665,114)	(26,119)	-	(50)
5.06.01	Recognition of reserves	-	-	43,247	(43,247)	-	-	-
5.06.05	Changes in statutory reserve in the year	-	-	647,986	(647,986)	-	-	-
5.06.06	Realization of deemed cost of property, plant and equipment	-	-	-	39,574	(39,574)	-	-
5.06.07	Tax on realization of deemed cost	-	-	-	(13,455)	13,455	-	-
5.06.09	Other changes in noncontrolling interests	-	-	-	-	-	-	(50)
5.07	Closing balances	5,348,312	468,082	1,672,481	-	185,321	7,674,196	2,455,942

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Consolidated Financial Statements

Statement of Changes in Equity – from January 1, 2014 to December 31, 2014

(In thousands of Brazilian reais – R$)

Code	Description	Paid in capital	Cap rese sto opti ar trea sto
5.01	Opening balances	4,793,424	28
5.03	Adjusted opening balances	4,793,424	28
5.04	Capital transactions with shareholders	-	18
5.04.08	Prescribed dividends	-	
5.04.09	Interim dividends	-	
5.04.10	Dividend proposal approved	-	
5.04.11	Redemption of capital reserve of non-controlling shareholders	-	
5.04.13	Capital increase in subsidiaries with no change in control	-	
5.04.14	Gain (loss) in participation with no change in control	-	
5.04.15	Business combination CPFL Renováveis / DESA	-	18
5.04.16	Business combination CPFL Renováveis / DESA effect of non-controlling of subsidiary	-	
5.05	Total comprehensive income	-	
5.05.01	Profit for the year	-	
5.05.02	Other comprehensive income	-	
5.05.02.06	Other comprehensive income: actuarial gains	-	
5.06	Internal changes in equity	-	
5.06.01	Recognition of reserves	-	
5.06.05	Changes in statutory reserve in the year	-	
5.06.06	Realization of deemed cost of property, plant and equipment	-	
5.06.07	Tax on realization of deemed cost	-	
5.06.08	Realization/reversal of earnings retained investment	-	
5.07	Closing balances	4,793,424	46

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Consolidated Financial Statements

Statement of Value Added

(In thousands of Brazilian reais – R$)

Code	**Description**	**Current Year 01/01/2016 to 12/31/2016**	**Prior Year 01/01/2015 to 12/31/2015**	**Prior Year 01/01/2014 to 12/31/2014**
7.01	Revenues	31,664,675	34,770,704	23,150,426
7.01.01	Sales of goods and services	29,430,560	33,255,632	21,944,635
7.01.02	Other revenues	1,354,022	1,046,669	944,997
7.01.02.01	Revenue from construction of distribution infrastructure	1,354,022	1,046,669	944,997
7.01.03	Revenues related to construction of own assets	1,056,442	595,282	344,492
7.01.04	Recognition (reversal) of allowance for doubtful debts	(176,349)	(126,879)	(83,698)
7.02	Inputs purchased from third parties	(16,150,083)	(17,590,769)	(14,092,481)
7.02.01	Cost of sales and services	(12,452,018)	(14,749,957)	(11,780,445)
7.02.02	Materials, energy, third-party services and others	(3,063,363)	(2,238,817)	(1,866,059)
7.02.04	Others	(634,702)	(601,995)	(445,977)
7.03	Gross value added	15,514,592	17,179,935	9,057,945
7.04	Retentions	(1,293,924)	(1,281,726)	(1,160,714)
7.04.01	Depreciation, amortization and depletion	(1,038,814)	(979,062)	(875,696)
7.04.02	Others	(255,110)	(302,664)	(285,018)
7.04.02.01	Amortization of concession intangible asset	(255,110)	(302,664)	(285,018)
7.05	Wealth created by the Company	14,220,668	15,898,209	7,897,231
7.06	Wealth received in transfer	1,609,777	1,446,644	858,286
7.06.01	Share of profit (loss) of investees	311,414	216,885	59,684
7.06.02	Finance income	1,298,363	1,229,759	798,602
7.07	Total wealth for distribution	15,830,445	17,344,853	8,755,517
7.08	Wealth distributed	15,830,445	17,344,853	8,755,517
7.08.01	Personnel and charges	1,073,119	905,103	814,979
7.08.01.01	Salaries and wages	660,138	562,082	500,471
7.08.01.02	Benefits	359,604	298,738	275,322
7.08.01.03	FGTS (Severance Pay Fund)	53,377	44,283	39,186
7.08.02	Taxes, fees and contributions	11,066,274	12,910,440	5,044,466

7.08.02.01	Federal	6,109,701	8,207,474	1,916,922
7.08.02.02	State	4,938,832	4,688,978	3,109,743
7.08.02.03	Municipal	17,741	13,988	17,801
7.08.03	Lenders and lessors	2,811,995	2,654,033	2,009,629
7.08.03.01	Interest	2,743,600	2,600,948	1,942,906
7.08.03.02	Rentals	68,395	53,085	46,929
7.08.03.03	Others	-	-	19,794
7.08.04	Shareholders	879,057	875,277	886,443
7.08.04.02	Dividends	143,379	164,227	208,673
7.08.04.03	Retained earnings / Loss for the year	735,678	711,050	677,770

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Management Report

Dear Shareholders,

In compliance with the law and the Bylaws of CPFL Energia S.A. (“CPFL Energia” or “Company”), the Management of the Company hereby submits to you the Management Report and financial statements of the Company, along with the reports of the independent auditor and fiscal council for the fiscal year ended December 31, 2016. All comparisons herein are made with consolidated figures for fiscal year 2015, except when specified otherwise.

1. Opening remarks

The year 2016 was marked by great changes to CPFL Energia. After a three-month transition period, Andre Dorf took over as the Group´s CEO on July 1st, replacing Wilson Ferreira Junior, with the challenge of leading the new growth phase and make sure that processes and systems are increasingly simpler and more efficient, in order to make the Company more agile, so that we continue to face the challenges and seize the opportunities for growth and value creation.

On June 16, CPFL Energia announced that it has executed a Share Purchase and Sale Agreement with AES Guaíba II Empreendimentos Ltda. (“AES Guaíba”) that provides for the acquisition by CPFL Energia of the totality of the shares issued by AES Sul Distribuidora Gaúcha de Energia S.A. (“AES Sul”),resuming the process of consolidation of the sector. On October 31, with the conclusion of the acquisition, AES Sul was renamed RGE Sul Distribuidora de Energia S.A. (“RGE Sul”), a distribution company that serves approximately 1.3 million clients in 118 cities in the state of Rio Grande do Sul. With this step, CPFL Energia increased its scale and footprint in the state of Rio Grande do Sul, serving 382 cities and reaching a market share of 65%. In Brazil, CPFL Energia now enjoy a market share of over 14% of the distribution segment, serving around 9 million clients through 9 concessionaires in the Southern and Southeastern regions. CPFL took charge of the RGE Sul’s management on November 1st, and its plans include investments of around R$ 1.0 billion in the period 2017-2019, aiming to implement CPFL standards in services and to comply with the improvement plan set by ANEEL.

Still in 2016, in early July, CPFL Energia was informed by one of its controlling shareholders, Camargo Corrêa S.A., that the latter had received and accepted a proposal from the State Grid Corporation of China ("State Grid") to acquire its interest in the Company´s controlling block for R$25.00 per share. On September 2, the final share purchase agreement (SPA) was entered into between State Grid and Camargo Corrêa. In sequence, the proposal was extended to other controlling shareholders, which decided, over the course of September, to join Camargo Corrêa and sell their interest.

The transaction had all applicable approvals and was concluded in January 23, 2017, when State Grid Brazil became the controlling shareholder of CPFL Energia, with a 54.64% stake. As a result of the closing of the transaction that resulted in the direct change of control of CPFL Energia in the indirect change of the control of CPFL Energias Renováveis S.A. ("CPFL Renováveis") and in accordance with applicable regulation, State Grid Brazil will perform tender offer for the remaining outstanding common shares of CPFL Energia and CPFL Renováveis. According to the Material Facts released by both companies on February 23, 2017, State Grid has filed the Unified Offer documentation with CVM, on February 22, 2017; the registration is now under analysis by CVM.

In the midst of these changes, CPFL Energia followed its growth path. In 2016, new renewable energy projects went into operation: in May, it was the turn of SHPP Mata Velha, with 24 MW of installed capacity, while the Campo dos Ventos and São Benedito Wind Complexes had a gradual start-up during the year, being concluded in December, totaling 231 MW of installed capacity.

Still in generation segment, with regard to the hydrological risk (GSF), renegotiation of the Baesa power plant (Energética Barra Grande Energia) was concluded, protecting the plant from 100% of the effects of GSF until the end of its regulated agreements. The remaining power plants had already renegotiated in 2015. The strategy of renegotiating this risk is aimed at returning the predictability and stability of cash flows to hydroelectric generators.

In the distribution segment, the Company continued to suffer from the economic recession, which affected the power consumption in the concession area. Despite the acqusition of RGE Sul as of November, sales in Group CPFL´s concession area contracted 1.0%. Disregarding the effect of the acquisition of RGE Sul, it would be a 3.5% drop, with 0.7%, 3.7% and 7.6% decreases respectively for residential, commercial and industrial segments. Unfavorable macroeconomic scenario also influenced delinquency levels, leading the Company to intensify its collections actions, increasing by more than 50% the number of disconnections, collections efforts and reporting to credit bureaus, among other actions.

In the financial sphere, it is important to notice that the reduction in leverage, which reached the level of 3.21x net debt/EBITDA by the end of 2016, reflecting not only the improved results, but also the consistent monetization of sectoral financial assets throughout the year. On the other hand, the acquisition of RGE Sul pressed this indicator.

It should also be noted that six of the nine distribution companies - CPFL Piratininga, CPFL Santa Cruz, CPFL Leste Paulista, CPFL Sul Paulista, CPFL Mococa and CPFL Jaguari – are already in the 4th cycle of Tariff Revision, benefiting from the investments made in the previous cycle and the better conditions offered by the new cycle.

The overcontracted position of Brazilian distribution companies, a regulatory theme of great importance, was widely discussed among agents in 2016 and many advances have already been obtained. Several measures have been taken in order to mitigate the surpluses and define their involuntary character, such as the treatment of involuntary surplus from quotas, the feasibility of bilateral agreements between generation and distribution companies, the New Energy MCSD (Surplus and Deficit Compensation Mechanism) and changes in the rules for auctions.

Law 13,360/2016 also implemented important changes to the power sector, creating impacts and opportunities for its various business segments. The safety of a solid regulatory framework is essential for the power sector to resume investments and deliver sustainable growth in the long term.

In this moment of transition for the Company and the power sector, the arrival of State Grid strengthens the growth strategy of CPFL Energia, as well as its protagonism in the Brazilian power sector. State Grid brings the confidence that CPFL will reinforce its leadership in the segments in which it operates. State Grid´s solid financial situation strengthens the Group´s credit profile and enhances funding possibilities for new projects and acquisitions. Therefore, we have a business platform prepared to seize new market opportunities.

SHAREHOLDERS' STRUCTURE (simplified)

CPFL Energia is a holding company that owns stake in other companies. The reference date of the shareholders' structure below is December 31, 2016, therefore before the conclusion of the acquisition of Camargo Corrêa, Previ and Bonaire holdings in CPFL Energia by State Grid, which occurred on January 23, 2017:

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Reference date: 12/31/2016

Notes:

(1) Controlling shareholders;

(2) % of bound shares by the controlling shareholders;

(3) 51.54% stake of the availability of power and energy of Serra da Mesa HPP, regarding the Power Purchase Agreement between CPFL Geração and Furnas;

(4) CPFL Energia holds a stake in RGE Sul through the CPFL Jaguariúna.

2. Comments on the macroeconomic and regulatory scenario

MACROECONOMIC SCENARIO

Despite the frustration caused by the level of economic activity in 2015, the global results in 2016 were more promising, especially in the second half of the year. Though below potential, the Purchasing Managers’ Index (PMI) pointed to acceleration in major advanced economies, supported mainly by drawdowns in inventories and a recovery in manufacturing. The slight improvement in advanced economies and the results in line with expectations in China transformed lackluster economic indicators into more promising expectations for 2017 and 2018.

The change in administration in the United States and the associated developments are the main source of uncertainty in the external scenario. In the near term, the fiscal stimulus promised by the new administration could increase private-sector confidence and create expectations of a less gradual monetary adjustment, potentially leading to higher interest rates and a stronger U.S. dollar. On the other hand, the risks posed by protectionism and political isolationism persist, which, if followed through on, could adversely affect international trade and the world economy, while disrupting global financial conditions and weighing on the performance of emerging nations.

The IMF is forecasting world economic growth in 2017 and 2018 of 3.4% and 3.6%, respectively, which are above the forecast of 3.1% for 2016, driven by potential recoveries in emerging and developing economies.

In 2016, the Brazilian economy continued to be castigated by political instability, the ongoing fiscal adjustment and weak economic activity indicators. Such negative results have led the country's GDP to contract by 7.3% over the past two years. Industrial production fell 6.6%[1] in 2016, generating unemployment and losses in important industrial chains, such as the automotive and metal-mechanical sectors. In 2017, industrial production is expected to improve only slightly, driven primarily by the extractive industry (oil and iron ore).

The negative effects from the crisis were also widely felt in the labor market, with approximately 3 million formal jobs[2] eliminated and sharp drops in household income and mounting unemployment. The lag between job and income indicators in relation to the economic cycle is responsible for a third straight year of declines in income levels, which penalizes the contribution from consumer spending to economic growth.

Despite this ongoing climate of uncertainty, especially in the political scenario, the inflation forecast is calling for meeting the center of the target for 2017[3] defined by the government, the central bank's Monetary Policy Committee (Copom) is expected to carry out a substantial cumulative cut in the basic interest rate in the year, which would stimulate economic activity and provide relief for the high levels of private-sector debt.

Based on this scenario of weak economic activity and challenges for a recovery in growth, the consensus forecasts are calling for GDP growth of 0.5% in 2017[3] and 2.4% in 2018[3].

REGULATORY ENVIRONMENT

Overcontracted position

The year 2016 was marked by major advances in sector regulation in order to increase flexibility and management of the distribution companies´ overcontracted position. There were several and continuous negotiations between distribution companies, ABRADEE, ANEEL, CCEE, EPE and MME to mitigate part of these surpluses and for the correct understanding of their involuntary character, among which:

- Normative Resolution n. 706/16, which defined more precisely the volume and treatment of involuntary surpluses arising from the process of allocation of physical guarantee quotas;

- Normative Resolution n. 711/16, which allowed the celebration of bilateral agreements, more quickly, among distribution and generation companies in order to reduce or revoke their CCEARs;

- Normative Resolution n. 726/16, which allowed distribution companies to reduce, for future existing energy auctions, the surpluses arising from the migration of special consumers to the free market;

- Normative Resolution n. 727/16, which provided advances in New Energy MCSD, with the insertion of new products for the current year, for the following year and for the years prior to the delivery of energy from A-3 and A-5 auctions, in addition to allowing the reduction of CCEARs among distribution and generation companies in case of high overcontracted positions;

- Decree n. 8,828/16, which exempt distribution companies with surpluses in year A-1 from contract the minimum limit (96% of replacement amount) in these auctions;

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[1] Brazilian Institute of Geography and Statistics (IBGE).

[2] General Registry of Employed and Unemployed Populations (CAGED).

[3] Market Readout (*Focus*) – March 3, 2017.

- Law n. 13,360/16, which provides a legal prediction for an auction to sell contractual surpluses of distribution companies to the free market, only pending ANEEL and MME regulation.

ABRACE Injunction

The significant increase in the CDE quota in 2015 was disputed in court by several associations. By means of preliminary injunction, ABRACE obtained the suspension of payment, by its members, of the controversial portion of the CDE tariff charge, as well as a change in the method of apportionment of the balance amounts in the budget. The injunction led to a tariff increase for other consumers during 2016, since there was no reduction in the quota to be paid by the distribution companies.

