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August 1, 2007

VIA HAND DELIVERY

Honorable Jaclyn A. Brillling
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Joint Petition of IBERDROLA, S.A., Energy East Corporation, RGS Energy Group, Inc., Green Acquisition Capital, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation for Approval of the Acquisition of Energy East Corporation by IBERDROLA, S.A.

Dear Secretary Brillling:

Enclosed for filing please find an original and three (3) copies of (1) the Joint Petition for Approval of the Acquisition of Energy East Corporation by IBERDROLA, S.A.; and (2) Direct Testimony of the Benefits and Public Interest Panel. The Joint Petition seeks approval pursuant to Section 70 of the New York Public Service Law ("PSL") for IBERDROLA, S.A. to acquire 100% of the common stock of Energy East Corporation, the parent holding company of New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E"). As more fully described in the Joint Petition and Direct Testimony, the proposed transaction will provide positive benefits to New York customers and should therefore be approved by the Commission because it meets the "public interest" standard pursuant to Section 70 of the PSL.

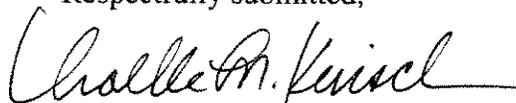
The Joint Petitioners respectfully request that the New York State Public Service Commission approve the proposed transaction within six months of the date of this filing so that the closing of the proposed transaction may occur as soon as possible thereafter, permitting New York to obtain the benefits of the proposed transaction as expeditiously as possible. The requested time frame is reasonable in light of the fact that the proposed transaction involves a straightforward change in ownership at the parent company with no negative impact on NYSEG and RG&E. The Joint Petitioners request that an administrative law judge be assigned to this proceeding. The Joint Petitioners would be willing to work with New York State Department of

Honorable Jaclyn A. Brillling
August 1, 2007
Page 2

Public Service Staff and any interested parties as soon as possible to develop a proposed schedule for this case.

Courtesy copies of the filing will be sent tomorrow via electronic mail to the active party service lists for NYSEG's and RG&E's most recent rate cases. If you have any questions regarding this filing, please contact the undersigned.

Respectfully submitted,



Noelle M. Kinsch
Brian T. FitzGerald

Enclosures/97707

cc: Pedro Azagra Blazquez
George D. Cannon, Jr., Esq.
Paul K. Connolly, Jr., Esq.
Robert E. Rude
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Stanley W. Widger, Jr., Esq.

CERTIFICATE OF SERVICE

I hereby certify that I caused an original and three (3) copies of a Joint Petition for Approval of the Acquisition of Energy East Corporation by IBERDROLA, S.A. and Direct Testimony of the Benefits and Public Interest Panel to be served, by hand delivery, upon the Honorable Jaclyn A. Brillling, Secretary to the New York State Public Service Commission.

Dated this 1st day of August, 2007.



Darci L. DeLisle

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Joint Petition of IBERDROLA, S.A.,
Energy East Corporation, RGS Energy Group, Inc.,
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Case _____

**JOINT PETITION FOR APPROVAL OF THE ACQUISITION
OF ENERGY EAST CORPORATION BY IBERDROLA, S.A.**

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August 1, 2007

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NEW YORK STATE
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**JOINT PETITION FOR APPROVAL OF THE ACQUISITION
OF ENERGY EAST CORPORATION BY IBERDROLA, S.A.**

I. INTRODUCTION

IBERDROLA, S.A. ("IBERDROLA"), Green Acquisition Capital, Inc. ("Green Acquisition"), Energy East Corporation ("Energy East"), RGS Energy Group Inc. ("RGS"), New York State Electric & Gas Corporation ("NYSEG"), and Rochester Gas and Electric Corporation ("RG&E") (collectively, the "Joint Petitioners") respectfully request New York State Public Service Commission ("Commission") approval, without modification or condition, pursuant to Section 70 of the New York State Public Service Law ("PSL") and any other statutory or regulatory provisions deemed applicable, for IBERDROLA to acquire 100 percent of the common stock of Energy East, the parent holding company of NYSEG and RG&E ("Proposed Transaction"). The Proposed Transaction is structured as a merger of Green Acquisition with and into Energy East, with Energy East as the surviving corporation that will be wholly-owned by IBERDROLA. NYSEG and RG&E, the New York regulated utilities, will remain wholly-owned subsidiaries of Energy East and therefore will become wholly-owned subsidiaries of IBERDROLA.

The Proposed Transaction is scheduled to close promptly upon receipt of the necessary consents and regulatory approvals. The Joint Petitioners respectfully request that the Commission approve the Proposed Transaction within six (6) months of the date of this filing so that the closing of the Proposed Transaction may occur as soon as possible thereafter, permitting New York to obtain the benefits of the Proposed Transaction as expeditiously as possible.

II. EXECUTIVE SUMMARY

IBERDROLA, a leading global utility and energy company with a market capitalization of approximately \$70 billion,¹ has the financial, managerial and technological capabilities to acquire 100 percent of the common stock of Energy East while ensuring that NYSEG and RG&E continue to provide high-quality, safe and reliable electric and gas service to their customers.

The Proposed Transaction represents an acquisition by IBERDROLA at the Energy East holding company level, rather than a combination of the operations of individual operating companies. While the Proposed Transaction will not result in the synergistic savings that sometimes accompany mergers where the operations of individual operating company subsidiaries are combined, New York customers will nonetheless benefit from NYSEG and RG&E becoming part of IBERDROLA. In particular, as described in this Joint Petition and the attached Direct Testimony of the Benefits and Public Interest Panel, New York customers will benefit in the following ways:

- Global Energy Experience – IBERDROLA is an innovative and diversified holder and manager of utility and other energy assets with a demonstrated commitment to infrastructure investment, service quality and sustainable development. The Energy East utility subsidiaries will benefit from IBERDROLA's global utility expertise.

