

CPFL Energy INC
Form 20-F
March 30, 2012

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

FORM 20-F

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

for the fiscal year ended December 31, 2011
Commission File Number 1-32297

CPFL ENERGIA S.A.

(Exact name of registrant as specified in its charter)

CPFL ENERGY INCORPORATED
(Translation of registrant's name into English)

The Federative Republic of Brazil
(Jurisdiction of incorporation or organization)

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Federative Republic of Brazil**
(Name, telephone, e-mail and/or facsimile
number and address of company contact person)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:
Common Shares, without par value*
**American Depositary Shares (as evidenced by American
Depositary Receipts), each representing 2 Common Shares**

Name of each exchange on which registered:
New York Stock Exchange

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

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

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

As of December 31, 2011, there were 962,274,260 common shares, without par value, outstanding

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

Yes ☐ T No ☒ £

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

Yes ☒ £ No ☐ T

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

Yes ☐ T No ☒ £

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

Yes ☒ £ No ☒ £ N/A ☐ T

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

Large Accelerated Filer ☐ T Accelerated Filer ☒ £ Non accelerated Filer ☒ £

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

U.S. GAAP ☒ £ IFRS ☐ T Other ☒ £

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

Item 17 ☒ £ Item 18 ☒ £

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

Yes ☒ £ No ☐ T

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FORWARD-LOOKING STATEMENTS

This annual report contains information that constitutes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Many of the forward-looking statements contained in this annual report can be identified by the use of forward-looking words, such as “believe,” “may,” “aim,” “estimate,” “continue,” “anticipate,” “will,” “intend,” “expect” and “potential,” among others. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Those statements appear in a number of places in this annual report, principally under the captions “Item 3. Key Information—Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements. These factors include:

- general economic, political, demographic and business conditions in Brazil and particularly in the markets we serve;
- changes in applicable laws and regulations, as well as the enactment of new laws and regulations, including those relating to environmental, tax and employment matters;
- electricity shortages;
- changes in tariffs;
- our inability to generate electricity due to water shortages, transmission outages, operational or technical problems or physical damages to our facilities;
- potential disruption or interruption of our services;
- inflation and exchange rate variation;
- the early termination of our concessions to operate our facilities;
- increased competition in the power industry markets in which we operate;
- our inability to implement our capital expenditure plan, including our inability to arrange financing when required and on reasonable terms;
- changes in consumer demand;
- existing and future governmental regulations relating to the power industry; and
- the risk factors discussed under “Item 3. Key Information—Risk Factors,” beginning on page 7.

Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or to revise them after we distribute this annual report because of new information, future events or other factors. In light of these limitations, you should not place undue reliance on forward-looking statements contained in this annual report.

CERTAIN TERMS AND CONVENTIONS

A glossary of electricity industry terms is included in this annual report, beginning on page 113.

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PRESENTATION OF FINANCIAL INFORMATION

We maintain our books and records in *reais*. We prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Our consolidated annual financial statements as of and for the year ended December 31, 2010 were our first financial statements prepared in accordance with IFRS. IFRS 1 – “First time Adoption of International Financial Reporting Standards” has been applied in preparing our financial statements as of and for the year ended December 31, 2010 and for the year ended December 31, 2009 for comparative purposes. Until December 31, 2009, our consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil (“Brazilian Accounting Principles”), and reconciled to generally accepted accounting principles in the United States.

Brazilian Accounting Principles differ in certain significant respects from IFRS. When preparing our 2010 consolidated financial statements under IFRS, management amended certain accounting methods in the Brazilian Accounting Principles financial statements to comply with IFRS, as issued by the IASB. The reconciliations and descriptions of the effect of the transition from Brazilian Accounting Principles to IFRS are presented in note 5 to our audited consolidated financial statements included in our 2010 annual report. Following our adoption of IFRS, as issued by the IASB, we are no longer required to reconcile our financial statements prepared in accordance with IFRS to generally accepted accounting principles in the United States.

We have translated certain of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts was R\$1.876 to US\$1.00, which was the rate for the selling of U.S. dollars in effect as of December 31, 2011 as reported by the Central Bank of Brazil (the “Central Bank”). The U.S. dollar equivalent information presented in this annual report is provided solely for convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at the above rate. See “Item 3. Key Information—Exchange Rates” for more information regarding the Brazilian foreign exchange rate system and historical data on the exchange rate between *reais* and U.S. dollars.

ITEM 1. Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

Selected Financial and Operating Data

The tables below contain a summary of our financial data as of and for each of the periods indicated. The summary of our financial data was derived from our consolidated annual financial statements, prepared in accordance with IFRS, as issued by the IASB. You should read this selected financial data in conjunction with our consolidated financial

statements and the related notes included in this annual report.

The selected consolidated financial information as of and for the years ended December 31, 2009, 2010 and 2011, prepared in accordance with IFRS, as issued by the IASB, has been derived from our audited consolidated financial statements, which appear elsewhere in this annual report.

The following tables present our selected financial data as of and for each of the periods indicated.

Table of Contents**STATEMENT OF OPERATIONS DATA**

	For the year ended December 31,			
	2011	2011	2010	2009
	US\$	R\$	R\$	R\$
	(in millions, except per share and per ADS data)			
Net operating revenue	6,805	12,764	12,024	11,358
Cost of electric energy services:				
Cost of electric energy	3,316	6,221	6,222	6,015
Operating cost	617	1,158	1,068	1,054
Services rendered to third parties	607	1,139	1,051	621
Gross operating income	2,265	4,246	3,683	3,668
Operating expenses:				
Sales expenses	194	364	301	255
General and administrative expenses	328	615	443	403
Other operating expense	115	216	200	227
Income from electric energy service	1,628	3,051	2,739	2,783
Financial income (expense):				
Income	372	698	483	351
Expense	(739)	(1,387)	(837)	(661)
Net financial income (expenses)	(367)	(689)	(354)	(310)
Income before taxes	1,261	2,362	2,385	2,473
Social contribution	(112)	(210)	(221)	(208)
Income tax	(304)	(570)	(604)	