However, as of June 2016, in face of the growing number of lawsuits challenging the CDE charge, ANEEL, through Dispatch 1,576/16, altered the system of compensation for revenue deficits caused by the CDE injunctions, allowing distribution companies to have the right of offset amounts not billed at their respective quotas of CDE Charge. On the other hand, Eletrobras should reduce transfers from the fund to the beneficiaries in the proportion of the reduction of revenues referring to the items challenged by the injuctions. This decision represented a tariff decrease in tariff adjustment processes carried out in the second half of 2016.

ELECTRICITY TARIFFS AND PRICES

Distribution Segment

Annual Tariff Adjustment (ATA):

The following distribution companies had tariffs adjusted as below:

Ratifying Resolution	2,056	2,059	2,082	2,157
Adjustment	**9.89%**	**3.94%**	**-1.48%**	**-12.54%**
Parcel A	-2.06%	-3.75%	-2.98%	-7.02%
Parcel B	1.78%	1.86%	2.31%	1.67%
Financial Components	10.18%	5.83%	-0.81%	-7.19%
Effect on consumer billings	**7.55%**	**-0.34%**	**-7.51%**	**-24.21%**
Date of entry into force	4/8/2016	4/19/2016	6/19/2016	10/23/2016

Periodical Tariff Revision (PTR)

The following distribution companies went through the tariff revision process in 2016, when the new methodologies of the 4th cycle of tariff revision were applied:

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Ratifying Resolution	2,026	2,029	2,028	2,025	2,027
Adjustment	**10.69%**	**8.02%**	**14.05%**	**9.77%**	**6.08%**
Parcel A	-1.84%	-1.95%	-1.20%	-2.70%	-2.35%
Parcel B	1.61%	5.94%	2.80%	5.01%	3.76%
Financial Components	10.92%	4.03%	12.45%	7.46%	4.67%
Effect on consumer billings	**7.15%**	**13.32%**	**13.25%**	**12.82%**	**9.02%**
Date of entry into force	3/22/2016	3/22/2016	3/22/2016	3/22/2016	3/22/2016

Generation Segment

Electricity sale contracts of generators contain specific adjustment clauses, whose main index is the average annual variation measured by the IGP-M. Contracts signed in the Regulated Contracting Environment (ACR) are indexed to the IPCA, and bilateral contracts signed by the indirect subsidiary Campos Novos Energia (Enercan) use a combination of dollar and IGP-M indexes.

3. Operating Performance

ENERGY SALES

In 2016, electricity sales to final consumers (quantity of electricity billed to final consumers) totaled 46,578 GWh, an increase of 3.3% compared to 2015, a reflect of the acquisition of AES Sul (current RGE Sul), in October 2016. Disregarding the effect of this acquisition (in November and December 2016), the increase would be of 0.8%.

It is noteworthy the performance of the residential and industrial segments, which together accounted 63.5% of the electricity sales to final consumers:

- **Residential Class:** increase of 1.9%, if we consider the acquisition of RGE Sul. Disregarding the effect of this acquisition, we would have a reduction of 0.7%, reflecting the changes in the labor market, with the hike of unemployment and the decrease of the volume in real income mass, and the lower sales volume of retail trade.

- **Commercial Class:** increase of 5.0%, if we consider the acquisition of RGE Sul. Disregarding the effect of this acquisition, the increase would be of 2.9%. Despite the adverse macroeconomic scenario, which has resulted in lower sales volume of the retail trade, commercialization companies had higher sales to free customers.

- **Industrial Class:** increase of 2.1%, if we consider the acquisition of RGE Sul. Disregarding the effect of this acquisition, the increase would be of 0.9%. Despite the weak result of the country's industrial activity, the commercialization companies and the assets of renewable generation (controlled by CPFL Renováveis) had higher sales to free customers.

Electricity sales to wholesaler’s, through other concessionaires, licensees and authorized reached 12,252 GWh, which represented an increase of 15.0%, mainy due to the increases in sales by the commercialization companies (through bilateral contracts) and licensees, which serve residential consumers.

PERFORMANCE IN THE ELECTRICITY DISTRIBUTION SEGMENT

The Group maintained its strategy of encouraging the dissemination and sharing of best management and operational practices at its distributors in an effort to increase operational efficiency and improve the quality of services provided to clients.

Find below the results posted by distributors in the main indicators that measure quality and reliability of power supply. The Equivalent Duration of Interruptions (SAIDI) measures the average duration, in hours, of interruptions suffered by consumers in the year, while the SAIFI (Equivalent Frequency of Interruptions) measures the average number of interruptions suffered per consumer per year.

PERFORMANCE IN THE ELECTRICITY GENERATION SEGMENT

In 2016, CPFL Energia continued its expansion in the Generation segment, with a 4.2% increase in its installed capacity, from 3,129 MW to 3,259 MW, considering its 51.61% interest in CPFL Renováveis. This increase was driven by the expansion of CPFL Renováveis.

On December 31, 2016, the portfolio of CPFL Renováveis totaled 2,054 MW of installed capacity in operation, comprising 39 SHPPs (423 MW), 43 wind farms (1,260 MW), 8 biomass-powered thermal power plants (370 MW) and 1 solar plant (1 MW). Still under construction are 2 wind farms (48.3 MW) and 1 SHPP (26.5 MW), whose startup schedule is: 48.3 MW in 2018 and 26.5 MW in 2020.

In May 2016, the Mata Velha SHPP, located in the city of Unaí (Minas Gerais), started operating with installed capacity of 24 MW. The wind farms of Campo dos Ventos (São Domingos, Ventos de São Martinho e Campo dos Ventos I, III and V) and São Benedito (Ventos de São Benedito, Ventos de Santo Dimas, Santa Mônica e Santa Úrsula) Complexes, located at Rio Grande do Norte State, had their works closed in December 2016, with the comercial start-up of the last wind turbines, of a total of 110 (the first wind turbines started commercial operations in May 2016); the combined installed capacity is of 231 MW.

4. Economic and Financial Performance

The Management’s comments on economic and financial performance and the operating results should be read together with the financial statements and notes to the financial statements.

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Operating Revenue

Gross operating revenue was of R$ 30,785 million, representing a reduction of 10.3% (R$ 3,518 million), mainly due to: (i) the variation of R$ 4,601 million in the sectoral financial assets and liabilities, from an asset of R$ 2,507 million in 2015 to a liability of R$ 2,095 million in 2016; (ii) the reduction of 52.7% (R$ 207 million) in the update of concession's financial asset; and (ii) the reduction of 1.0% (R$ 37 million) in the energy supplied. These effects were partially offset by the increases of 1.8% (R$ 421 million) in the supply of electric energy, of 29.4% (R$ 307 million) in the revenue with construction of concession infraestructure and of 19.1% (R$ 600 million) in other operating income.

Deductions from operating revenue were of R$ 11,672 million, presenting a reduction of 14.8% (R$ 2,031 million). Net operating revenue was of R$ 19,112 million, representing a reduction of 7.2% (R$ 1,487 million).

Operating Cash Flow - EBITDA

EBITDA is a non-accounting measurement calculated by Management as the sum of income, taxes, financial income/loss, depreciation and amortization. This measurement serves as an indicator of management performance and is usually monitored by the market. Management complied with the concepts of CVM Instruction 527 of October 4, 2012, while calculating this non-accounting measurement.

Reconciliation of Net Income and EBITDA

	2016	**2015**
Net Income	**879,057**	**875,277**
Depreciation and Amortization	1,291,165	1,279,902
Assets Surplus Value Amortization	579	1,136
Financial Income/Loss	1,453,474	1,407,864
Social Contribution	150,859	160,162
Income Tax	350,631	419,015
EBITDA	**4,125,766**	**4,143,356**

Operating cash flow, as measured by EBITDA, reached R$ 4,126 million, a reduction of 0.4% (R$ 18 million), mainly due to the reduction of 7.2% (R$ 1,487 million) in net operating revenue and the increase of 21.9% (R$ 736 million) in operating costs and expenses, including expenses with private pension fund and costs with construction of concession infrastructure. These effects were partially offset by the reduction of 15.9% (R$ 2,111 million) in costs with energy purchase and sector charges and the increase of 43.1% (R$ 94 million) in interest in subsidiaries, associates and joint ventures.

Net Income

In 2016, net income reached R$ 879 million, an increase of 0.4% (R$ 4 million), mainly due to the reduction of R$ 78 million in Income Tax and Social Contribution and of R$ 0.6 million in the assets surplus value amortization. These effects were partially offset by the reduction of 0.4% (R$ 18 million) in EBITDA and the increases of 3.2% (R$ 46 million) in net financial expenses and of 0.8% (R$ 11 million) in depreciation and amortization.

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Allocation of Net Income from the Fiscal Year

The Company's Bylaws require the distribution of at least 25% of net income adjusted according to law, as dividends to its shareholders. The proposal for allocation of net income from the fiscal year is shown below:

The Company declared, in the fiscal year of 2016, the amount of R$ 214 million of minimum mandatory dividend, as governed by Law 6,404/76, and, R$ 8 million of additional proposed dividend.

For this fiscal year, considering the current adverse economic scenario and the uncertainties regarding market projections for distributors, the Company's Management proposes the allocation of R$ 546 million to the statutory reserve - strengthening of working capital.

Debt

At the close of 2016, gross financial debt (including derivatives) of the Company reached R$ 21,368 million, presenting an increase of 9.6%. Cash and cash equivalents totaled R$ 6,166 million, an increase of 8.5%. As such, net financial debt increased 10.1% to R$ 15,502 million.

The increase in financial debt was to support the strategic expansion of the Group's business, such as financing for greenfield projects conducted by CPFL Renováveis. Furthermore, however, CPFL Energia adopts a pre-funding strategy whereby it anticipates funding of debt that matures in 18 to 24 months.

5. Investments

In 2016, investments of R$ 2,238 million were made in business maintenance and expansion, of which R$ 1,201 million was destined to distribution, R$ 986 million to generation (R$ 979 million to CPFL Renováveis and R$ 8 million to conventional generation) and R$ 51 million to commercialization, services and others. In addition, we invested R$ 51 million in the construction of CPFL Transmissão’s transmission lines and, according to the requirements of IFRIC 12, it was recorded as “Financial Asset of Concession” in non current assets. CPFL Energia’s investments in 2016 include:

- **Distribution:** investments in expansion, maintenance, improvement, automation, modernization and strengthening the electricity system to meet market growth, in operational infrastructure, customer service and research and development programs, among other areas. On December 31, 2016, our distributors had 9.1 million customers, an increase of 1.4 million customers (123 thousand customers excluding RGE Sul). Our distribution network consisted of 315,538 kilometers of distribution lines (adding 69,102 kilometers of lines, 3,550 km disregarding RGE Sul), including 450,247 distribution transformers (adding 80,721 transformers and 13,847 transformers without RGE Sul). Our nine distribution subsidiaries had 12,181 kilometers of high voltage distribution lines of between 34.5 kV and 138 kV (adding 2,196 kilometers of lines, 138 kilimeters of lines without RGE Sul). On that date, we had 531 transformer substations, from high voltage to medium voltage, for subsequent distribution (adding 71 substations, 9 substations without RGE Sul), with total transformer capacity of 17,316 MVA (adding 2,451 MVA and 448 MVA disregarding RGE Sul);
- **Generation:** investments were mainly focused on the Mata Velha SHPP, which began operations in May 2016, and on the Campo dos Ventos and São Benedito Wind Complexes, which gradually began operations during 2016, in addition to the Pedra Cheirosa Wind Complex and the Boa Vista SHPP, which are still under construction.

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6. Corporate Governance

The corporate governance model adopted by CPFL Energia and its subsidiaries is based on the principles of transparency, equity, accountability and corporate responsibility.

In 2016, CPFL marked 12 years since being listed on the BM&FBovespa and the New York Stock Exchange ("NYSE"). With more than 100 years of history in Brazil, the Company's shares are listed on the *Novo Mercado* Special Listing Segment of the BM&FBovespa with Level III ADRs, a special segment for companies that comply with corporate governance best practices. All CPFL shares are common shares, entitling all shareholders the right to vote with 100% Tag Along rights guaranteed in case of sale of shareholding control.

CPFL's Management is composed of the Board of Directors ("Board"), its decision-making authority, and the Board of Executive Officers, its executive body. The Board is responsible for defining the strategic business direction of the holding company and subsidiaries, and is composed of 7 members, whose term of office is 1 year and who are eligible for reelection. At the Extraordinary General Meeting held on February 16, 2017, 6 new members were elected (5 members representing State Grid, new controlling shareholder, and 1 new independent member), replacing the members representing the former controlling shareholders. As a result, the Board has two Independent Directors.

The Bylaws of the Board establishes the procedures for evaluating the directors, under the leadership of the Chairman, their main duties and rights.

The Board set up three advisory committees (Management Processes, Risks and Sustainability, People Management and Related Parties), all coordinated by a director, which support the Board in its decisions and monitor relevant and strategic themes, such as people and risk management, sustainability, the surveillance of internal audits and analysis of transactions with Parties Related to controlling shareholders and handling of incidents recorded through complaint hotlines and ethical conduct channels. At a meeting of the Board of Directors, held on February 17, 2017, the new members of the advisory committees were elected.

To ensure that best practices permeate all activities of the Board and its relations with the Company while the Board members are focused on their decision-making functions, in 2006 the Company created the Corporate Governance Advisory Council, which reports directly and solely to the Chairman of the Board.

This Advisory Council acts as the guardian of best practices to ensure compliance with Governance Guidelines; speed of communication between the Company and its Board members; quality and timeliness of information; integration and evaluation of members of the Board of Directors and the Audit Board; constant improvement of governance processes and institutional relations with government authorities and entities.

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The Board of Executive Officers is made up of 1 Chief Executive Officer and 6 Vice Presidents, with terms of two years, eligible for reelection, responsible for executing the strategy of CPFL Energia and its subsidiaries as defined by the Board of Directors in line with corporate governance guidelines. To ensure alignment of governance practices, Executive Officers sit on the Boards of Directors of companies that make up the CPFL group and nominate their respective executive officers.

CPFL has a permanent Fiscal Council that also exercises the duties of the Audit Committee, in line with Sarbanes-Oxley law (SOX) rulings applicable to foreign companies listed on U.S. stock exchanges. At the Extraordinary General Meeting held on February 16, 2017, 3 new members were elected, replacing the 5 members who had submitted a resignation letter when the closing of the transaction of State Grid (new controlling shareholder) occurred.

The guidelines and documents on corporate governance are available at the Investor Relations website http://www.cpfl.com.br/ir.

7. Capital Markets

The shares of CPFL Energia, which have a free float of 31.9% (up to December 31, 2016), are listed both on the São Paulo Stock Exchange (BM&FBovespa) and the New York Stock Exchange (NYSE). In 2016, CPFL Energia shares appreciated 72.0% on the BM&FBovespa and 109.7% on the NYSE, closing the year at R$ 25.21 per share and US$ 15.40 per ADR, respectively. The average daily trading volume in 2016 was R$ 55.4 million, of which R$ 38.9 million on the BM&FBovespa and R$ 16.4 million on the NYSE, representing a increase of 45.2% over 2015. Number of trades on the BM&FBovespa increased 17.8%, from a daily average of 5,984 trades in 2016 to 7,049 in 2016.

8. Sustainability and Corporate Responsibility

CPFL Energia develops initiatives to create value for all its stakeholders and to mitigate the impacts from its operations by managing the economic, environmental and social risks associated with its business activities. The highlights from the fiscal year follow:

Sustainability platform: consists of the sustainability management tool, which is integrated into the strategic planning of the CPFL Group. The tool encompasses: a) Topics of relevance to the business operations, which are determined jointly with stakeholders; b) Value levers related to the topics; c) Corporate strategic indicators, with performance targets for the near and medium term.