¹ The market capitalization was calculated utilizing a currency exchange rate of \$1.35/Euro.

- Focus on Efficiency and Environment – IBERDROLA brings to New York a significant focus on energy efficiency, clean technology and the environment, key goals of Governor Spitzer’s “15x15” energy policy. IBERDROLA strives to achieve its business objectives while meeting customer needs and addressing climate change, and New York will benefit from this corporate philosophy. Moreover, IBERDROLA has the expertise, capacity and resources that could, if requested or permitted, further the State’s renewable energy goals.
- Financial Stability – NYSEG and RG&E will obtain the financial stability and other benefits of becoming subsidiaries of a multi-national, widely diversified utility holding company with a long-term Standard & Poor’s “A” level credit rating.
- Commitment to Customer Service and Reliability – The Energy East utility subsidiaries will benefit from IBERDROLA’s proven commitment to excellence in customer service and reliability.
- Commitment to Local Communities – IBERDROLA is committed to the local communities that it serves and will encourage NYSEG and RG&E to remain actively involved in community programs. Iberdrola will not seek any reduction in the level of any existing economic development initiatives in New York in connection with the Proposed Transaction.

In addition to the positive benefits the Proposed Transaction will provide to New York, the Proposed Transaction also will not have any adverse impact on New York. In particular:

- No Recovery of Acquisition Premium in Rates – The Joint Petitioners commit not to seek recovery in rates for any acquisition premium associated with the Proposed Transaction.
- No Recovery of Transaction Costs in Rates – The Joint Petitioners commit not to seek recovery in rates for any costs incurred to consummate the Proposed Transaction.
- No Change in Services to Customers – There will be no changes in the rates, terms or conditions of service provided to NYSEG and RG&E customers in connection with the Proposed Transaction.
- No Change in Headquarters or Service Centers – There will be no change to NYSEG’s or RG&E’s headquarters or local service centers in connection with the Proposed Transaction.

IBERDROLA will pay approximately \$4.5 billion to acquire 100 percent of the common stock of Energy East, based upon the approximately 158 million Energy East shares

outstanding as of June 25, 2007. Because IBERDROLA has already raised the equity needed to close the Proposed Transaction in the capital markets, the Proposed Transaction will not result in any increase in the debt of Energy East or IBERDROLA, or any of their affiliates, and there is no financing contingency that must be satisfied prior to the closing of the Proposed Transaction.

As such, the Proposed Transaction fully satisfies the “public interest” standard necessary for Commission approval pursuant to Section 70 of the PSL.

III. THE PROPOSED TRANSACTION

A. Description of the Joint Petitioners

1. IBERDROLA

IBERDROLA is a corporation (*Sociedad Anónima*) organized under the Laws of the Kingdom of Spain. IBERDROLA’s shares are publicly traded on the Madrid Stock Exchange. IBERDROLA’s principal place of business is Calle Cardenal Gardoqui, 8, 48008 Bilbao, Spain. A copy of IBERDROLA’s Certificate of Formation is attached hereto as Exhibit 1. A description of IBERDROLA’s key officers and management personnel is set forth in Exhibit 2.

a. IBERDROLA’s Utility and Energy Expertise

IBERDROLA is a global utility company and one of the largest energy companies in the world with a market capitalization of approximately \$70 billion. IBERDROLA provides services to approximately 22 million electric points of supply and 2 million gas points of supply in Europe and the Americas, including 10 million points of supply in Spain, 7.7 million in Brazil, 3.4 million in the United Kingdom, and approximately 1 million in Guatemala and Bolivia. IBERDROLA has over 100 years of experience as an electric utility, including extensive experience as a provider of electric transmission and distribution services, with a focus on

increasing and maintaining the distribution infrastructure and maximizing service quality.

Between 2005 and the end of 2007, IBERDROLA will have invested approximately \$4 billion in improvements for its transmission and distribution systems globally.

IBERDROLA is also engaged in the natural gas business in Europe and the Americas, as both a gas supplier and developer of gas infrastructure. In Spain, IBERDROLA supplied 150 bcf of natural gas in 2006, including 20 percent of Spain's liquefied natural gas supplies. IBERDROLA also has significant investments in two Spanish regasification plants and in the MEDGAZ pipeline, which transports supplies from Algeria to Spain. IBERDROLA is also the third largest independent operator of natural gas storage in North America, with almost 95 bcf of storage capacity in the western United States and Canada.

IBERDROLA has made a long-term commitment to global investment while relying upon local management, as demonstrated by IBERDROLA's activities in Portugal, Brazil, Mexico, Guatemala, Bolivia, the United Kingdom, Spain and Greece, where it relies fully or substantially on local management to lead its operations. Similarly, IBERDROLA highly values the skills and experience of the management teams and the employees of Energy East, NYSEG and RG&E, who will be vital to the success of the Proposed Transaction.

b. IBERDROLA's Emphasis on Sustainable Development

Sustainable development is the cornerstone of IBERDROLA's strategic plan, which is premised on using technologies that are cleaner, more efficient, and environmentally friendly. IBERDROLA owns a diversified portfolio of approximately 40,000 MW of electric generation worldwide, comprised primarily of low emission assets (*e.g.*, hydro, nuclear and gas combined-cycle), and is the largest producer of wind energy in the world with over 6,800 MW of wind capacity. In 2006 alone, IBERDROLA invested over \$1.32 billion in renewable

technologies and has over 40,000 MW of new renewable resources in the pipeline, including over 20,000 MW in the United States. IBERDROLA's commitment to the environment is evidenced by its leadership in the renewable energy field and its demonstrated support for the Kyoto Protocol and the European Union Emissions Trading Directive.

c. IBERDROLA's Current U.S. Operations

In April 2007, IBERDROLA completed its acquisition of ScottishPower, plc ("ScottishPower") expanding its electric and gas business in Europe and the Americas. ScottishPower is involved in the generation, transmission, distribution and supply of electricity, as well as the storage and supply of natural gas in the United Kingdom. IBERDROLA does not currently own any traditionally regulated electric or natural gas delivery systems in the United States, but through ScottishPower's subsidiary, PPM Energy, Inc. ("PPM Energy"), IBERDROLA is now engaged in renewable generation, gas storage and associated energy management activities in the United States and Western Canada.