Sustainability Committee: main internal body for sustainability governance, which also is responsible for monitoring the Platform.

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Climate change: CPFL Energia is aware of the impacts of climate change on its business and of its influence and significance in the power industry. Therefore, it works to promote a low-carbon economy by incorporating the topic into its business strategy and project development, which are aligned with its corporate initiatives and commitments at the national and international levels.

Ethics Management and Development System (SGDE): In 2015, the review of the Code of Ethics and Business Conduct was concluded. The updated version of the Code of Ethical Conduct (new name) was approved by the Board of Executive Officers in November 2015, and subsequently approved by the Board of Directors in a Meeting held on January 27, 2016, with the code applicable to all direct subsidiaries of the Group. The SGDE was revised to include the restructuring of the Ethics and Business Conduct Committee, which now has five members, two of whom are external independent members. The review included the Committee's Charter, the implementation of an Executive Department to support the Committee, and the contracting of an External Ethics Channel to receive consultations, suggestions and whistleblowing of an ethical nature, which are now investigated by the Whistleblowing Processing Commission (CPD). CPFL also implemented a plan for publishing and disseminating its ethical guidelines and a training program on the SGDE based, which adopts an e-learning format and is available to all professionals, and organized on-site workshops for employees in management and leadership positions. The Committee held 13 meetings in 2016 to address topics involving ethics management and to analyze the suggestions, reports of whistleblowing and consultations received in the period.

Human Resources Management: the company ended 2016 with 12,879[4] employees (9,584 in 2015), which represents a turnover rate of 17.92%[5] (19.90% in 2015). The Group's companies maintained their management and training programs, which focused on developing competencies of strategic importance to the business, leadership succession, boosting productivity and occupational health and safety. Average training hours per employee stood at 79.8 hours[6] (59.6 in 2015), surpassing by 37 hours the average of the Sextant Survey 2016. Also in 2016, for the 14th straight year, CPFL Energia figured in the "Best Places to Work in Brazil" ranking compiled by Você S/A / Exame Guide, which was accompanied by improvement in Knowledge Management, Electrician School and Talent Management, with yet another class of professionals gaining the potential to hold leadership positions.

Value Network: in 2016, 75 supplier companies participated and four meetings were held, which addressed the following topics: Occupational Safety and documentation for Third-Party Management, Environmental Risk Management, Energy Efficiency and Ethics, and combatting corruption with lecturer and philosopher Clovis de Barros.

Community relations: (i) Culture – Partnerships with the Municipal Government of Campinas and with the National Electric Power Agency (ANEEL) supported the debates on changes in society, energy consumption, services and economy, which had a direct impact on the lives of our consumers. The debates were edited and broadcast in weekly editions of the

CPFL Café Filosófico show on the channel TV Cultura and its affiliates nationwide. In addition to the TV broadcast, the debates were posted on www.institutocpfl.org.br and on social media, such as Facebook, Instagram and Twitter. In addition to the debates with free entrance and live streaming, the CPFL Cultura Institute organized free weekly movie showings in the year, with various topics, such as Olympic sports, future scenarios for Brazil, classics and series to honor specific directors, such as Alfred Hitchcock, Ridley Scott and Martin Scorsese. It brought to the interior region of São Paulo the CPFL Arts and Culture Circuit, which featured showings of Brazilian movies and documentaries, as well as sustainability workshops conducted in partnership with the Cinesolar project, a mobile cinema powered by solar energy. In addition to showings in public spaces, the institute organized private showings at vocational schools in five cities in the interior region of São Paulo state, in partnership with Centro Paula Souza. Also in Campinas, the institute organized the III Brazilian Contemporary Music Festival in partnership with the State University of Campinas (Unicamp). In the area of education, the institute organized, jointly with the Portuguese Language Museum, a free exhibition on the origins and uses of our language. Targeting a younger public, the exhibition was visited by more than 11,000 people, including students from 35 public schools in the region;

[4] Includes RGE Sul
[5] Do not include RGE Sul
[6] Do not include RGE Sul

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(ii) Program to Revitalize Philanthropic Hospitals - aims to improve the administrative performance of philanthropic hospitals and improve the quality of services provided to the community. In 2016, the Program served 20 hospitals in the regions of Barretos and Marília. The investment amounted to R$870,000; **(iii) Support for Municipal Councils on Children's Rights (CMDCA) (1% of Income Tax)** - In 2016, the Group's companies allocated R$1,483,660.00 to the Municipal Fund for Children for 12 municipalities in the concession area. The funds will be used to support the situational diagnoses and actions plans conducted in 2015/16. **(iv) Support for Municipal Councils on Elderly Rights (CMDI) (1% of Income Tax)** - In 2016, the Group's companies allocated R$1,030,600.00 to the Municipal Fund for the Elderly for three municipalities to support the pilot project entitled "City for All Ages;" **(v) Volunteer Work** - In 2016, there were 45 actions that engaged approximately 1,700 volunteers. The actions organized in seven cities in the concession area benefitted approximately 5,400 people directly and around 20,000 indirectly. The program reached some important milestones in the year, such as the pilot module of the volunteer program Pro Bono being implemented in Campinas; **(vi) Energy Efficiency (0.5% of net operating income)** - a total of over R$97.7 million was invested, of which R$54.0 million was allocated to projects targeting low-income consumers, which led to (a) the normalization of 3,057 clients; (b) the replacement of 5,746 refrigerators; (c) the replacement of 188,135 light bulbs with more efficient models (LED); (d) the installation of 5,275 solar water heaters, 3,500 heat exchangers and 6,438 E-Power controllers to reduce shower consumption, the execution of educational projects; (e) the program CPFL nas Escolas and the Manufacturers' Energy Efficiency Education Program (PEEE), which involved 32 municipal and state public schools, with training administered to 14,032 students and 2,392 professors in 32 municipalities for investment of over R$4.9 million. Furthermore, actions were implemented to capture efficiency gains at (f) 39 Public Buildings, 19 Schools, 34 Hospitals and 17 Philanthropic Institutes for an additional investment of R$5.7 million; (g) residential bonus project that led to the replacement of 7,053 refrigerators and 43,617 LED light bulbs for investment of over R$12.8 million; (h) 4 municipal energy management projects for investments of over R$78,900; (i) 3 commercial projects for investment of over R$3.6 million; (j) 3 industrial projects for investment of over R$4.2 million; and (k) public lighting projects that involved replacing 1,618 lamps for investment of over R$2.0 million. Of this total, R$87.3 million (0.4%) was invested in clients and R$10.4 million (0.1%) was provisioned, in accordance with Federal Law 13,280/2016, to be transferred at an opportune time to PROCEL; **(vii) Geekie Project** - works to reduce learning gaps among students and to train teachers and regional managers by implementing an online adaptive learning platform. In 2016, 5,900 students from 15 public schools in Botucatu, São Paulo were benefitted. The investment amounted to R$586,000, which was financed by the Social Subcredit facility of the Brazilian Development Bank (BNDES); **(viii) Tamboro Project** - works to implement new educational methodologies by using an adaptive learning platform based on games. In 2016, 7,600 students from nine public schools in Sumaré, São Paulo were benefitted. The investment amounted to R$811,000, which was financed by the Social Subcredit facility of the BNDES; **(ix) ToLife Project** - Implementation of a system for classifying clinical risk and organizing patient flows at emergency rooms in public hospitals and/or hospitals that serve the National Health System (SUS). In 2016, six healthcare units in Campinas were served, for investment of R$980,000, which was financed by Social Subcredit facility of the BNDES; **(x) Community Library Project** - works to democratize access to literature and contribute to the effectiveness of Federal Law 12,244/10, which determines that by 2020 all education institutions in Brazil must have a library. In 2016, the implementation of three libraries in Marília, Bebedouro and Campinas in São Paulo state was begun. The investment amounted to R$140,000, which was financed by the Social Subcredit facility of the BNDES; and **(xi) Electrician School** - works to train a group of skilled electricians and to mitigate the risks of a labor blackout. It also constitutes a social investment, since it offers free training to people in the job market, while also training future employees before hiring them. As of 2016, we had trained 215 new electricians, of whom 143 were hired.

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Environmental management: (i) CPFL Energia's greenhouse gas emissions inventory was awarded a gold medal by the Brazilian GHG Protocol Program and all information regarding inventories is available in the website: http://registropublicodeemissoes.com.br/participantes/1077; (ii) for the fifth straight year, the company's stock was selected as a component of the Dow Jones Sustainability Emerging Markets Index. CPFL Energia stock was also selected, for the 12th straight year, as a component of the Corporate Sustainability Index (ISE) of the BM&FBovespa for 2017; and (iii) each company in the Group developed projects to mitigate the social and environmental impacts of its projects, with the following highlights:

Energy generation - Foz do Chapecó HEP – (i) In the 2015/2016 reproductive cycle, 547,850 curimbatá fry were released into the Uruguay River to replenish the population. The fry were raised at the Águas de Chapecó Fish Farming Station through a partnership between the company and the Goio-En Institute; (ii) the seedling nursery at the Bioplant expanded its capacity from 30,000 to 70,000 seedlings, which supported an increase in the distribution of seedlings of high-quality genetics for the rural producers benefitting from the project, which works to boost income generation and improve the quality of life of the populations affected by the plant's construction; (iii) based on an audit conducted in October 2016, the certification company BSI recommended the renewal of the certifications for the Integrated Management System of FCE (ISO 9001, ISO 14001 and OHSAS 18001); **Ceran** maintains an Integrated Management System at the company's headquarters and at its plants (Monte Claro, Castro Alves and 14 de Julho). The System meets the requirements of the standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, and its certificates are valid through January 2018; **HEP Campos Novos (Enercan)** - (i) In 2016, ENERCAN supported various initiatives to support the region's cultural, social, environmental and economic development by sponsoring 55 projects in the region of the Campos Novos Hydroelectric Powerplant, with total investment of R$2.8 million, considering both funds allocated under incentive laws and corporate funds; (ii) For the fifth straight year, ENERCAN organized the Conservation Project for Permanent Preservation Areas (PPA) in partnership with residents along the reservoir of the Campos Novos HEP, awarding the five best initiatives. The program's good results led the company to win the 2016 Fritz Müller Award, which is considered the most important environmental award in the state of Santa Catarina; (iii) ENERCAN, in partnership with the Santa Catarina State Agricultural Research Agency (Epagri), the National Rural Learning Service (SENAR) and state agriculture departments, supported fruit and fish farming projects to contribute to the development of the local economy and provide an alternative source of income for the region's farmers. In addition to financial support from ENERCAN, participants receive free courses on cooperativism, associativism, rural property management, entrepreneurship, as well as training on specific skills such as production and management techniques; **Barra Grande HEP (BAESA)** – (i) in 2015, the Social and Environmental Responsibility Program supported various projects in municipalities within the area of influence of the Barra Grande HEP. Focusing on income generation, the environment, culture, sports, public safety and

social development, the projects received funds from the company, shareholders and local partners; (ii) implementation of the fifth edition of the Program to Encourage Conservation of the Permanent Preservation Area of the reservoir, which recognizes actions by local residents to preserve vegetation. In 2016, ten residents received awards in a ceremony held during the 8th BAESA Sustainability Week, an annual event to showcase the social and environmental projects implemented in municipalities within the area of influence of the Barra Grande HEP; iii) BAESA, in partnership with the Municipal Government of Pinhal da Serra and the National Historical and Artistic Heritage Institute (IPHAN), inaugurated the Pinhal da Serra Archaeologic Park located in Linha São Jorge. The Park features archaeologic artifacts gathered before, during and after the implementation of the Barra Grande HEP, and reveals some of the history of the region’s former inhabitants, who occupied the site some 700 years ago.
(iv) Transparency and a correction to its statement of greenhouse gas emissions earned BAESA the Gold Seal from the GHG Protocol. The Gold Seal is the highest honor conferred by the program and attests to the transparency of the information provided in BAESA's 2015 Inventory.

Energy distribution – (i) continuation of the Urban Road Forestry Program, with the donation of seedlings to municipal governments in São Paulo state; (ii) its Advanced Stations are regularly assessed for environmental risks and legal requirements, and a ranking system and an action plan for improvements were developed; (iii) for environmental emergencies, distributors hold agreements with a specialized company as well as environmental insurance. For minor incidents, the Advanced Stations and vehicles equipped with hydraulic devices carry environmental emergency kits for immediate use; (iii) CPFL Paulista, RGE and CPFL Santa Cruz, in partnership with the municipal governments of seven cities in their concession areas, launched the Forestry + Safety Project, an initiative that works to revitalize urban forestry by replacing trees that pose risks to residents and to the power grid with species that require less pruning and coexist better with the grid.

9. Independent Auditors

Deloitte Touche Tohmatsu Auditores Independentes (Deloitte) was hired by CPFL Energia to provide external audit services for the Company's financial statements. In accordance with CVM Instruction 381/03, we inform that Deloitte provided, in 2016, services not related to audit, whose fees were more than 5% of all fees received for this service.

In the fiscal year ended December 31, 2016, apart from the audit of financial statements and review of interim information, Deloitte provided the following audit services:

The hiring of independent auditors, in accordance with the Bylaws, is recommended by the Fiscal Council, and the Board of Directors deliberates on the selection or removal of independent auditors.

The Management of CPFL Energia declares that all the services were provided strictly in accordance with the standards that deal with the independence of independent auditors in audit work and did not represent situations that could affect the independence and objectivity required by Deloitte to carry out external audit services.

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10. Acknowledgements

The Management of CPFL Energia thanks its shareholders, customers, suppliers and communities in the areas of operations of its subsidiaries for their trust in the Company in 2016. It also thanks, in a special way, its employees for their competence and dedication in meeting the objectives and targets set.

The Management

For more information on the performance of this and other companies of the CPFL Energia Group, visit www.cpfl.com.br/ir.