In New York, PPM Energy has an ownership interest in Flat Rock Windpower LLC ("Flat Rock") and Flat Rock Windpower II, LLC ("Flat Rock II"). Flat Rock and Flat Rock II, both of which are Delaware limited liability companies, are owned 50 percent by PPM Energy and 50 percent by affiliates of Horizon Wind Energy LLC. Flat Rock owns and operates a 231 MW wind project in Lewis County, New York, which is interconnected with the Niagara Mohawk Power Corporation ("NIMO") transmission system, which is operated by the New York Independent System Operator, Inc. ("NYISO"). Flat Rock II owns and operates a 90.75 MW wind farm in Lewis County, New York, which is also interconnected with the NYISO-operated NIMO transmission system. Flat Rock and Flat Rock II are both Exempt Wholesale Generators and are authorized by the Federal Energy Regulatory Commission ("FERC") to engage in

wholesale sales of energy, capacity and ancillary services at market-based rates.

In addition, a subsidiary of IBERDROLA is currently developing a 110 MW wind energy project in Herkimer County, New York, which is expected to achieve commercial operation in 2008.

Since May 2006, IBERDROLA has acquired three renewable energy companies in the United States: Community Energy in May 2006; MREC Partners in October 2006 and CPV Wind Ventures, LLC in April 2007.

d. IBERDROLA as a Worldwide Leader

In addition to its environmental commitments, IBERDROLA's strategic objectives are focused on increased efficiency, service quality and infrastructure development, to the benefit of both its shareholders and its customers. IBERDROLA was recognized for its leadership and achievement in 2006 when it was named the Energy Company of the Year by Platts Global Energy Awards. IBERDROLA has also been named a leader in the Worldwide Utilities Category of the Dow Jones Sustainability Index, identified as one of the 50 best companies in climate strategy and listed as one of the Global 100 Most Sustainable Corporations in the World. IBERDROLA's Chairman and CEO, Ignacio Sanchez Galán, was named CEO of the Year by Platts Global and has been recognized as best executive among European utilities for five consecutive years. IBERDROLA's CFO, José Sáinz Armada, repeatedly has been named one of Europe's Best CFOs and IBERDROLA's Ignacio Cuenca has been recognized as Best Investor Relations Professional by Institutional Investor Research Group.

2. Green Acquisition

Green Acquisition is a New York corporation that was formed by IBERDROLA solely for the purpose of merging with and into Energy East in the Proposed Transaction. Green

Acquisition is a wholly-owned subsidiary of IBERDROLA. Green Acquisition's Certificate of Incorporation is attached hereto as Exhibit 3.

3. Energy East

Energy East is a public utility holding company with operations in Connecticut, New York, Massachusetts, Maine, and New Hampshire, serving approximately 1.8 million electric customers and 900,000 natural gas customers.

Energy East's principal business subsidiaries are engaged in regulated natural gas transportation, storage and distribution operations in Connecticut, upstate New York, Maine, Massachusetts, and New Hampshire, and in regulated electric transmission, distribution and generation operations in upstate New York and Maine. Energy East has two service company affiliates, Utility Shared Services Corporation and Energy East Management Corporation, which provide certain corporate and back office services to their affiliates. Energy East is the ultimate parent of RGS, NYSEG and RG&E. Energy East's Certificate of Incorporation, as amended, is attached hereto as Exhibit 4.

4. RGS

RGS is a holding company organized under the laws of the State of New York. It is a wholly-owned subsidiary of Energy East. RGS is the intermediate holding company for NYSEG and RG&E. The corporate headquarters of RGS are located at 89 East Avenue, Rochester, New York. RGS's Certificate of Incorporation is attached hereto as Exhibit 5.

5. NYSEG

NYSEG is a regulated public utility engaged in the purchase, distribution and transmission of electricity, and the purchase, distribution and transportation of natural gas in the central, eastern and western parts of New York State. NYSEG has approximately 870,000

electric and 257,000 gas customers. NYSEG's corporate headquarters are located at 89 East Avenue, Rochester, New York and its operations center is located in Binghamton, New York. NYSEG's Certificate of Incorporation, as amended, is attached hereto as Exhibit 6.

6. RG&E

RG&E is a regulated public utility engaged principally in the business of generating, purchasing, transmitting and distributing electricity, and purchasing, transporting and distributing natural gas in nine upstate New York counties. RG&E has approximately 359,000 electric and 297,000 gas customers. RG&E's corporate headquarters are located at 89 East Avenue, Rochester, New York and its operations center is located in Rochester, New York. RG&E's Certificate of Incorporation, as amended, is attached hereto as Exhibit 7.