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Notes to Financial Statements

CPFL ENERGIA S.A.
Statements of financial position at December 31, 2016 and 2015
(in thousands of Brazilian reais - R$)

		Parent company		Consolidated	
ASSETS	**Note**	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
CURRENT ASSETS					
Cash and cash equivalents	5	64,973	424,192	6,164,997	5,682,802
Consumers, concessionaires and licensees	6	-	-	3,765,893	3,174,918
Dividends and interest on capital	13	642,978	1,227,590	73,328	91,392
Securities		-	-	449	23,633
Taxes recoverable	7	82,836	72,885	403,848	475,211
Derivatives	35	-	70,153	163,241	627,493
Sector financial asset	8	-	-	-	1,464,019
Leases		-	-	19,281	12,883
Concession financial asset	11	-	-	10,700	9,630
Other receivables	12	229	942	777,451	946,670
TOTAL CURRENT ASSETS		**791,016**	**1,795,763**	**11,379,187**	**12,508,652**
NONCURRENT ASSETS					
Consumers, concessionaires and licensees	6	-	-	203,185	128,946
Associates, subsidiaries and parent company	32	52,582	2,814	47,631	84,265
Escrow Deposits	22	710	630	550,072	1,227,527
Securities		-	-	62	-
Taxes recoverable	7	-	-	198,286	167,159
Sector financial assets	8	-	-	-	489,945
Derivatives	35	-	-	641,357	1,651,260
Deferred tax assets	9	171,073	140,389	922,858	334,886
Advance for future capital increase	13	-	52,680	-	-
Leases	10	-	-	50,541	34,504
Concession financial asset	11	-	-	5,363,144	3,597,474
Investments at cost		-	-	116,654	116,654
Other receivables	12	26,261	14,919	715,650	560,014
Investments	13	7,866,100	6,940,036	1,493,753	1,247,631
Property, plant and equipment	14	1,199	1,215	9,712,998	9,173,217
Intangible assets	15	24	24	10,775,613	9,210,338
TOTAL NONCURRENT ASSETS		**8,117,948**	**7,152,706**	**30,791,805**	**28,023,819**

TOTAL ASSETS	**8,908,964**	**8,948,469**	**42,170,992**	**40,532,471**

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

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL Energia S.A.
Statements of financial position at December 31, 2016 and 2015
(in thousand of Brazilian reais - R$)

		Parent Company		Consolidated	
LIABILITIES AND EQUITY	**Note**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
CURRENT LIABILITIES					
Trade payables	16	3,760	1,157	2,728,130	3,161,210
Interest on debts	17	-	38,057	129,364	118,267
Interest on debentures	18	15,334	-	305,180	232,227
Borrowings	17	-	935,196	1,746,284	2,831,654
Debentures	18	-	-	1,242,095	458,165
Private pension plan	19	-	-	33,209	802
Regulatory charges	20	-	-	366,078	852,017
Taxes, fees and contributions	21	454	747	681,544	653,342
Dividend	25	218,630	212,531	232,851	221,855
Estimated payroll		-	-	131,707	79,924
Derivatives	35	-	981	6,055	981
Sector financial liability	8	-	-	597,515	-
Use of public asset	23	-	-	10,857	9,457
Other payables	24	17,577	18,041	807,623	904,971
TOTAL CURRENT LIABILITIES		**255,755**	**1,206,708**	**9,018,492**	**9,524,873**
NONCURRENT LIABILITIES					
Trade payables	16	-	-	129,781	633
Interest on debts	17	-	-	144,709	120,659
Interest on debentures	18	-	-	29,153	16,487
Borrowings	17	-	-	11,023,685	11,592,206
Debentures	18	612,251	-	7,423,519	6,363,552
Private pension plan	19	-	-	1,019,233	474,318
Taxes, fees and contributions	21	-	-	26,814	-
Deferred tax liabilities	9	-	-	1,324,134	1,432,594
Provision for tax, civil and labor risks	22	1,008	1,635	833,276	569,534
Derivatives	35	-	-	112,207	33,205
Sector financial liability	8	-	-	317,406	-
Use of public asset	23	-	-	86,624	83,124
Allowance for equity investment losses	13	19,302	33,969	-	-
Other payables	24	50,628	31,961	309,292	191,148
TOTAL NONCURRENT LIABILITIES		**683,188**	**67,565**	**22,779,832**	**20,877,460**

EQUITY	**25**				
Issued capital		5,741,284	5,348,312	5,741,284	5,348,312
Capital reserves		468,014	468,082	468,014	468,082
Legal reserve		739,102	694,058	739,102	694,058
Statutory reserve - concession financial asset		702,928	585,451	702,928	585,451
Statutory reserve - working capital improvement		545,505	392,972	545,505	392,972
Additional dividend proposed		7,820	-	7,820	-
Accumulated comprehensive income		(234,633)	185,321	(234,633)	185,321
		7,970,021	**7,674,196**	**7,970,021**	**7,674,196**
Equity attributable to noncontrolling interests		-	-	2,402,648	2,455,942
TOTAL EQUITY		**7,970,021**	**7,674,196**	**10,372,668**	**10,130,138**
TOTAL LIABILITIES AND EQUITY		**8,908,964**	**8,948,469**	**42,170,992**	**40,532,471**

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

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL Energia S.A.
Statements of profit or loss for the years ended December 31, 2016 and 2015
(in thousand of Brazilian reais - R$, except for earnings per share)

		Parent Company		Consolidated	
	Note	**2016**	**2015**	**2016**	**2015 (Restated*)**
NET OPERATING REVENUE	**27**	**1,713**	**1,157**	**19,112,089**	**20,599,212**
COST OF ELECTRIC ENERGY SERVICES					
Cost of electric energy	28	-	-	(11,200,242)	(13,311,747)
Cost of operation	29	-	-	(2,248,795)	(1,907,197)
Cost of services rendered to third parties	29	-	-	(1,357,032)	(1,049,101)
GROSS PROFIT		**1,713**	**1,157**	**4,306,020**	**4,331,167**
Operating expenses	**29**				
Sales expenses		-	-	(547,251)	(464,583)
General and administrative expenses		(50,860)	(29,911)	(849,416)	(863,499)
Other operating expense		-	-	(386,746)	(357,653)
INCOME FROM ELECTRIC ENERGY SERVICES		**(49,147)**	**(28,754)**	**2,522,608**	**2,645,433**
Equity interests in associates and joint ventures	**13**	922,362	926,951	311,414	216,885
FINANCE INCOME (COSTS)	**30**				
Finance income		70,878	74,854	1,200,503	1,143,247
Finance costs		(53,694)	(97,802)	(2,653,977)	(2,551,110)
		17,183	**(22,948)**	**(1,453,474)**	**(1,407,863)**
PROFIT BEFORE TAXES		**890,398**	**875,250**	**1,380,547**	**1,454,454**
Social contribution	9	(1,075)	(797)	(150,859)	(160,162)
Income tax	9	11,562	(9,513)	(350,631)	(419,015)
		10,487	**(10,309)**	**(501,490)**	**(579,177)**
PROFIT FOR THE YEAR		**900,885**	**864,940**	**879,057**	**875,277**
Profit attributable to the owners of the Company				900,885	864,940

Profit (loss) attributable to noncontrolling interests				(21,828)	10,337
Basic earnings per share attributable to owners of the Company (R$):	26	0.89	0.85		
Diluted earnings per share attributable to owners of the Company (R$):	26	0.87	0.83		

(*) Include the effects of note 2.8

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

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL Energia S.A.
Statements of comprehensive income for the years ended December 31, 2016 and 2015
(in thousand of Brazilian reais - R$)

	Parent Company	
	2016	**2015**
Profit for the year	**900,885**	**864,940**
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss		
- Equity interests in subsidiaries, associates and joint ventures	(394,175)	65,547
Total Comprehensive income for the year	**506,709**	**930,488**

	Consolidated	
	2016	**2015**
Profit for the year	**879,057**	**875,277**
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss		
- Actuarial gains (losses), net of tax effects	(394,175)	65,547
Total Comprehensive income for the year	**484,882**	**940,825**
Attributable to owners of the Company	506,709	930,488
Attributable to noncontrolling interests	(21,828)	10,337

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

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL Energia S.A.
Statements of changes in shareholders' equity for the years ende
(in thousand of Brazilian reais - R$)

			Earning reserves	Statutary reserves			Accum compre inco	
	Issued capital	Capital reserves	Legal reserve	Concession financial asset	Working capital improvement	Dividend	Deemed cost	
Balance at December 31, 2014	**4,793,424**	**468,082**	**650,811**	**330,437**	**554,888**	**-**	**483,610**	**(**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Profit for the year	-	-	-	-	-	-	-	
Other comprehensive income - actuarial gains	-	-	-	-	-	-	-	
Internal changes of shareholders'equity	**-**	**-**	**43,247**	**255,013**	**392,972**	**-**	**(26,119)**	
Realization of deemed cost of property, plant and equipment	-	-	-	-	-	-	(39,574)	
Tax on realization of deemed cost	-	-	-	-	-	-	13,455	
Recognition of legal reserve	-	-	43,247	-	-	-	-	
Changes in statutory reserve in the year	-	-	-	255,013	392,972	-	-	
Other changes in noncontrolling interests	-	-	-	-	-	-	-	
Capital transactions with owners	**554,888**	**-**	**-**	**-**	**(554,888)**	**-**	**-**	
Capital increase	554,888	-	-	-	(554,888)	**-**	-	
Prescribed dividend	-	-	-	-	-	-	-	
Additional dividend approved	-	-	-	-	-	-	-	
Capital increase in subsidiaries with no change in control	-	-	-	-	-	-	-	
Balance at December 31, 2015	**5,348,312**	**468,082**	**694,058**	**585,450**	**392,972**	**-**	**457,491**	**(**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(**
Profit for the year	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	(

Other comprehensive income - actuarial losses							
Internal changes of shareholders'equity	**-**	**-**	**45,044**	**117,478**	**545,505**	**-**	**(25,778)**
Realization of deemed cost of property, plant and equipment	-	-	-	-	-	-	(39,058)
Tax on realization of deemed cost	-	-	-	-	-	-	13,280
Recognition of legal reserve	-	-	45,044	-	-	-	-
Changes in statutory reserve in the year	-	-	-	117,478	545,505	-	-
Other changes in noncontrolling interests	-	-	-	-	-	-	-
Capital transactions with owners	**392,972**	**(68)**	**-**	**-**	**(392,972)**	**7,820**	**-**
Capital increase	392,972	-	-	-	(392,972)	-	-
Prescribed dividend	-	-	-	-	-	-	-
Additional dividend proposed	-	-	-	-	-	7,820	-
Dividend distributed to noncontrolling interests	-	-	-	-	-	-	-
Dividend proposal approved	-	-	-	-	-	-	-
Capital increase in subsidiaries with no change in control	-	(68)	-	-	-	-	-
Balance at December 31, 2016	**5,741,284**	**468,014**	**739,102**	**702,928**	**545,505**	**7,820**	**431,713**

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

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL Energia S/A
Statements of cash flow for the years ended December 31, 2016 and 2015
(in thousand of Brazilian reais - R$)

	Parent Company		Consolidated	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Profit before taxes	**890,398**	**875,250**	**1,380,547**	**1,454,454**
Adjustment to reconcile profit to cash from operating activities				
Depreciation and amortization	193	170	1,291,165	1,279,902
Provision for tax, civil and labor risks	425	1,497	228,292	258,539
Allowance for doubtful debts	-	-	176,349	126,879
Interest on debts, inflation adjustment and exchange rate changes	42,395	94,588	2,052,959	1,519,819
Pension plan expense	-	-	76,638	60,184
Equity interests in associates and joint ventures	(922,362)	(926,952)	(311,414)	(216,885)
Impairment	-	-	48,291	38,956
Loss on disposal of noncurrent assets	-	-	83,576	16,309
Deferred taxes (PIS and COFINS)	-	-	(8,579)	19,138
Others	-	-	(1,832)	(5,825)
	11,049	44,553	5,015,992	4,551,470
DECREASE (INCREASE) IN OPERATING ASSETS				
Consumers, concessionaires and licensees	-	-	(205,828)	(1,055,143)
Dividend and interest on capital received	1,606,073	627,014	83,356	24,050
Taxes recoverable	3,261	(12,350)	128,453	(62,041)
Escrow deposits	(37)	(48)	756,171	22,827
Sector financial asset	-	-	2,494,223	(858,860)
Receivables - Eletrobras	-	-	186,052	181,141
Concession financial assets (transmission companies)	-	-	(55,134)	(44,243)
Other operating assets	(10,033)	933	265,404	(82,278)

INCREASE (DECREASE) IN OPERATING LIABILITIES				
Trade payables	2,603	366	(782,963)	787,063
Other taxes and social contributions	(1,162)	804	(63,986)	412,703
Other liabilities with private pension plan	-	-	(77,183)	(112,172)
Regulatory charges	-	-	(514,935)	808,223
Tax, civil and labor risks paid	(1,115)	(674)	(216,998)	(247,512)
Sector financial liability	-	-	288,144	(23,170)
Payables - amounts provided by the CDE	-	-	(70,907)	19,696
Other operating liabilities	18,203	(3,907)	(148,967)	107,930
CASH FLOWS PROVIDED BY OPERATIONS	**1,628,842**	**656,691**	**7,080,894**	**4,429,684**
Interest paid on debts and debentures	(45,470)	(36,858)	(1,570,985)	(1,595,649)
Income tax and social contribution paid	(27,117)	(2,172)	(875,883)	(276,061)
NET CASH FROM OPERATING ACTIVITIES	**1,556,255**	**617,661**	**4,634,026**	**2,557,974**
INVESTING ACTIVITIES				
Price paid in business combination net of cash acquired	-	-	(1,496,675)	-
Capital increase in investees	-	(490,010)	-	-
Gain on sales of interest in joint ventures	-	-	-	10,454
Purchases of property, plant and equipment	(573)	(535)	(1,026,867)	(550,003)
Securities, pledges and restricted deposits	(200)	-	(125,517)	(147,914)
Purchases of intangible assets	-	(12)	(1,211,082)	(877,793)
Sale of noncurrent assets	-	-	-	10,586
Advances for future capital increases	(1,384,520)	(52,680)	-	-
Intragroup loans	(41,405)	10,845	44,922	29,776
NET CASH USED IN INVESTING ACTIVITIES	**(1,426,698)**	**(532,392)**	**(3,815,219)**	**(1,524,894)**
FINANCING ACTIVITIES				
Capital increase by noncontrolling interests	-	-	467	7
Borrowings and debentures raised	609,060	829,997	3,774,355	4,532,167
Repayment of principal of borrowings and debentures	(888,408)	(1,290,000)	(4,016,693)	(4,037,685)
Repayment of derivatives	(4,711)	-	158,242	(135,309)
	-	-	(21,234)	(61,709)

Repayment for business combinations				
Dividend and interest on capital paid	(204,717)	(850)	(231,749)	(5,204)
NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	**(488,776)**	**(460,853)**	**(336,612)**	**292,267**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(359,219)	(375,584)	482,195	1,325,347
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	424,192	799,775	5,682,802	4,357,455
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**64,973**	**424,192**	**6,164,997**	**5,682,802**

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

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(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL Energia S.A.
Statements of value added for the years ended December 31, 2016 and 2015
(in thousand of Brazilian reais - R$)

	Parent Company		**Consolidated**	
	2016	**2015**	**2016**	**2015 (Restate**
1 - Revenues	**2,461**	**1,821**	**31,664,675**	**34,770,7**
1.1 Operating revenues	1,888	1,274	29,430,560	33,255,
1.2 Revenue related to the construction of own assets	573	547	1,056,442	595,2
1.3 Revenue from construction of concession infrastructure	-	-	1,354,023	1,046,
1.4 Allowance for doubtful debts	-	-	(176,349)	(126,8
2 - (-) Inputs	**(13,305)**	**(10,322)**	**(16,150,083)**	**(17,590,7**
2.1 Electricity purchased for resale	-	-	(12,452,018)	(14,749,9
2.2 Material	(625)	(586)	(1,711,064)	(1,116,2
2.3 Outsourced services	(10,420)	(7,239)	(1,352,299)	(1,122,5
2.4 Others	(2,260)	(2,496)	(634,701)	(601,9
3 - Gross value added (1+2)	**(10,844)**	**(8,501)**	**15,514,592**	**17,179,**
4 - Retentions	**(193)**	**(170)**	**(1,293,924)**	**(1,281,7**
4.1 Depreciation and amortization	(193)	(170)	(1,038,814)	(979,0
4.2 Amortization of intangible assets of concession	-	-	(255,110)	(302,6
5 - Net value added generated (3+4)	**(11,037)**	**(8,670)**	**14,220,668**	**15,898,**
6 - Value Added received in transfer	**998,853**	**1,011,013**	**1,609,777**	**1,446,**
6.1 Financial income	76,491	84,061	1,298,363	1,229,
6.2 Interest in subsidiaries, associates and joint ventures	922,362	926,951	311,414	216,8
7 - Value Added to be distributed (5+6)	**987,815**	**1,002,342**	**15,830,445**	**17,344,8**
8 - Distribution of value added				
8.1 Personnel and charges	**33,168**	**16,939**	**1,073,118**	**905,**
8.1.1 Direct remuneration	17,914	9,963	660,138	562,
8.1.2 Benefits	13,978	5,987	359,604	298,7
8.1.3 Government severance indemnity fund for employees - F.G.T.S	1,276	988	53,376	44,
8.2 Taxes, fees and contributions	**483**	**28,424**	**11,066,274**	**12,910,**
8.2.1 Federal	443	28,394	6,109,701	8,207,
8.2.2 Estate	40	30	4,938,832	4,688,
8.2.3 Municipal	-	-	17,742	13,

8.3 Lenders and lessors	**53,279**	**92,040**	**2,811,995**	**2,654,**
8.3.1 Interest	53,229	91,918	2,743,600	2,600,
8.3.2 Rental	50	121	68,394	53,
8.4 Interest on capital	**900,885**	**864,940**	**879,057**	**875,**
8.4.1 Dividend (including additional proposed)	192,857	173,708	143,379	164,
8.4.2 Retained earnings	708,027	691,232	735,678	711,
	987,815	**1,002,342**	**15,830,444**	**17,344,**

(*) Include the effects of note 2.8

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

(Free Translation of the original in Portuguese)

Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

CPFL ENERGIA S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(1) OPERATIONS

CPFL Energia S.A. ("CPFL Energia" or "Company") is a publicly-held corporation incorporated for the principal purpose of operating as a holding company, with equity interests in other companies primarily engaged in electric energy distribution, generation and commercialization activities in Brazil.

The Company's registered office is located at Rua Gomes de Carvalho, 1510 – 14th floor - Office 142 - Vila Olímpia - São Paulo - SP - Brazil.

The Company has direct and indirect interests in the following subsidiaries and joint ventures (information on the concession area, number of consumers, energy production capacity and related data are not audited by the independent auditors):

Energy distribution	Company type	Equity interest	Location (state)	Number of municipalities
Companhia Paulista de Força e Luz ("CPFL Paulista")	Publicly-held corporation	Direct 100%	Interior of São Paulo	234
Companhia Piratininga de Força e Luz ("CPFL Piratininga")	Publicly-held corporation	Direct 100%	Interior and coast of São Paulo	27
Rio Grande Energia S.A. ("RGE")	Publicly-held corporation	Direct 100%	Interior of Rio Grande do Sul	255

RGE Sul Distribuidora de Energia S.A. ("RGE Sul") (a)	Publicly-held corporation	Indirect 100%	Interior of Rio Grande do Sul	118
Companhia Luz e Força Santa Cruz ("CPFL Santa Cruz")	Privately-held corporation	Direct 100%	Interior of São Paulo and Paraná	27
Companhia Leste Paulista de Energia ("CPFL Leste Paulista")	Privately-held corporation	Direct 100%	Interior of São Paulo	7
Companhia Jaguari de Energia ("CPFL Jaguari")	Privately-held corporation	Direct 100%	Interior of São Paulo	2
Companhia Sul Paulista de Energia ("CPFL Sul Paulista")	Privately-held corporation	Direct 100%	Interior of São Paulo	5
Companhia Luz e Força de Mococa ("CPFL Mococa")	Privately-held corporation	Direct 100%	Interior of São Paulo and Minas Gerais	4

Energy generation (conventional and renewable sources)	Company type	Equity interest	Location (state)	Number of plants / type of energy	Installed power (MW) Total	Installed power (MW) CPFL share
CPFL Geração de Energia S.A. ("CPFL Geração")	Publicly-held corporation	Direct 100%	São Paulo and Goiás	3 Hydropower plants (b)	1,295	688
CERAN - Companhia Energética Rio das Antas ("CERAN")	Privately-held corporation	Indirect 65%	Rio Grande do Sul	3 Hydropower plants	360	234
Foz do Chapecó Energia S.A. ("Foz do Chapecó")	Privately-held corporation	Indirect 51%	Santa Catarina and Rio Grande do Sul	1 Hydropower plant	855	436
Campos Novos Energia S.A. ("ENERCAN")	Privately-held corporation	Indirect 48.72%	Santa Catarina	1 Hydropower plant	880	429
BAESA - Energética Barra Grande S.A. ("BAESA")	Publicly-held corporation	Indirect 25.01%	Santa Catarina and Rio Grande do Sul	1 Hydropower plant	690	173

Centrais Elétricas da Paraíba S.A. ("EPASA")	Privately-held corporation	Indirect 53.34%	Paraíba	2 Thermal plants	342	182
Paulista Lajeado Energia S.A. ("Paulista Lajeado")	Privately-held corporation	Indirect 59.93% (c)	Tocantins	1 Hydropower plant	903	63
CPFL Energias Renováveis S.A. ("CPFL Renováveis")	Publicly-held corporation	Indirect 51.60%	(d)	(d)	(d)	(d)
CPFL Centrais Geradoras Ltda ("CPFL Centrais Geradoras")	Limited liability company	Direct 100%	São Paulo and Minas Gerais	6 small hydropower plants	4	4

Energy commercialization	**Company type**	**Core activity**	**Equity interest**
CPFL Comercialização Brasil S.A. ("CPFL Brasil")	Privately-held corporation	Energy commercialization	Direct 100%
Clion Assessoria e Comercialização de Energia Elétrica Ltda. ("CPFL Meridional")	Limited liability company	Commercialization and provision of energy services	Indirect 100%
CPFL Comercialização Cone Sul S.A. ("CPFL Cone Sul")	Privately-held corporation	Energy commercialization	Indirect 100%
CPFL Planalto Ltda. ("CPFL Planalto")	Limited liability company	Energy commercialization	Direct 100%
CPFL Brasil Varejista S.A. ("CPFL Brasil Varejista")	Privately-held corporation	Energy commercialization	Indirect 100%

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

Provision of services	**Company type**	**Core activity**	**Equity interest**
CPFL Serviços, Equipamentos, Industria e Comércio S.A. ("CPFL Serviços")	Privately-held corporation	Manufacturing, commercialization, rental and maintenance of electro-mechanical equipment and service provision	Direct 100%
NECT Serviços Administrativos Ltda ("Nect")	Limited liability company	Provision of administrative services	Direct 100%
CPFL Atende Centro de Contatos e Atendimento Ltda. ("CPFL Atende")	Limited liability company	Provision of call center services	Direct 100%
CPFL Total Serviços Administrativos Ltda. ("CPFL Total")	Limited liability company	Collection services	Direct 100%
CPFL Eficiência Energética S.A ("CPFL ESCO")	Privately-held corporation	Energy efficiency management	Direct 100%
TI Nect Serviços de Informática Ltda. ("Authi") (f)	Limited liability company	Provision of IT services	Direct 100%
CPFL GD S.A ("CPFL GD") (h)	Privately-held corporation	Provision of maintenance services for energy generation companies	Indirect 100%

Others	**Company type**	**Core activity**	**Equity interest**
CPFL Jaguariúna Participações Ltda ("CPFL Jaguariuna")	Limited liability company	Holding company	Direct 100%
CPFL Jaguari de Geração de Energia Ltda ("Jaguari Geração")	Limited liability company	Holding company	Direct 100%
Chapecoense Geração S.A. ("Chapecoense") (e)	Privately-held corporation	Holding company	Indirect 51%
Sul Geradora Participações S.A. ("Sul Geradora")	Privately-held corporation	Holding company	Indirect 99.95%
CPFL Telecom S.A ("CPFL Telecom")	Privately-held corporation	Telecommunication services	Direct 100%
CPFL Transmissão Piracicaba S.A ("CPFL Transmissão")	Privately-held corporation	Energy transmission services	Indirect 100%
CPFL Transmissora Morro Agudo S.A ("CPFL Transmissão Morro Agudo") (d)	Privately-held corporation	Energy transmission services	Indirect 100%

a) RGE Sul Distribuidora de Energia S.A. (“RGE Sul”) is a publicly-held corporation engaged in providing electricity distribution services in all forms, and these activities are regulated by the Brazilian Electricity Regulatory Agency (“ANEEL”), linked to the Ministry of Mines and Energy. Additionally, RGE Sul is authorized to participate in programs that aim at other forms of energy, technology and services, including exploration of activities directly or indirectly derived from the use of assets, rights and technologies held by it. The CPFL Group took over the control of RGE Sul, formerly named AES Sul Distribuidora Gaúcha S.A., on October 31, 2016. For further details see note 13.4.1 – acquisition of AES Sul Distribuidora Gaúcha de Energia S.A. (“AES Sul”).

b) CPFL Geração has 51.54% of assured energy and power of the Serra da Mesa hydropower plant, whose concession is owned by Furnas. The thermoelectric plant Carioba and the hydropower plant Cariobinha are inactive while they await the position of the Ministry of Mines and Energy on the early termination of their concession and are not included in the table.

c) Paulista Lajeado has a 7% share in the installed power of Investco S.A. (5.94% interest in total capital).

d) CPFL Renováveis has operations in the states of São Paulo, Minas Gerais, Mato Grosso, Santa Catarina, Ceará, Rio Grande do Norte, Paraná and Rio Grande do Sul and its main activities are: (i) holding investments in companies of the renewable energy segment; (ii) identification, development, and exploration of generation potentials; and (iii) sale of electric energy. At December 31, 2016, CPFL Renováveis had a portfolio of 126 projects with installed capacity of 2,904.1 MW (2,054.3 MW in operation), as follows:

- Hydropower generation: 47 SHP’s (555.3 MW) with 39SHPs in operation (423 MW) and 8 SHPs under development (132.3 MW);

- Wind power generation: 70 projects (1,977.7 MW) with 43 projects in operation (1,260.2 MW) and 27 projects under construction/development (717.5 MW);

- Biomass power generation: 8 plants in operation (370 MW);

- Solar power generation: 1 solar plant in operation (1.1 MW).

e) The joint venture Chapecoense has as its direct subsidiary Foz do Chapecó and fully consolidates its financial statements.

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

(2) PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

The individual (Parent Company) and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards – IFRS, issued by the International Accounting Standard Board – IASB, and accounting practices adopted in Brazil.

Accounting practices adopted in Brazil encompass those included in Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) and approved by the Brazilian Securities Commission (Comissão de Valores Mobiliários – CVM).

The Company also follows the guidelines of the Accounting Manual of the Brazilian Electricity Sector and the standards laid down by the Brazilian Electricity Regulatory Agency (Agência Nacional de Energia Elétrica – ANEEL), when these do not conflict with the accounting practices adopted in Brazil and/or International Financial Reporting Standards.

Management states that all material information of the financial statements is disclosed and corresponds to what is used in the Company's management.

The financial statements were approved by Management and authorized for issue on March 13, 2017.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items recorded in the statements of income: i) derivative financial instruments measured at fair value, ii) financial instruments measured at fair value through profit or loss, and iii) available-for-sale financial assets measured at fair value. The classification of the fair value measurement in the level 1, 2 or 3 categories (depending on the degree of observance of the variables used) is presented in note 35 – Financial Instruments.

2.3 Use of estimates and judgments

The preparation of financial statements requires the Company’s 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 accounting estimates are rarely the same as the actual results. Accordingly, the Company's management reviews the estimates and assumptions on an ongoing basis, based on previous experience and other relevant factors. Adjustments resulting from revisions to accounting estimates are recognized in the period in which the estimates are revised and applied on a prospective basis.

The main accounts that require the adoption of estimates and assumptions, which are subject to a greater degree of uncertainty and may result in a material adjustment if these estimates and assumptions suffer significant changes in subsequent periods, are:

- Note 6 – Consumers, concessionaires and licensees;
- Note 9 – Deferred tax assets and liabilities;
- Note 11 – Concession financial asset;
- Note 14 – Property, plant and equipment and impairment;
- Note 15 – Intangible assets and impairment;
- Note 19 – Private pension plan;
- Note 22 – Provision for tax, civil and labor risks and escrow deposits;
- Note 27 – Net operating revenue; and
- Note 35 – Financial instruments.

2.4 Functional currency and presentation currency

The Company's functional currency is the Brazilian Real, and the individual and consolidated financial statements are presented in thousands of reais. Figures are rounded only after sum-up of the amounts. Consequently, when summed up, the amounts stated in thousands of reais may not tally with the rounded totals.

2.5 Segment information

An operating segment is a component of the Company (i) that engages in operating activities from which it earns revenues and incurs 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 individual financial information is available.

The Directors of Company use reports to make strategic decisions, segmenting the business into: (i) electric energy distribution activities ("Distribution"); (ii) electric energy generation from conventional sources activities ("Generation"); (iii) electric energy generation activities from renewable sources ("Renewables"); (iv) energy commercialization activities ("Commercialization"); (v) service activities ("Services"); and (vi) other activities not listed in the previous items.

The presentation of the operating segments includes items directly attributable to them, as well as any allocations required, including intangible assets, see note 31 for further details.

2.6 Information on equity interests

The Company's equity interests in direct and indirect subsidiaries and joint ventures are described in note 1. Except for (i) the companies ENERCAN, BAESA, Chapecoense and EPASA, which use the equity method of accounting, and (ii) the investment stated at cost by the subsidiary Paulista Lajeado in Investco S.A., all other entities are fully consolidated.

At December 31, 2016 and 2015, the noncontrolling interests recognized in the financial statements refer to the interests held by third parties in subsidiaries CERAN, Paulista Lajeado and CPFL Renováveis.

2.7 Statement of value added

The Company has prepared the individual and consolidated statements of value added ("DVA") in conformity with technical pronouncement CPC 09 - Statement of Value Added, which are presented as an integral part of the financial statements in accordance with accounting practices adopted in Brazil and as supplementary information to the financial statements in accordance with IFRS, as the statement is neither provided for nor mandatory in accordance with IFRS.

2.8 Restatements of the 2015 financial statements

After the review of their accounting practices, the Company and its electricity distribution subsidiaries, for a better presentation of their operating and financial performance, concluded that the adjustment of the expected cash flow of the indemnifiable concession financial asset of each distribution company, originally presented in the line item of finance income, within finance income (costs), should be more properly classified in the group of operating income, together with the other income related to their core activity. This allocation reflects more accurately the electricity distribution business model and allows a better presentation regarding its performance. This conclusion is based on the fact that:

i. Investing in infrastructure is an essential activity of the electricity distribution business whose management model is to construct, maintain and operate this infrastructure;

ii. Most players in distribution activity, as well as Transmission companies, have already adopted such classification, which improves comparability of financial statements among industry companies;

iii. Increase of inflation rates observed over the past few years has contributed to the rise of Concession Financial Asset's carrying amount, which has contributed for the increasing relevance of such income in company's consolidated income statement.

According to the guidance in CPC 23 / IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company and its subsidiaries changed their accounting policy previously adopted to an accounting policy that better reflects the business performance of the Company and its subsidiaries (for the reasons mentioned above) and, therefore, made the retrospective reclassifications in their statements of profit or loss and value added, originally issued on March 7, 2016.

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Standard Financial Statements – DFP – Date: December 31, 2016 - CPFL Energia S. A

The reclassifications made do not change the total assets, equity and profit for the year, or the statement of cash flows for the year.