B. Description of the Proposed Transaction

1. The Merger Agreement

On June 25, 2007, Energy East, IBERDROLA and Green Acquisition entered into an Agreement and Plan of Merger (the "Merger Agreement") whereby the acquisition of Energy East by IBERDROLA will, on the terms and conditions therein, be accomplished by the merger of Green Acquisition with and into Energy East, with Energy East as the surviving corporation that will be wholly-owned by IBERDROLA. NYSEG and RG&E will continue to be wholly-owned subsidiaries of Energy East and, therefore, will become wholly-owned subsidiaries of IBERDROLA as a result of the Proposed Transaction.² A copy of the Merger Agreement is

² As currently anticipated, as of the effective date of the Proposed Transaction, NYSEG and RG&E will each become an *indirect*, wholly-owned subsidiary of IBERDROLA. Pursuant to the terms of the Merger Agreement, in order to promote regulatory transparency, IBERDROLA may seek to eliminate certain Energy East intermediate holding companies, thereby causing one or more of Energy East's operating subsidiaries to become direct subsidiaries of IBERDROLA. The Merger Agreement contemplates that any such restructuring would take place at or following the effective date of the Proposed Transaction. To be clear, such restructuring is not part of this Joint Petition and no such restructuring would be undertaken without obtaining the

attached hereto as Exhibit 8.

The Proposed Transaction is subject to the receipt of all shareholder consents and the federal and state regulatory approvals set forth in Section VII below, prior to its effectiveness. The Proposed Transaction is expected to become effective, following the receipt of such consents and regulatory approvals, when the parties to the Merger Agreement file a certificate of merger with the Secretary of State of the State of New York in accordance with the New York Business Corporation Law. Upon the effectiveness of the Proposed Transaction, each outstanding share of Energy East common stock, other than shares owned by Energy East or an Energy East subsidiary or by IBERDROLA or a subsidiary of IBERDROLA, will be converted into the right to receive \$28.50 in cash, without interest. The shares of Green Acquisition outstanding immediately prior to the closing of the Proposed Transaction will be converted into shares of Energy East, and IBERDROLA will thereby become the owner of 100 percent of the common stock of Energy East. The total consideration to be paid by Iberdrola to Energy East shareholders as part of the Proposed Transaction, based upon the approximately 158 million Energy East shares outstanding as of June 25, 2007, is approximately \$4.5 billion.

The current corporate organizational chart for Energy East, including its New York utility subsidiaries, is attached hereto as Exhibit 9. The charts showing the corporate organization of IBERDROLA both prior to and after the Proposed Transaction are attached hereto as Exhibit 10.

2. Financing for the Proposed Transaction

Underscoring its financial strength, on June 27, 2007, IBERDROLA successfully sold 85 million new shares of common stock through an accelerated private placement that was

necessary regulatory approvals, including any separate Section 70 approval from the Commission that may be required.

fully subscribed. Thus, the capital markets have already provided IBERDROLA with the approximately \$4.5 billion required to acquire 100 percent of the common stock of Energy East pursuant to the Merger Agreement. The success of this accelerated private placement demonstrates IBERDROLA's capacity and ability to raise capital, the result of which is that the Proposed Transaction will not result in any increase in the debt of Energy East or IBERDROLA, or any of their affiliates, and there is no financing contingency that must be satisfied prior to the closing of the Proposed Transaction.

IV. THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST

The Proposed Transaction fully satisfies the "public interest" standard necessary for Commission approval under PSL Section 70. As described below, and in the attached Direct Testimony of the Benefits and Public Interest Panel, IBERDROLA has the technological expertise, human resources and financial strength necessary to succeed – and allow NYSEG and RG&E to succeed – in a rapidly changing utility environment. The Proposed Transaction will provide Energy East and its New York utility subsidiaries with the financial support and managerial experience of a leading global energy enterprise in order to pursue their shared corporate goals, build upon their demonstrated achievements, and ensure customer satisfaction, system reliability and environmental stewardship. The Proposed Transaction will support the continued provision of safe, reliable and adequate utility service by NYSEG and RG&E to customers in New York.

A. Energy East Will Benefit from IBERDROLA's Utility Expertise

Energy East and its subsidiaries will obtain benefits from IBERDROLA's global utility expertise and managerial talent. IBERDROLA, through its affiliates, is a world leader with a proven record of providing high-quality electric distribution service. It is one of the

world's largest energy companies, with approximately 22 million electric points of supply and 2 million gas points of supply in Europe and the Americas. For over 100 years, IBERDROLA has provided high-quality, environmentally friendly utility service.

IBERDROLA operates an electric distribution network in Spain with over 218,000 kilometers (130,000 miles) of distribution and transmission lines and provides energy distribution service to almost 10 million points of supply in Spain. In 2006 alone, IBERDROLA invested over \$675 million in expansion and improvement of its electric distribution networks. As noted above, from 2005 to the end of 2007, IBERDROLA will have made capital investments of approximately \$4 billion in transmission and distribution facilities globally. This investment demonstrates IBERDROLA's commitment to investing in transmission and distribution improvements that promote a secure and reliable energy infrastructure. Pursuant to its strategic plan applicable to its utility operations, IBERDROLA focuses on reducing power failure rates, repowering existing lines and using existing rights-of-way to avoid disruption from construction of infrastructure improvements, reducing losses through the installation of capacitor banks, increasing voltage to increase capacity, and updating facilities with state-of-the-art "low-loss" transformers. Energy East and its utility subsidiaries will benefit from IBERDROLA's proven expertise and managerial talent with respect to these and other issues, including security and network congestion avoidance issues.

In addition, IBERDROLA is the leading developer of new gas infrastructure in Spain, with recent investments in regasification plants and natural gas pipelines. In January 2007, IBERDROLA increased its stake in the MEDGAZ pipeline to 20 percent. IBERDROLA also owns gas storage in Europe and the United States, including 95 bcf of storage acquired in the recent combination with ScottishPower. In 2006, IBERDROLA supplied 150 bcf of gas into

the Spanish market. IBERDROLA has signed long-term supply contracts for 565 bcf annually (247 bcf in Spain and 318 bcf in Latin America), allowing IBERDROLA to reduce its exposure to fuel price volatility.