The statements of profit or loss and value added for the year, for comparability purposes, are presented as follows:

- Statements of profit or loss

	Consolidated		
	2015	**Reclassifications**	**2015 (Restated)**
Net operating revenue	**20,205,869**	**393,343**	**20,599,212**
Cost of electric energy services			
Cost of electric energy	(13,311,747)		(13,311,747)
Cost of operation	(1,907,197)		(1,907,197)
Cost of services rendered to third parties	(1,049,101)		(1,049,101)
Gross profit	**3,937,825**	**393,343**	**4,331,168**
Operating expenses			
Selling expenses	(464,583)		(464,583)
General and administrative expenses	(863,499)		(863,499)
Other operating expenses	(357,653)		(357,653)
Income from electric energy services	**2,252,090**	**393,343**	**2,645,433**
Equity interests in associates and joint ventures	216,885	-	216,885
Finance income (costs)			
Finance income	1,558,047	(414,800)	1,143,247
Finance costs	(2,572,567)	21,457	(2,551,110)
	(1,014,520)	**(393,343)**	**(1,407,863)**
Profit before taxes	**1,454,454**	**-**	**1,454,454**
Social contribution	(160,162)		(160,162)
Income tax	(419,015)		(419,015)
	(579,177)	**-**	**(579,177)**
Profit for the year	**875,277**	**-**	**875,277**

- Statements of value added

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	Consolidated		
	2015	**Reclassifications**	**2015 (Restated)**
1 - Revenues	**34,377,361**	**393,343**	**34,770,704**
1.1 Operating revenues	32,862,289	393,343	33,255,632
1.2 Revenue related to the construction of own assets	595,282		595,282
1.3 Revenue from construction of concession infrastructure	1,046,669		1,046,669
1.4 Allowance for doubtful debts	(126,879)		(126,879)
2 - (-) Inputs	**(17,590,769)**	**-**	**(17,590,769)**
2.1 Electricity purchased for resale	(14,749,957)		(14,749,957)
2.2 Material	(1,116,288)		(1,116,288)
2.3 Outsourced services	(1,122,529)		(1,122,529)
2.4 Others	(601,995)		(601,995)
3 - Gross value added (1+2)	**16,786,592**	**393,343**	**17,179,935**
4 - Retentions	**(1,281,727)**	**-**	**(1,281,727)**
4.1 Depreciation and amortization	(979,062)		(979,062)
4.2 Amortization of intangible assets of concession	(302,665)		(302,665)
5 - Net value added generated (3+4)	**15,504,865**	**393,343**	**15,898,208**
6 - Value added received in transfer	**1,861,445**	**(414,800)**	**1,446,645**
6.1 Financial income	1,644,560	(414,800)	1,229,760
6.2 Interest in subsidiaries, associates and joint ventures	216,885		216,885
7 - Value added to be distributed (5+6)	**17,366,310**	**(21,457)**	**17,344,853**
8 - Distribution of value added			
8.1 Personnel and charges	**905,102**	**-**	**905,102**
8.2 Taxes, fees and contributions	**12,910,440**	**-**	**12,910,440**
8.3 Lenders and lessors	**2,675,490**	**(21,457)**	**2,654,033**
8.3.1 Interest	2,622,405	(21,457)	2,600,948
8.3.2 Rental	53,085	-	53,085
8.4 Interest on capital	**875,278**	**-**	**875,278**
	17,366,310	**(21,457)**	**17,344,853**

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing the Company's individual and consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

3.1 Concession agreements

ICPC 01 (R1) and IFRIC 12 – Service Concession Arrangements establish general guidelines for the recognition and measurement of obligations and rights related to concession agreements and apply to situations in which the granting authority 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.

When these definitions are met, the infrastructure of distribution concessionaires is segregated at the time of construction in accordance with the CPC and IFRS requirements, so that the following are recognized in the financial statements (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 (indemnity) by transferring control of the assets at the end of the concession.

The concession financial asset is measured based on its fair value, determined in accordance with the remuneration base for the concession assets, pursuant to the legislation in force established by the regulatory authority (ANEEL), and takes into consideration changes in the estimated cash flow, mainly based on factors such as new replacement price, and adjustment for IPCA (Extended Consumer Price Index) to the subsidiaries of the distribution segment. The financial asset is classified as available-for-sale, with the corresponding cash flow changes entry in an operating income/expense account in the statement of profit or loss for the year (notes 2.8 and 4).

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

Services related to the construction of infrastructure are recognized in accordance with CPC 17 (R1) and IAS 11 – Construction Contracts, against a financial asset corresponding to the amount subject to right to receive cash (indemnity). Residual amounts classified as intangible assets are amortized over the concession period in proportion to a curve that reflects the consumption pattern in relation to the economic benefits.

Considering that (i) the tariff model that does not provide for a profit margin for the infrastructure construction services, (ii) the way in which the subsidiaries manage the constructions by using a high level of outsourcing, and (iii) the fact that there is no provision for profit margin on construction in the Company's business plans, Management is of the opinion that the margins on this operation are irrelevant, and therefore no mark-up to the cost is considered in revenue. The construction revenues and costs are therefore presented in the statement of profit or loss for the year in the same amounts.

3.2 Financial instruments

– Financial assets

Financial assets are recognized initially on the date that they are originated or on the trade date at which the Company or its subsidiaries become 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) Fair value through profit or loss: these are 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 and investment strategy. These financial assets are measured at fair value, and changes therein are recognized in profit or loss for the year.

(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 subsequently measured at amortized cost using the effective interest method, less any impairment losses.

(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 subsequently measured at amortized cost using the effective interest method, less any impairment losses.

(iv) Available-for-sale: these are non-derivative financial assets that are designated as available-for-sale or that are not classified into any of the previous categories. Subsequent to initial recognition, interest calculated using the effective interest method is recognized in the statement of profit or loss as part of the operating revenue for changes in the expectation of cash flow for the concession financial assets from the distribution subsidiaries, while changes in fair value are recognized in other comprehensive income. The accumulated result in other comprehensive income is transferred to profit or loss when the asset is realized.

– 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 match the effects of recognition of income and expenses to obtain more relevant and consistent accounting information, or (iii) derivatives. These liabilities are measured at fair value and any changes in fair value are subsequently recognized in profit or loss.

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(ii) Other financial liabilities (not measured at fair value through profit or loss): these are other financial liabilities not classified into the previous category. They are measured initially at fair value net of any cost attributable to the transaction and subsequently measured at amortized cost using the effective interest rate method.

The Company recognizes financial guarantees when these are granted to non-controlled entities or when the financial guarantee is granted at a percentage higher than the Company's interest to cover commitments of joint ventures. Such guarantees are initially measured at fair value, by recognizing (i) a liability corresponding to the risk of non-payment of the debt, which is amortized against finance income simultaneously and in proportion to amortization of the debt, and (ii) an asset equivalent to the right to compensation by the guaranteed party or a prepaid expense under the guarantees, which is amortized by receipt of cash from other shareholders or at the effective interest rate over the term of the guarantee. After initial recognition, guarantees are measured periodically at the higher of the amount determined in accordance with CPC 25 and IAS 37 and the amount initially recognized less accumulated amortization.

Financial assets and liabilities are offset and presented at their net amount when there is a legal right to offset the amounts and the intent to realize the asset and settle the liability simultaneously.

The classifications of financial instruments (assets and liabilities) are described in Note 35.

- Issued Capital

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

3.3 Leases

At the inception of an agreement, one shall determine whether such agreement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the agreement is dependent on the use of that specified asset. An agreement conveys the right to use the asset if the agreement conveys to the lessee the right to control the use of the underlying asset.

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

- Financial liabilities

Leases that 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 commencement of the lease against a liability measured at the lower of the leased asset's fair value and the present value of the minimum future lease payments. Property, plant and equipment are depreciated over the shorter of the estimated useful life of the asset or the lease term.

For finance leases in which the Company or its subsidiaries act as lessors, receivables from lessees are initially recognized based on the fair value of the leased asset, against the income from electric energy services.

In both cases, the finance income/cost related to the financing component in the contract is recognized in the statement of profit or loss over the term of the lease agreement so as to produce an effective interest rate on the remaining balance of the investment/liability.

- Financial liabilities

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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 the items and restoring the site on which they are located and capitalized borrowing costs on qualifying assets.

The replacement cost of items of property, plant and equipment is recognized if it is probable that it will involve economic benefits 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 Granting Authority.

Gains and losses on disposal/write-off of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognized net within other operating income/expenses.

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 the ANEEL. The ANEEL, through Resolution No. 20 of February 3, 1999, amended by Normative Resolution No. 691 of December 8, 2015, releases Public Electric Energy Utility concessionaires from prior authorization for release of assets of no use to the concession, but determines that the proceeds from the disposal be deposited in a restricted bank account for use in the concession.

3.5 Intangible assets

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

Goodwill that arises on the acquisition of subsidiaries is measured based on the difference between the fair value of the consideration transferred for acquisition of a business and the net fair value of the assets and liabilities of the subsidiary acquired.

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

Negative goodwill is recognized as a gain in the statement of profit or loss in the year of the business acquisition.

- Financial liabilities

In the individual financial statements, fair value adjustments (value added) of net assets acquired in business combinations are included in the carrying amount of the investment and the amortization is classified in the individual statement of income as “equity interest in associates and joint ventures” in accordance with ICPC 09 (R2). In the consolidated financial statements, the amount is stated as intangible asset and its amortization is classified in the consolidated statement of profit and loss as “amortization of concession intangible asset” in other operating expense.

Intangible assets corresponding to the right to operate concessions may have three origins, as follows:

(i) Acquisitions through business combinations: the portion arising from business combinations that corresponds to the right to operate the concession is stated as an intangible asset. Until December 31, 2015, such amounts were amortized over the remaining period of the concessions, on a straight-line basis or based on the profit curves projected for the concessionaires, as applicable. Effective January 1, 2016, in compliance with the amendments to IAS 16/CPC 27 and to IAS 38/CPC 04 (R1), the Company adopted prospectively, for all cases, the straight-line amortization method over the remaining concession period. Accordingly, for 2016, the expense relating to the amortization of the concession intangible asset decreased by R$ 24,627.

(ii) Investments in infrastructure (application of ICPC01 (R1) and IFRIC 12 – Service Concession Arrangements): under the electric energy distribution concession agreements with the subsidiaries, the recognized intangible asset corresponds to the concessionaires' right to charge the consumers 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 concession period in proportion to a curve that reflects the consumption pattern in relation to the expected economic benefits. For further information, see note 3.1.

Items comprised in the infrastructure are directly tied to the Company's electric energy distribution operation and cannot be removed, disposed of, assigned or pledged in mortgage without the prior and express authorization of the ANEEL. The ANEEL, through Resolution No. 20 of February 3, 1999, amended by Normative Resolution No. 691 of December 8, 2015, releases Public Electric Energy Utility concessionaires from prior authorization for release of assets of no use to the concession, but determines that the proceeds from the disposal be deposited in a restricted bank account for use in the concession.

(iii) Use of public asset: certain generation concessions were granted with the condition of payments to the federal government for use of public asset. On the signing date of the respective agreements, the Company's subsidiaries recognized intangible assets and the corresponding liabilities, at present value. The intangible assets, capitalized by interest incurred on the obligation until the start-up date, are amortized on a straight-line basis over the remaining period of each 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 securities for both specific asset and at a collective level for all significant securities. Receivables and held-to-maturity 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 higher or lower than suggested by historical trends.

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

(i) Amortized cost: as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and shown in an allowance account against receivables. When a subsequent event indicates that the amount of impairment loss has decreased, this reduction is reversed as a credit through profit or loss.

(ii) Available-for-sale: as the difference between the acquisition cost, net of any reimbursement and principal repayment and the current fair value, less any impairment loss previously recognized in profit or loss. Losses are recognized in profit or loss.

In the case of financial assets carried at amortized cost and/or debt instruments classified as available-for-sale, if an increase (gain) is identified in subsequent periods, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired equity instrument classified as available-for-sale is recognized in other comprehensive income.

– Non-financial assets

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

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

For impairment tests purposes, Management adopts the asset's value in use. In such cases, the assets (e.g. goodwill, concession intangible asset) are segregated and grouped together at the lowest level that generates identifiable cash inflows (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 impairment, which cannot be reversed in the subsequent period, impairment losses are reassessed annually for any possibility of reversals.

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. When applicable, provisions are determined by discounting the expected future cash outflows at a rate that reflects current market assessment and the risks specific to the liability.

3.8 Employee benefits

Certain subsidiaries have post-employment benefits and pension plans, recognized under the accrual method in accordance with CPC 33 (R1) / IAS 19 (as revised 2011) “Employee benefits”, and are regarded as Sponsors of these plans. Although the plans have particularities, they have the following characteristics:

(i) Defined contribution plan: a post-employment benefit plan under which the Sponsor pays fixed contributions into a separate entity and will have no liability for the actuarial deficits of the plan. The obligations are recognized as an expense in the statement of 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 as of the reporting date. The actuarial liability is calculated annually by independent actuaries, under the responsibility of Management, using the projected unit credit method. Actuarial gains and losses are recognized in other comprehensive income when they occur. Net interest (income or expense) is calculated by applying the discount rate at the beginning of the period to the net amount of the defined benefit asset or liability. When applicable, the cost of past services is recognized immediately in profit or loss.

If the plan records a surplus and it becomes necessary to recognize an asset, the recognition is limited to the present value of future economic benefits available in the form of reimbursements or future reductions in contributions to the plan.

3.9 Dividend and Interest on capital

Under Brazilian law, the Company is required to distribute a mandatory minimum annual dividend of 25% of profit adjusted in accordance with the Company´s bylaws. In conformity with Brazilian and international accounting standards, CPC 24, IAS 10 and ICPC 08 (R1) 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. According to Law 6.404/76, the amounts paid out to shareholders in excess of the mandatory minimum dividend, will therefore be held in equity, in the “additional dividend proposed” account, as they do not meet the present obligation criteria 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 an interim dividend and interest on capital determined in a half-yearly statement of income. An interim dividend and interest on capital declared at the base date of June 30, if any, is only recognized as a liability in the Company's financial statement after the date of the Board of Directors’ decision.

Interest on capital is treated in the same way as dividend and is also stated in changes in equity. Withholding income tax on interest on capital is debited against equity when proposed by Management, as it fulfills the obligation criteria at that time.

3.10 Revenue recognition

The operating revenue in the normal course of the subsidiaries' activities is measured at the fair value of the consideration received or receivable. The operating revenue is recognized when there is convincing evidence that all significant risks and rewards were transferred to the buyer, it is probable that future economic benefits will flow to the entity, the associated costs can be reliably measured, and the amount of the operating revenue can be reliably measured.

The revenue from electric energy distribution is recognized when the energy is supplied. The energy distribution subsidiaries perform the reading of their customers based on a reading routine (calendar and reading route) and invoice monthly the consumption of MWh based on the reading performed for each consumer. As a result, part of the energy distributed during the month is not billed at the end of the month and, consequently, an estimate is developed by Management and recorded as "Unbilled". This unbilled revenue estimate is calculated using as a base the total volume of energy of each distributor made available in the month and the annualized rate of technical and commercial losses. The revenue from energy generation sales is recognized based on the assured energy and at tariffs specified in the terms of the supply contracts or the current market price, as appropriate. The revenue from energy commercialization is recognized based on bilateral contracts with market agents and properly registered with the Electric Energy Commercialization Chamber – CCEE. No single consumer accounts for 10% or more of the Company's total revenue.

The revenue from services provided is recognized when the service is provided, under a service agreement between the parties.

The revenue from construction contracts is recognized based on the percentage of completion method, and losses, if any, are recognized the statement of profit or loss as incurred.

3.11 Income tax and social contribution

Income tax and social contribution expenses are calculated and recognized in accordance with the legislation in force and comprise current and deferred taxes. Income tax and social contribution are recognized in the statement of profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income, when the net amounts of these tax effects are already recognized, and those arising from the initial recognition in business combinations.

Current taxes are the expected taxes payable or receivable/recoverable on the taxable profit or loss. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the equivalent amounts used for tax purposes and for tax loss carryforwards.

- Non-financial assets

The Company and certain subsidiaries recognize in their financial statements the effects of tax loss carryforwards and temporarily nondeductible differences, based on projections of future taxable profits, approved annually by the Boards of Directors and examined by the Fiscal Council. The subsidiaries also recognized tax credits relating to the benefit of merged goodwill, which are amortized on a straight-line basis over the remaining period 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 taxes levied by the same tax authority on the same taxable entity.

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

3.12 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to the controlling shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss for the year attributable to the controlling shareholders, adjusted by the effects of instruments that potentially would have impacted the profit or loss for the year by the weighted average of the number of shares outstanding, adjusted by the effects of all dilutive potential convertible notes for the reporting periods, in accordance with CPC 41 / IAS 33.

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3.13 Government grants – CDE

Government grants are only recognized when it is reasonably certain that these amounts will be received by the Company and its subsidiaries. They are recognized in profit or loss for the periods in which the Company recognizes as income the discounts granted in relation to the low-income subsidy and other tariff discounts.