B. IBERDROLA's Commitment to Energy Efficiency and the Environment

Sustainable development is the cornerstone of IBERDROLA's strategic plan, which is premised on using technologies that are cleaner, more efficient and environmentally friendly. IBERDROLA has received international recognition for its environmental policies and performance, including rankings of best in class for both the Electric Utilities Category for environmental behavior by Storebrand Investments and for the global level in the 2006 Climate Leadership Index. Moreover, IBERDROLA has been named a leader in the Worldwide Utilities Category of the Dow Jones Sustainability Index, identified as one of the 50 best companies in climate strategy, and is listed as one of the Global 100 Most Sustainable Corporations in the World and among the top three companies in the Energy & Utilities Sector Category in the Pacific Sustainability Index.

As a global leader in environmentally friendly programs, IBERDROLA is committed to encouraging Energy East's efforts to implement energy efficiency initiatives and to invest in new utility technology. IBERDROLA also has a strong commitment to demand side management and other energy conservation efforts, such as NYSEG's and RG&E's Advanced Metering Infrastructure plan. In addition, New York would benefit from certain current IBERDROLA practices. For example, IBERDROLA:

- distributes guides for energy efficiency to more than 1.5 million customers;
- promotes energy efficient and electronically regulated air conditioning and heating devices;
- provides advice on energy conservation and efficiency, printed on the back of the bill and forwarded to more than 9 million customers;

- utilizes time-differentiated rates; and
- supports industrial customers and government entities through energy audits to help them achieve greater energy efficiency.

Energy East, NYSEG and RG&E will benefit from IBERDROLA's experience regarding implementation of renewable energy and environmental programs.

The Joint Petitioners also commit to cooperate with the newly formed Climate Change Office in the New York State Department of Environmental Conservation, which will oversee implementation of the Regional Greenhouse Gas Initiative. IBERDROLA will bring an invaluable global as well as a regional and local perspective to these environmental issues. IBERDROLA's commitments to energy efficiency, demand side management and other conservation efforts are consistent with the Governor's "15x15" energy policy and the Commission's policy objectives.

As part of its commitment to the environment, IBERDROLA is the largest producer of wind energy in the world, with over 6,800 MW of wind capacity. In 2006, IBERDROLA invested over \$1.32 billion in renewable technologies and has over 40,000 MW of new renewable resources in the pipeline, including over 20,000 MW in the United States. While every utility development plan depends upon a variety of regulatory and economic considerations, IBERDROLA has the expertise, capacity and resources that could, if requested or permitted, further the State's renewable energy goals.

C. Financial Strength

The Proposed Transaction strengthens the financial stability and resources available to Energy East, NYSEG and RG&E. As a result of the Proposed Transaction, the enterprise value of IBERDROLA will surpass \$104 billion, thereby placing IBERDROLA's financial resources among the largest in the world. As described above, IBERDROLA was able

to sell 85 million new shares of common stock through an accelerated private placement that was fully subscribed to by institutional investors, thus raising approximately \$4.5 billion to finance the Proposed Transaction.

The Proposed Transaction will give Energy East, RG&E and NYSEG the financial stability and other benefits of becoming subsidiaries of a multi-national widely diversified utility holding company with a long-term Standard & Poor's "A" level credit rating and will provide Energy East, and thus RG&E and NYSEG, with greater access to both U.S. and global financial markets than they would have in the absence of the Proposed Transaction. By providing enhanced access to capital, the Proposed Transaction will allow NYSEG and RG&E to continue to provide high-quality, safe and reliable service.

D. Community Involvement

IBERDROLA is committed to the local communities it serves. After consummation of the Proposed Transaction, IBERDROLA will encourage NYSEG and RG&E to remain actively involved in community programs in their service territories. IBERDROLA does not intend to seek any reduction in any charitable efforts, community commitments or economic development initiatives that NYSEG and RG&E have historically undertaken.

E. Service Quality and Reliability

IBERDROLA is committed to excellence in customer service and reliability and understands the need for infrastructure to support the goal of enhanced reliability. IBERDROLA has maintained its focus on improving service quality for its approximately 22 million electric points of supply and 2 million gas points of supply around the world through development and improvement of its energy infrastructure. For example, with respect to standard measures of service interruption, IBERDROLA's focus on operational excellence is evident in its superior performance as measured by the Customer Average Interruption Duration Index ("CAIDI") and

the System Average Interruption Frequency Index (“SAIFI”). Relative to U.S. benchmarks, IBERDROLA over the last 3 years has delivered results that would rank in either the first or second quartile of U.S. utilities. IBERDROLA’s CAIDI of 1.70 hours for operations in Spain and the United Kingdom would rank near the top of the second quartile. The SAIFI performance of 1.16 average interruptions for operations in Spain and the United Kingdom is in the first quartile performance of U.S. utilities.

F. No Negative Impact on New York Customers

In addition to the aforementioned benefits, the Proposed Transaction will have no negative impact on the customers of NYSEG and RG&E. The Joint Petitioners commit not to seek recovery from New York ratepayers of costs incurred to consummate the Proposed Transaction. Moreover, the premium paid for Energy East common stock resulting from the Proposed Transaction will remain on the books of IBERDROLA and its other wholly-owned subsidiaries, and will not be recorded on the books of Energy East or any of its subsidiaries, including RGS, RG&E, or NYSEG. To be clear, the Joint Petitioners will not seek recovery of the acquisition premium associated with the Proposed Transaction in rates from New York ratepayers.