The subsidies received through funds from the Energy Development Account - CDE (notes 27 and 28) have the main purpose of offsetting discounts granted and expenses already incurred in order to provide immediate financial support to the distribution companies, in accordance with CPC 07 / IAS 20.

3.14 Sector financial asset and liability

According to the tariff pricing mechanism applicable to the distribution companies, the energy tariffs should be set at a price level (price cap) that ensures the economic and financial equilibrium of the concession. Therefore, the concessionaires and licensees are authorized to charge from their consumers (after review and ratification by ANEEL) for: (i) the annual tariff increase; and (ii) every four or five years, according to each concession agreement, the periodic review for purposes of reconciliation of part of Parcel B (controllable costs) and adjustment of Parcel A (non-controllable costs).

The distributors' revenue is mainly comprised of the sale of electric energy and for the delivery (transmission) of the electric energy via the distribution infrastructure (network). The distribution concessionaires' revenue is affected by the volume of energy delivered and the tariff. The electric energy tariff is comprised of two parcels which reflect a breakdown of the revenue:

- Parcel A (non-controllable costs): this parcel should be neutral in relation to the entity's performance, i.e., the costs incurred by the distributors, classifiable as Parcel A, is fully passed through the consumer or borne by the Granting Authority; and

- Parcel B (controllable costs): comprised of capital expenditure on investments in infrastructure, operational costs and maintenance and remuneration to the providers of capital. It is this parcel that actually affects the entity's performance, since it has no guarantee of tariff neutrality and thus involves an intrinsic business risk.

This tariff pricing mechanism can cause temporal differences arising from the difference between the budgeted costs (Parcel A and other financial components) included in the tariff at the beginning of the tariff period and those actually incurred while it is in effect. This difference constitutes a right of the concessionaire to receive cash when the budgeted costs included in the tariff are lower than those actually incurred, or an obligation to pay if the budgeted costs are higher than those actually incurred.

3.15 Business combination

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred by the acquirer, the liabilities incurred at the acquisition date to the former owner of the acquiree and the equity interests issued by the Company and subsidiaries in exchange for control of the acquiree. Costs related to the acquisition are generally recognized in profit or loss, when incurred.

At the acquisition date, other liabilities are recognized at fair value, except for: (i) deferred taxes, (ii) employee benefits, and (iii) equity instruments.

The noncontrolling interests are initially measured either at fair value or at the noncontrolling interests' proportionate share of the acquiree's identifiable net assets. The measurement method is chosen on a transaction-by-transaction basis.

The excess of the consideration transferred over the fair value of the identifiable assets (including the concession intangible asset) and net liabilities assumed at the acquisition date are recognized as goodwill. In the event that the fair value of the identifiable assets and net liabilities assumed exceeds the consideration transferred, a bargain purchase is identified and the gain is recognized in the statement of profit or loss at the acquisition date.

3.16 Basis of consolidation

(i) Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any noncontrolling interest in the acquiree, less the recognized fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

(ii) Subsidiaries and joint ventures

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Joint ventures are accounted for using the equity method of accounting from the moment joint control is established.

The accounting policies of subsidiaries and joint ventures taken into consideration for purposes of consolidation and/or equity method of accounting, as applicable, are aligned with the Company's accounting policies.

In the individual (parent company) financial statements, the financial information on subsidiaries and joint ventures, as well as on associates, is accounted for under the equity method. In the consolidated financial statements, the information on joint ventures and associates, companies in which the Company has significant influence, is accounted for under the equity method.

The consolidated financial statements include the balances and transactions of the Company and its subsidiaries. The balances and transactions of assets, liabilities, income and expenses have been fully consolidated for the subsidiaries. Prior to consolidation into the Company's financial statements, the financial statements of subsidiaries CPFL Geração, CPFL Brasil, CPFL Jaguari Geração, CPFL ESCO and CPFL Renováveis are fully consolidated into those of their subsidiaries.

Intragroup 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 CPFL Energia 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.

In the case of subsidiaries, the portion related to noncontrolling interests is stated in equity and in the statements of profit or loss and comprehensive income in each period presented.

- Non-financial assets

The balances of joint ventures, as well as the Company's interest in each of them are described in note 13.5.

(iii) Acquisition of noncontrolling interests

Accounted for as transaction among shareholders. Consequently, no gain or goodwill is recognized as a result of such transaction.

3.17 New standards and interpretations issued and adopted

A number of IASB and CPC standards were issued or revised and are mandatory for accounting periods beginning on January 1, 2016:

a) IFRS 14 - Regulatory deferral accounts

IFRS 14 establishes that rate-regulated entities may continue to recognize regulatory deferral accounts only in connection with their first-time adoption of IFRS, allowing first-time adopters to continue to apply their previous GAAP accounting policies to regulatory assets and liabilities.

Considering that the Company and its subsidiaries are not first-time adopters of IFRS, IFRS 14 was not applicable to the Group.

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b) Amendments to IFRS 11 / CPC 19 (R2) - Accounting for acquisition of an interest in a joint operation

The amendments to IFRS 11 / CPC 19 (R2) / provide instructions for accounting for an interest in a joint operation that constitute a "business" under the definition established in IFRS 3 / CPC 15 (R1) – Business combinations.

The amendments established the relevant principles for accounting for a business combination in respect of testing for impairment of an asset to which the goodwill arising from acquisition of the business combination has been allocated. The same requirements should be applied in setting up a joint arrangement if, and only if, a business that existed previously benefits from the joint arrangement in the case of one of the participating parties. A business combination is also required to disclose the relevant information required by IFRS 3 / CPC 15 (R1) and the other business combination standards.

The application of the amendments to IFRS 11 / CPC 19 (R2) did not have material impacts on the Company's consolidated financial statements for the year ended December 31, 2016 since there were no acquisitions of joint operations during the year. Should such transactions occur, there may be impacts on the consolidated financial statements in future periods.

c) Amendments to IAS 16 / CPC 27 and IAS 38 / CPC 04 (R1) - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 / CPC 27 prohibit the use of the revenue based depreciation method for property, plant and equipment items. The amendments to IAS 38 / CPC 04 (R1) introduced the rebuttable presumption that revenue is an inappropriate basis for amortizing an intangible asset. Such presumption can be rebuttable only in the two conditions set out:

(i) when the intangible asset is expressed as a measure of revenue; or

(ii) when it can be demonstrated that revenue and the economic benefits of the intangible asset are highly correlated.

With the beginning of the effective period of the amendments, the Company started adopting prospectively the straight-line amortization method for the concession intangible asset, over the remaining concession period. This amendment resulted in an understatement of the amortization expense by R$ 24,627 in 2016.

d) Amendments to IAS 1 / CPC 26 – Disclosure initiative

The amendments to IAS 1/CPC 26 provide guidance on the application of the materiality in practice. These amendments were applied and there was no impact on the disclosures or amounts recognized in the consolidated financial statements for the year ended December 31, 2016.

e) Amendments to IAS 27 – Equity Method in Separate Financial Statements.

- Non-financial assets

The amendments deal with the permitted methods to account for investments in subsidiaries, joint ventures and associates in separate financial statements. Considering that the Company does not prepare consolidated financial statements, the application of the amendments to IAS 27 did not have impacts on its financial statements for the year ended December 31, 2016.

f) Amendments to IFRS 10 / and IAS 28 – Sale or Contribution of Assets between an Investor and its associate or joint venture.

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, gains and losses resulting from loss of control of a subsidiary that does not represent a business in a transaction with an associate or joint venture that is accounted for using the equity method are recognized in the parent company's profit or loss only proportionally to the “unrelated investor’s” interest in this associate or joint venture. Similarly, gains and losses resulting from revaluation of investments retained in some former subsidiary (that has become an associate or joint venture accounted for using the equity method) at fair value are recognized in the profit or loss of the former parent company proportionally to the "unrelated investor’s"' interest in the new associate or joint venture.

These amendments were applied and there was no impact on the disclosures or amounts recognized in the consolidated financial statements for the year ended December 31, 2016, since there were no sales or contributions of assets between the Company and its subsidiaries, associates and joint ventures during the year. Should such transactions occur, there may be impacts on the consolidated financial statements in future periods.

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g) Amendments to IFRS 10 / IFRS 12 / and IAS 28 – Investment Entities: Applying the Consolidation Exception.

The amendments to IFRS 10, IFRS 12 and IAS 28 bring clarifications about exemption from preparing consolidated financial statements for entities whose subsidiary is an investment entity. Considering that the Company is not an investment entity and it does not have a subsidiary, associate or joint venture that qualifies as an investment entity, the application of the amendments to IFRS 10, IFRS 12 and IAS 28 did not have material impact on its consolidated financial statements for the year ended December 31, 2016.

h) Annual Improvements to IFRSs 2012 – 2014 Cycle

The application of the amendments did not have material impact on the disclosures and amounts recognized in the Company's consolidated financial statements for the year ended December 31, 2016.

3.18 New standards and interpretations issued and not yet adopted:

A number of new IFRS standards and amendments to the standards and interpretations were issued by the IASB and had not yet come into effect for the year ended December 31, 2016. Consequently, the Company has not adopted them:

a) CPC 48 / IFRS 9 – Financial Instruments

CPC 48 / IFRS 9 is effective for the financial statements of an entity prepared in accordance with IFRS for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

This standard establishes new requirements for classification and measurement of financial assets and liabilities. Financial assets are classified into three categories: (i) measured at fair value through profit or loss; (ii) measured at amortized cost, based on the business model within which they are held and the characteristics of their contractual cash flows; and; (iii) measured at fair value through other comprehensive income.

With regard to financial liabilities, the main alteration in relation to the requirements already set by IAS 39 / CPC 38 requires any change in fair value of a financial liability designated at fair value through profit or loss attributable to changes in the liability's credit risk to be stated in other comprehensive income and not in the statement of profit or loss, unless such recognition results in a mismatching in the statement of profit or loss.

In relation to the impairment of financial assets, IFRS 9 / CPC 48 requires an expected credit loss model, as opposed to an incurred credit loss under IAS 39 / CPC 38. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Regarding the modifications related to hedge accounting, IFRS 9 / CPC 48 retains three types of hedge accounting mechanisms currently available in IAS 39 / CPC 38. Under IFRS 9 / CPC 48, greater flexibility has been introduced to the types of transactions that are eligible for hedge accounting, more specifically regarding the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management have also been introduced.

The Company’s distribution subsidiaries have material assets classified as “available-for-sale”, in accordance with the current requirements of IAS 39 / CPC 38. These assets represent the right to indemnity at the end of the concession period of the distribution subsidiaries. The designation of these instruments as available-for-sale occurs due to the non-classification in the other three categories described in IAS 39 / CPC 38 (loans and receivables, fair value through profit or loss and held-to-maturity). Management’s preliminary opinion is that, should these assets be classified as measured at fair value through profit or loss according to the new standard, the effects of the subsequent remeasurement of this asset would be recognized in profit or loss for the year. Thus, there will not be material impacts on the Company’s consolidated financial statements.

Moreover, as the Company and its subsidiaries do not apply hedge accounting, Management concluded that there will not be material impact on the information disclosed or amounts recorded in its consolidated financial statements as a result of the amendments to standard. As regards the changes in the calculation of impairment of financial instruments, the Company is assessing any impacts of the adoption of this standard.

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b) CPC 47 / IFRS 15 and Clarifications to IFRS 15 - Revenue from contracts with customers

CPC 47 / IFRS 15 provides a single, straightforward model for accounting for contracts with customers, and when it comes into effect, it will supersede the current guide for revenue recognition provided in IAS 18 / CPC 30 (R1) – Revenue and IAS 11 / CPC 17 (R1) - Construction contracts and related interpretations.

The standard establishes that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a five-step model for revenue recognition: (i) Identify the contract with the customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract and (v) Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15 / CPC 47, an entity recognizes revenue when (or as) the entity satisfies a performance obligation, i.e., when the "control" over the goods and services in a certain operation is transferred to the customer, and will establish a greater level of detail in the disclosures.

The standard will be applicable for annual reporting periods beginning on or after January 1, 2018, and its early adoption is permitted. The Company is assessing the potential impacts of the adoption of this new standard and preliminarily assess that they will not be material in its consolidated financial statements.

c) IFRS 16 – Leases

Issued on January 13, 2016, establishes, in the lessee's view, a new form for accounting for leases currently classified as operating leases, which are now recognized similarly to leases classified as finance leases. As regards the lessors, it virtually retains the requirements of IAS 17, including only some additional disclosure aspects.

IFRS 16 is effective for annual periods beginning or on after January 1, 2019, and its early adoption is permitted as long as the entities also early adopt IFRS 15 - Revenues from contracts with customers. The Company is assessing the potential impacts of the adoption of this new standard.

d) Amendments to IAS 12 / CPC 32 – Recognition of Deferred Tax Assets for Unrealized Losses

Issued on January 19, 2016, the amendments to IAS 12 / CPC 32 clarify the requirements of recognition of deferred tax assets for unrealized losses on debt instruments and the method for assessing the existence of probable future taxable profits for the realization of temporarily nondeductible differences, to address the diversity in practice.

The amendments to IAS 12 / CPC 32 will be applicable for annual periods beginning on or after January 1, 2017, and its early adoption is permitted. The Company's management estimates that the application of the amendments to IAS 12 / CPC 32 tends not to cause material impacts on its consolidated financial

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statements.

e) Amendments to IAS 7 / CPC 03 – Disclosure initiative

Issued on January 29, 2016, the objective of the amendments to IAS 7 / CPC 03 from the Disclosure Initiative is for the entities to provide disclosures that permit the users of the financial statements to assess the amendments as regards the responsibilities arising from financing activities.

For this, IASB requires that the following changes in liabilities arising from financing activities be disclosed: (i) changes in cash flows from financing activities; (ii) changes arising from the obtainment or loss of control of subsidiaries or other businesses; (iii) effect of exchange rate changes; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which their cash flows were or will be classified in the Statements of Cash Flows as cash flows from financing activities". It also highlights that the new disclosure requirements refer similarly to changes in financial assets, if they meet the same definition. Finally, the amendments indicate that the changes in liabilities arising from financing activities should be disclosed separately from the changes in other assets and liabilities.

The amendments to IAS 7 / CPC 03 are effective for annual periods beginning on or after January 1, 2017, and its early adoption is permitted. Since the amendments were disclosed in a period of time shorter than one year before the mandatory adoption period, entities are exempt from publishing comparative information on the early adoption of the amendments. The Company’s management estimates that the application of the amendments to IAS 7 / CPC 03 will not result in changes in the classification of the amounts of the Company’s statements of cash flows for future periods with no other material impacts on its consolidated financial statements.

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f) Amendments to IFRS 2 – Clarifications of classification and measurement of share based payment transactions

Issued on June 20, 2016, the amendments provide requirements to account for:

a) Effects of the vesting and non-vesting conditions on the measurement of cash-settled share-based payments.

b) Share-based payment transactions with a net settlement criterion, for tax withholding obligations; and

c) A modification in the terms and conditions of a share-based payment that changes the classification of the cash-settled transaction to share-settled transaction.

The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, and its early adoption is permitted. The Company is assessing the potential impacts of the adoption of these amendments.

g) Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Issued on September 12, 2016, the amendments deal with the concerns arising from the implementation of IFRS 9 – Financial Instruments before the implementation of the new standard that will supersede IFRS 4, for potential temporary volatilities on the reported results.

Since the Company does not apply the insurance pronouncement, the Company's management estimates that the amendments to IFRS 4 will not have material impacts on its consolidated financial statements.

h) IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Issued on December 8, 2016, IFRIC 22 deals with the exchange rate to be used in transactions that involve the consideration paid or received in advance in foreign exchange transactions. The IFRIC is effective for annual periods beginning on or after January 1, 2018, and its early adoption is permitted.

The transactions in foreign currency of the Company and its subsidiaries are currently restricted to debt instruments with international financial institutions, measured at fair value, and to the acquisition of energy from Itaipu. Since assets and liabilities measured at fair value are not within the scope of the IFRIC and that there are no advance payments on transactions with Itaipu, the Company's management estimates that IFRIC 22 will not have material impacts on its consolidated financial statements.

i) Amendments to CPC 28 / IAS 40 – Investment Property

Issued on December 8, 2016, the amendments to IAS 40 / CPC 28 clarify the requirements relating to transfers from or to investment properties. The amendments are effective for annual periods beginning on

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or after January 1, 2018, and its early adoption is permitted.

The Company is assessing the potential impacts of the adoption of the amendments.

j) Annual Improvements to IFRSs 2014 – 2016 Cycle

Every year, IASB discusses and decides on the proposed improvements to IFRS as they arise during the period. Issued on December 8, 2016, the improvements deal with the following subjects:

j.1) Amendments to IFRS 1 - excludes from the standard some exceptions existing for application in the transition period of the entities that are new IFRS adopters.

j.2) Amendments to IFRS 12 - clarifies the scope of the pronouncement, in respect of interest of entities in other entities that are classified as available for sale or discontinued operations in accordance with IFRS 5.

j.3) Amendments to IAS 28 - clarifies if an entity has an option of "investment for investment" to measure the investees at fair value in accordance with IAS 28 for a risk capital organization.

Based on a preliminary assessment of the amendments, the Company's management believes that the application of these amendments should not have material impact on the disclosures or amounts recognized in its consolidated financial statements in future periods.

(4) DETERMINATION OF FAIR VALUES

A number of the Company’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 on the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- Non-financial assets

Accordingly, the Company measures fair value in accordance with IFRS 13 / CPC 46, which defines the fair value as the price estimate for an unforced transaction for the sale of the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions.

- 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 fair value of these assets is the estimated value for which an asset could be exchanged on the valuation date between knowledgeable interested parties in an unforced transaction between market participants on the measurement date. 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 are valued based on quoted prices in an active market, or, if such prices were not available, 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, when available, from the BM&FBOVESPA S.A – Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA") and "Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais – ANBIMA" (note 35)and also includes the debtor's credit rating.

Financial assets classified as available-for-sale refer to the right to compensation, to be paid by the Federal Government regarding the assets of the distribution concessionaires at the end of the concession agreement. The methodology adopted for marking these assets to fair value is based on the tariff review process for distributors. This review, conducted every four or five years according to each concessionaire, involves assessing the replacement price for the distribution infrastructure, in accordance with criteria established by the granting authority ("ANEEL"). This valuation basis is used for pricing the tariff, which is adjusted annually up to the next tariff review, based on the parameter of the main inflation indices.

Accordingly, at the time of the tariff review, each distribution concessionaire adjusts the position of the financial asset base for compensation at the amounts ratified by the granting authority and uses the Extended Consumer Price Index ("IPCA") or the General Market Price Index ("IGP-M") as the best estimates for adjusting the original base to the fair value at subsequent dates, in accordance with the tariff review process.

(5) CASH AND CASH EQUIVALENTS

- Non-financial assets

	Parent company		Consolidated	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Bank balances	426	311	170,884	148,224
Short-term financial investments	64,548	423,881	5,994,112	5,534,578
Overnight investment (a)	64,541	-	95,034	26,914
Bank certificates of deposit (b)	-	-	2,357,187	1,255,666
Repurchase agreements secured on debentures (b)	-	-	58,616	433,693
Investment funds (c)	6	423,881	3,483,274	3,818,305
Total	**64,973**	**424,192**	**6,164,997**	**5,682,802**

a) Current account balances, which earn daily interest by investment in repurchase agreements secured on debentures and interest of 15% of the variation in the Interbank Certificate of Deposit (CDI).

b) Short-term investments in Bank Certificates of Deposit (CDB) and repurchase agreements secured on debentures with major financial institutions that operate in the Brazilian financial market, with daily liquidity, low credit risk and interest equivalent, on average, to 101.7% of the CDI.

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- Non-financial assets

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c) Exclusive Fund investments, with daily liquidity and interest equivalent, on average, of 100.4% of the CDI, subject to floating rates tied to the CDI linked to federal government bonds, CDBs, financial bills and secured debentures of major financial institutions, with low credit risk.

(6) 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, 2016 and 2015:

	Consolidated				
	Amounts coming due	**Past due until 90 days**	**Past due > 90 days**	**Total Dec. 31, 2016**	**Total Dec. 31, 2015**
<u>Current</u>					
Consumer classes					
Residential	423,499	429,169	79,711	932,380	793,826
Industrial	222,168	83,207	81,451	386,826	365,420
Commercial	178,567	88,230	50,314	317,111	263,259
Rural	67,575	21,850	8,019	97,444	64,257
Public administration	64,009	24,064	6,275	94,348	79,953
Public lighting	57,049	10,287	5,805	73,142	78,204
Public utilities	74,792	15,752	6,959	97,503	80,706
Billed	**1,087,660**	**672,559**	**238,534**	**1,998,754**	**1,725,626**
Unbilled	1,095,188	-	-	1,095,188	881,307
Financing of consumers' debts	118,357	20,792	31,834	170,982	197,035
CCEE transactions	194,177	4,619	90,964	289,761	169,561
Concessionaires and licensees	381,982	678	7,673	390,333	331,105
Other	39,974	-	-	39,974	10,770
	2,917,338	**698,648**	**369,005**	**3,984,991**	**3,315,403**
Allowance for doubtful debts				(219,098)	(140,485)
Total				**3,765,893**	**3,174,918**
<u>Noncurrent</u>					
Financing of consumers' debts	198,875	-	-	198,875	101,585
Free energy	5,436	-	-	5,436	4,768
CCEE transactions	41,301	-	-	41,301	41,301
	245,612	**-**	**-**	**245,612**	**147,654**
Allowance for doubtful debts				(42,427)	(18,708)
Total				**203,185**	**128,946**

- Non-financial assets

Financing of Consumers' Debts - Refers to the negotiation of overdue receivables from consumers, principally public administration. Payment of some of these receivables is guaranteed by the debtors, in the case of public entities, by pledging the bank accounts through which their ICMS (VAT) revenue is received. Allowances for doubtful debts are recognized based on the best estimates of the subsidiaries' Management for unsecured amounts or amounts that are not expected to be collected.

Electric Energy Commercialization Chamber (CCEE) transactions - The amounts refer to the sale of electric energy on the spot market. The noncurrent amounts mainly comprise: (i) adjustments of entries made by the CCEE in response to certain legal decisions (preliminary orders) in the accounting processes for the period from September 2000 to December 2002; and (ii) 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 allowance was recognized for these transactions.

Concessionaires and licensees - Refer basically to receivables for the supply of electric energy to other concessionaires and licensees, mainly by the subsidiaries CPFL Geração, CPFL Brasil and CPFL Renováveis.

Allowance for doubtful debts

Movements in the allowance for doubtful debts are shown below:

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	Consolidated		
	Consumers, concessionaires and licensees	**Other receivables (note 12)**	**Total**
As of December 31, 2014	**(123,171)**	**(15,285)**	**(138,456)**
Allowance - reversal (recognition)	(170,131)	(1,152)	(171,283)
Recovery of revenue	44,338	67	44,405
Write-off of accrued receivables	89,770	1,930	91,700
As of December 31, 2015	**(159,194)**	**(14,441)**	**(173,635)**
Business combination	(70,636)	(16,187)	(86,823)
Allowance - reversal (recognition)	(258,377)	(969)	(259,347)
Recovery of revenue	82,393	605	82,998
Write-off of accrued receivables	144,289	3,000	147,289
As of December 31, 2016	**(261,525)**	**(27,992)**	**(289,517)**
Current	(219,098)	(27,992)	(247,090)
Noncurrent	(42,427)	-	(42,427)

(7) TAXES RECOVERABLE

	Parent company		**Consolidated**	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
<u>Current</u>				
Prepayments of social contribution - CSLL	5,508	-	14,141	35,019
Prepayments of income tax - IRPJ	2,282	2,171	35,534	76,920
Withholding income tax - IRRF on interest on capital	3,126	10,776	3,642	11,150
Income tax and social contribution to be offset	45,457	42,456	94,268	100,658
Withholding income tax - IRRF	26,150	16,996	115,189	125,392
State VAT - ICMS to be offset	-	-	82,090	63,450
Social Integration Program - PIS	52	74	9,062	8,543
Contribution for Social Security Funding - COFINS	262	411	39,984	40,126
National Social Security Institute - INSS	-	-	6,374	12,660
Others	-	-	3,564	1,292
Total	**82,836**	**72,885**	**403,848**	**475,211**

<u>Noncurrent</u>

- Non-financial assets

Social contribution to be offset - CSLL	-	-	55,498	57,439
Income tax to be offset - IRPJ	-	-	10,037	23,765
State VAT - ICMS to be offset	-	-	122,415	81,584
Social Integration Program - PIS	-	-	800	350
Contribution for Social Security Funding - COFINS	-	-	3,687	1,613
Others	-	-	5,849	2,409
Total	**-**	**-**	**198,286**	**167,159**

Withholding income tax - IRRF – Relates mainly to IRRF on financial investments.

Social contribution to be offset – CSLL – In noncurrent, it refers basically to the final unappealable favorable decision in a lawsuit filed by the subsidiary CPFL Paulista. The subsidiary CPFL Paulista is awaiting the authorization for utilization of credit from the Federal Revenue in order to carry out its subsequent offset.

State VAT - ICMS to be offset – In noncurrent, it refers mainly to the credit recorded on purchase of assets that results in the recognition of property, plant and equipment, intangible assets and financial assets.

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(8) SECTOR FINANCIAL ASSET AND LIABILITY

The breakdown and changes for the year in the balances of sector financial asset and liability is as follows:

	As of December 31, 2015			Operating revenue		Consolidated Finance income or expense	Receipt
	Deferred	Approved	Total	Constitution	Realization	Monetary adjustment	Tariff flag (note 27.5)
Parcel "A"	**1,490,744**	**519,838**	**2,010,582**	**(644,484)**	**(1,260,579)**	**28,166**	**(687,673**
CVA (*)							
CDE (**)	407,295	109,937	517,232	(612,336)	(329,898)	(4,020)	
Electric energy cost	(466,337)	472,428	6,091	81,164	(179,617)	(101,982)	(417,883
ESS and EER (***)	(25,128)	(249,081)	(274,209)	(225,794)	385,941	(56,038)	(269,352
Proinfa	(814)	(5,334)	(6,148)	51,060	(19,335)	7,219	
Basic network charges	28,185	68,289	96,474	19,517	(84,894)	(1,449)	
Pass-through from Itaipu	1,281,279	39,416	1,320,695	(116,276)	(921,201)	197,581	
Transmission from Itaipu	11,372	4,097	15,469	8,102	(13,754)	2,163	
Neutrality of industry charges	187,765	2,508	190,273	198,274	(171,420)	15,730	
Overcontracting	67,127	77,578	144,705	(48,195)	73,600	(31,037)	(439
Other financial components	**(92,098)**	**35,480**	**(56,618)**	**(195,758)**	**6,126**	**(20,498)**	
Refunds related to judicial injuctions (note 27.4)	-	-	-	(223,356)	31,419	(17,088)	
Others	(92,098)	35,480	(56,618)	27,598	(25,294)	(3,410)	
Total	**1,398,646**	**555,318**	**1,953,964**	**(840,241)**	**(1,254,453)**	**7,668**	**(687,673**
Current assets			1,464,019				
Noncurrent assets			489,945				
Current liabilities			-				
Noncurrent liabilities			-				

(*) Deferred tariff costs and gains variations from Parcel "A" items

(**) Energy Development Account – CDE

(***) System Service Charge (ESS) and Reserve Energy Charge (EER)

- Non-financial assets

a) CVA

Refers to the variations of the Parcel A account, in accordance with note 3.14. These amounts are adjusted for inflation based on the SELIC rate and are compensated in the subsequent tariff processes.

b) Neutrality of industry charges

This refers to the neutrality of the industry charges contained in the electric energy tariffs, calculating the monthly differences between the amounts billed relating to such charges and the respective amounts considered at the time the distributors' tariff was set.

c) Overcontracting

Electric energy distribution concessionaires are required to guarantee 100% of their energy market through contracts approved, registered and ratified by ANEEL. It is also assured to the distribution concessionaires that costs or revenues derived from energy surplus will be passed through the tariffs, limited to 5% of the energy load requirement. These amounts are adjusted for inflation based on SELIC rate and are compensated in the subsequent tariff processes.

d) Other financial components

Refers mainly to: (i) excess demand and excess reactive power that, since the 4th periodic tariff review cycle, became a financial component that will only be amortized upon the approval of the 5th periodic tariff review cycle, for the subsidiaries CPFL Piratininga, CPFL Santa Cruz, CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista, and CPFL Mococa (ii) financial guarantees related to the compensation of the cost of the previous offering of guarantees required from distributors for carrying out commercial transactions among the sector agents, (iii) financial components related to the recalculations of the tariff processes, to neutralize the effects to consumers, and (iv) ABRACE judicial injunction in accordance with Order No. 1.576/2016 (see note 27.4.2).

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(9) DEFERRED TAX ASSETS AND LIABILITIES

9.1 Breakdown of tax credits and debits

	Parent company		Consolidated	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Social contribution credit (debit)				
Tax losses carryforwards	42,841	46,602	123,389	152,200
Tax benefit of merged goodwill	-	-	86,377	93,467
Temporarily nondeductible differences	1,125	(5,918)	(332,750)	(547,066)
Subtotal	**43,966**	**40,684**	**(122,984)**	**(301,399)**
Income tax credit (debit)				
Tax losses carryforwards	123,980	116,438	358,683	417,600
Tax benefit of merged goodwill	-	-	295,987	323,422
Temporarily nondeductible differences	3,126	(16,733)	(923,383)	(1,519,171)
Subtotal	**127,106**	**99,705**	**(268,713)**	**(778,150)**
PIS and COFINS credit (debit)				
Temporarily nondeductible differences	-	-	(9,580)	(18,159)
Total	**171,073**	**140,389**	**(401,276)**	**(1,097,708)**
Total tax credit	171,073	140,389	922,858	334,886
Total tax debit	-	-	(1,324,134)	(1,432,594)

9.2 Tax benefit of merged intangible asset

Refers to the tax credit calculated on the intangible assets derived from the acquisition of subsidiaries, as shown in the following table, which had been incorporated and is recognized in accordance with CVM Instructions No. 319/1999 and No. 349/2001 and ICPC 09 (R2) - Individual Interim financial statements, Separate Interim financial statements, Consolidated Interim financial statements and Application of the Equity Method. The benefit is realized proportionally to the tax amortization of the merged intangible assets that gave rise to it, during the remaining concessions period, as shown in note 15.

	Consolidated			
	December 31, 2016		**December 31, 2015**	
	Social contribution	**Income tax**	**Social contribution**	**Income tax**
CPFL Paulista	50,497	140,270	55,123	153,119

CPFL Piratininga	12,251	42,044	13,286	45,597
RGE	23,629	97,584	25,058	106,324
CPFL Geração	-	16,090	-	18,380
Total	**86,377**	**295,987**	**93,467**	**323,422**

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- Non-financial assets

(Free Translation of the original in Portuguese)

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9.3 Accumulated balances on temporarily nondeductible differences

	Consolidated					
	Dec. 31, 2016			Dec. 31, 2015		
	Social contribution	Income tax	PIS/COFINS	Social contribution	Income tax	PIS/COFINS
Temporarily nondeductible differences						
Provision for tax, civil and labor risks	45,065	125,182	-	33,806	93,906	-
Private pension fund	1,711	4,753	-	1,867	5,185	-
Allowance for doubtful debts						

- Non-financial assets