In addition, there will be no changes to the rates, terms or conditions of service provided to NYSEG and RG&E customers in connection with the Proposed Transaction. The Joint Petitioners are not seeking to modify the existing rate plans of NYSEG and RG&E³ as part of the Proposed Transaction. Customers will continue to be able to interact with their respective

³ NYSEG provides electric service to customers in New York in accordance with rates established by the Commission in Case 05-E-1222. NYSEG provides gas service to customers pursuant to a rate plan approved by the Commission in Case 01-G-1668. RG&E provides electric and gas service to customers pursuant to rate plans approved by the Commission in Cases 03-E-0765 and 03-G-0766, respectively.

utility at its existing corporate headquarters and operational centers, the locations of which will not change in connection with the Proposed Transaction. IBERDROLA further contemplates that no utility company operations, plant, equipment, franchises, permits, or other assets of RG&E or NYSEG will change or be transferred in connection with the Proposed Transaction. Moreover, NYSEG and RG&E will continue to honor their existing obligations under their collective bargaining agreement and employment agreements.

Finally, NYSEG and RG&E will continue to utilize the same cost accounting and allocation methods and reporting system utilized today and neither the location of, nor Department of Public Service Staff's access to, NYSEG's and RG&E's books and records will change in connection with the Proposed Transaction.

G. The Proposed Transaction Will Not Have Any Adverse Impact with Respect to Market Power in New York

As demonstrated in the affidavit of William H. Hieronymus that was submitted to FERC in connection with the Proposed Transaction, attached hereto as Exhibit 19, the Proposed Transaction will have no adverse impact with respect to market power in New York. As Dr. Hieronymus explains, the Joint Petitioners' combined share of NYISO installed capacity is well below 5 percent, and the combination of these shares clearly has an immaterial effect on market concentration.

V. REPRESENTATIVES OF JOINT PETITIONERS

The name, title, address, telephone number and fax number of the persons to whom correspondence or communications in regard to this Joint Petition are to be addressed is:

For IBERDROLA and Green Acquisition:

Pedro Azagra Blazquez
Director of Corporate Development
IBERDROLA, S.A.

C/ Tomás Redondo, I
28033 Madrid, Spain
Tel: 34 91 784 29 39
Fax: 34 91 784 26 73
Email: azagrap@ibdl.com

and

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and

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Washington, D.C. 20004
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For Energy East, RGS, NYSEG and RG&E:

Robert E. Rude
Senior Vice President and Chief Regulatory Officer
Energy East Corporation
52 Farm View Drive
New Gloucester, Maine 04260
Tel: (207) 688-4301
E-mail: bob.rude@energyeast.com

and

Paul K. Connolly, Jr.
Vice President and General Counsel
Energy East Corporation
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Boston, Massachusetts 02110
Tel: (617) 748-6868

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and

Brian T. FitzGerald
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lmoses@llgm.com

VI. NOTICE

Notice of the Proposed Transaction will be provided to customers of RG&E and NYSEG as soon as practicable after the filing. A draft form of notification suitable for publication in the New York State Register pursuant to the provisions of the New York State Administrative Procedure Act is attached hereto as Exhibit 11.

VII. SUPPORTING DATA

Attached as Exhibits 12 through 15 are documents containing the financial information of the Joint Petitioners, as required by 16 NYCRR Parts 18 and 39. Exhibits 16 and 17 are the certified resolutions authorizing and approving the Proposed Transaction passed by the Board of Directors of Energy East and the Board of IBERDROLA.

VIII. STATE ENVIRONMENTAL QUALITY REVIEW ACT

Under the State Environmental Quality Review Act ("SEQRA"), the Proposed Transaction does not meet the definition of either Type I or Type II actions and, therefore, the Proposed Transaction is appropriately classified as an "unlisted" action requiring SEQRA review. Accordingly, it is proper for the Commission, as lead agency, to conduct an environmental assessment and to determine the significance of the actions proposed. To

facilitate such assessment, attached hereto as Exhibit 18 is a completed Short Environmental Assessment Form describing the potential impact, if any, of the Proposed Transaction. There are no plans to change the operations of RG&E and NYSEG in connection with the Proposed Transaction and, therefore, no action is proposed that would result in a potentially significant adverse environmental impact. The Joint Petitioners respectfully submit that the Proposed Transaction will have no potentially significant adverse environmental impact based on the criteria for determining significance listed in 6 NYCRR Section 617.7(c). Thus, the Joint Petitioners request that the Commission issue, pursuant to SEQRA, a determination of non-significance for the Proposed Transaction.

IX. OTHER APPROVALS

In addition to the Commission's approval sought herein, certain other federal and state regulatory filings must be made and approvals obtained, including filings with FERC, the Securities and Exchange Commission, the Federal Communications Commission, the Connecticut Department of Public Utility Control, the Maine Public Utilities Commission, and the New Hampshire Public Utilities Commission. In addition, Exon-Florio filings, and filings in compliance with the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, are required.

X. CONCLUSION

WHEREFORE, for the foregoing reasons, Joint Petitioners respectfully request that the Commission approve the Proposed Transaction, without modification or condition, and grant such other further relief as may be required to implement the Proposed Transaction, within six (6) months of the date of this filing.

Dated: August 1, 2007

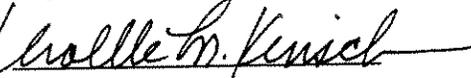
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Attorneys for
IBERDROLA, S.A. and
Green Acquisition Capital, Inc.

Respectfully submitted,

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RGS Energy Group, Inc.
New York State Electric & Gas Corporation and
Rochester Gas and Electric Corporation

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

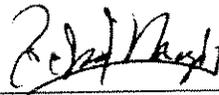
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Joint Petition of IBERDROLA, S.A.,
Energy East Corporation, RGS Energy Group, Inc.,
Green Acquisition Capital, Inc.
New York State Electric & Gas Corporation and
Rochester Gas and Electric Corporation for
Approval of the Acquisition of
Energy East Corporation by IBERDROLA, S.A.
-----x

Case No. _____

VERIFICATION

I, Pedro Azagra Blazquez, being duly sworn depose and state as follows:

1. I am Director of Corporate Development of IBERDROLA, S.A.
2. I am authorized to sign this Verification on behalf of IBERDROLA, S.A and Green Acquisition Capital, Inc.
3. The foregoing Joint Petition was prepared under my direction and supervision.
4. The contents of the foregoing Joint Petition relating to the Proposed Transaction and IBERDROLA, S.A. and Green Acquisition Capital, Inc., are true and correct to my knowledge, information and belief.



Pedro Azagra Blazquez
Director of Corporate Development
Iberdrola, S.A.

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

-----x
Joint Petition of IBERDROLA, S.A.,
Energy East Corporation, RGS Energy Group, Inc.,
Green Acquisition Capital, Inc.
New York State Electric & Gas Corporation and
Rochester Gas and Electric Corporation for
Approval of the Acquisition of
Energy East Corporation by IBERDROLA, S.A.
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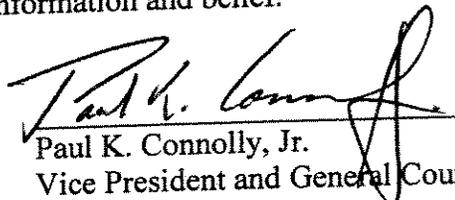
Case _____

COMMONWEALTH OF MASSACHUSETTS :
 : ss.
COUNTY OF SUFFOLK :

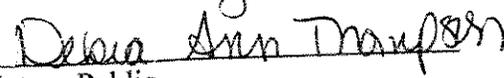
VERIFICATION

I, Paul K. Connolly, Jr., being duly sworn depose and state as follows:

1. I am Vice President and General Counsel of Energy East Corporation.
2. I am authorized to sign this Verification on behalf of Energy East Corporation, RGS Energy Group, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation.
3. The foregoing Joint Petition was prepared under my direction and supervision.
4. The contents of the foregoing Joint Petition relating to the Proposed Transaction and Energy East Corporation, RGS Energy Group, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation are true and correct to my knowledge, information and belief.


Paul K. Connolly, Jr.
Vice President and General Counsel
Energy East Corporation

Sworn to and subscribed before me
this 27 day of July, 2007


Notary Public
AL-97569

LIST OF EXHIBITS

- Exhibit 1 IBERDROLA's Certificate of Formation
- Exhibit 2 Description of IBERDROLA's Key Officers and Management Personnel
- Exhibit 3 Green Acquisition's Certificate of Incorporation
- Exhibit 4 Energy East's Certificate of Incorporation
- Exhibit 5 RGS' Certificate of Incorporation
- Exhibit 6 NYSEG's Certificate of Incorporation, as Amended
- Exhibit 7 RG&E's Certificate of Incorporation, as Amended
- Exhibit 8 Merger Agreement
- Exhibit 9 Pre-transaction Organizational Chart for Energy East
- Exhibit 10 Pre- and Post-transaction Organizational Charts for IBERDROLA
- Exhibit 11 Draft of State Administrative Procedure Act Notice
- Exhibit 12 Financial Information for IBERDROLA
- Exhibit 13 Financial Information for Energy East
- Exhibit 14 Financial Information for NYSEG
- Exhibit 15 Financial Information for RG&E
- Exhibit 16 Resolution of the Energy East Board of Directors
- Exhibit 17 Resolution of the IBERDROLA Board Members
- Exhibit 18 Short Environmental Assessment Form
- Exhibit 19 Affidavit of William H. Hieronymus

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

-----x
Joint Petition of IBERDROLA, S.A.,
Energy East Corporation, RGS Energy Group, Inc.,
Green Acquisition Capital, Inc.,
New York State Electric & Gas Corporation and
Rochester Gas and Electric Corporation for
Approval of the Acquisition of
Energy East Corporation by IBERDROLA, S.A.
-----x

Case _____

**DIRECT TESTIMONY OF THE
BENEFITS AND PUBLIC INTEREST PANEL**

Pedro Azagra Blazquez
James P. Laurito
Robert E. Rude

August 1, 2007

BENEFITS AND PUBLIC INTEREST PANEL

I. INTRODUCTION

1

2 **Q. Please state the names of the members on this Benefits and Public Interest**
3 **Panel (the "Panel").**

4 A. Our names are Pedro Azagra Blazquez, James P. Laurito and Robert E. Rude.

5 **Q. Mr. Azagra, please state your current position and business address.**

6 A. My title is Director of Corporate Development of IBERDROLA, S.A.
7 ("IBERDROLA"). My business address is Tomás Redondo 1, Madrid, Spain,
8 28033.

9 **Q. What are your current job responsibilities?**

10 A. Among other things, I am responsible for the non-organic growth of
11 IBERDROLA, which includes such transactions as mergers, acquisitions,
12 divestitures of core businesses, and the strategic planning of such opportunities.

13 **Q. Please summarize your educational background.**

14 A. I received a business degree and a law degree from Icade University in Madrid,
15 and a Master of Business Administration from the University of Chicago.

16 **Q. Please describe your work experience.**

17 A. Prior to joining IBERDROLA, I worked at Morgan Stanley from 1992 to 1996 in
18 the Investment Banking Division in London.

19 **Q. Have you previously testified before any United States federal or state**
20 **regulatory agency or a regulatory agency of another country?**

21 A. I have never provided testimony, but I have done significant work related to
22 IBERDROLA regulatory matters in Spain.

BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. Please identify those areas of the testimony for which you have primary**
2 **responsibility.**

3 A. While we are collectively sponsoring this Panel testimony with respect to the
4 overall transaction (the "Proposed Transaction") that is described in the "Joint
5 Petition for Approval of the Acquisition of Energy East Corporation by
6 IBERDROLA, S.A." (the "Joint Petition") to which our testimony is attached, I
7 am responsible for the portions of this testimony related to IBERDROLA's global
8 operations and experience, IBERDROLA's strategic plan, IBERDROLA's
9 commitments, IBERDROLA's business focus and philosophy, and the overall
10 purpose of the Proposed Transaction from IBERDROLA's perspective. The Panel
11 as a whole is responsible for describing the reasons why the Proposed
12 Transaction should be approved as in the public interest. I defer to Mr. Laurito
13 and Mr. Rude with respect to the specific factual statements in this testimony with
14 respect to Energy East.

15 **Q. Mr. Laurito, please state your current position and business address.**

16 A. My title is President and Chief Executive Officer ("CEO") of New York State
17 Electric & Gas Corporation ("NYSEG"), President and Chief Executive Officer
18 of Rochester Gas and Electric Corporation ("RG&E"). My business address is 89
19 East Avenue, Rochester, New York 14649.

20 **Q. What are your current job responsibilities?**

21 A. As President and CEO of NYSEG and RG&E, I am ultimately responsible for the
22 overall day-to-day operations of the companies. I am responsible, among other

BENEFITS AND PUBLIC INTEREST PANEL

1 things, for maintaining NYSEG's and RG&E's financial health, enhancing the
2 operating efficiency and reliability of NYSEG's and RG&E's electric and gas
3 businesses, and assuring that all functions are carried out in compliance with
4 local, state and federal laws and regulations and standards of good business
5 practice. I am ultimately responsible for assuring that NYSEG and RG&E
6 provide customers with safe and reliable electric and gas service.

7 **Q. Please summarize your educational background.**

8 A. I graduated from West Virginia University with a Bachelor of Science Degree in
9 Civil Engineering and have completed executive programs in financial and
10 manufacturing management at Columbia University.

11 **Q. Please describe your work experience.**

12 A. I have been President and CEO of RG&E since June 2003 and President and CEO
13 of NYSEG since May 2003. In addition, I served as NYSEG's Treasurer from
14 May 2003 to July 2003; President and Chief Operating Officer of Connecticut
15 Natural Gas Corporation and The Southern Connecticut Gas Company (Energy
16 East's two local distribution companies in Connecticut) from October 2000 to
17 May 2003; President of TEN Companies, Inc. ("TEN") (a CTG Resources, Inc.
18 affiliate) from January 1998 to October 2000; and Vice President of Business
19 Development of TEN from September 1997 to January 1998.

BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. Have you previously testified in other proceedings before the New York State**
2 **Public Service Commission (“PSC” or the “Commission”) or other state or**
3 **federal regulatory agency or court?**

4 **A. No.**

5 **Q. Please identify those areas of the testimony for which you have primary**
6 **responsibility.**

7 **A. While we are collectively sponsoring this Panel testimony with respect to the**
8 **Proposed Transaction, my primary areas of responsibility are with respect to**
9 **NYSEG and RG&E service reliability, infrastructure capital investment,**
10 **employee matters, and community matters. I defer to Mr. Azagra with respect to**
11 **the specific factual statements in this testimony with respect to IBERDROLA.**

12 **Q. Mr. Rude, please state your current position and business address.**

13 **A. My title is Senior Vice President and Chief Regulatory Officer of Energy East and**
14 **Energy East Management Corporation (“EEMC”). My business address is 52**
15 **Farm View Drive, New Gloucester, Maine 04260-5116.**

16 **Q. Please summarize your educational background.**

17 **A. I graduated from the State University of New York, College at Geneseo, in 1974,**
18 **with a Bachelor of Arts Degree in Political Science. I obtained a Masters Degree**
19 **in Business Administration from Syracuse University in 1993.**

20 **Q. What are your current job responsibilities?**

21 **A. As Senior Vice President and Chief Regulatory Officer, I am responsible for all**
22 **regulatory policy and proceedings at Energy East’s electric and natural gas utility**

BENEFITS AND PUBLIC INTEREST PANEL

1 operating companies. I am also responsible for operating and capital budgeting at
2 Energy East.

3 **Q. Please describe your work experience.**

4 A. I have been Senior Vice President and Chief Regulatory Officer of Energy East
5 since June 2005. I served as Vice President and Controller of Energy East from
6 November 1999 to June 2005, and also served as Energy East's Principal
7 Accounting Officer prior to June 2005. In addition, I served as Controller from
8 October 1998 to November 1999; Executive Director, Corporate Planning of
9 NYSEG, October 1998 to October 2000; and Director, Corporate Planning and
10 Rates of NYSEG prior to October 1998.

11 **Q. Have you previously testified in other proceedings before the Commission or
12 other state or federal regulatory agency?**

13 A. Yes. I have testified in Commission proceedings involving electric rate
14 settlements, electric rate design and industry restructuring. For example, I have
15 testified before the Commission in Cases 94-M-0349 (NYSEG Electric and Gas
16 Rates), 96-E-0891 (NYSEG Restructuring), 01-E-0359 (NYSEG Electric Price
17 Protection Plan) and 01-G-1668 (NYSEG Gas Rates)/01-G-1683 (Deferral
18 Petition – Gas Costs). I have also testified in a number of proceedings before the
19 Connecticut Department of Public Utility Control and the Maine Public Utilities
20 Commission.

BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. Please identify those areas of the testimony for which you have primary**
2 **responsibility.**

3 A. While we are collectively sponsoring this Panel testimony with respect to the
4 Proposed Transaction, my primary areas of responsibility are issues relating to the
5 previous Energy East mergers, ongoing regulatory proceedings, rates and tariffs,
6 Energy East allocation methods and accounting, and the purpose of the Proposed
7 Transaction and the reasons it should be approved from Energy East's
8 perspective. I defer to Mr. Azagra with respect to the specific factual statements
9 in this testimony with respect to IBERDROLA.

10 **Q. What is the overall purpose of the Panel's testimony?**

11 A. The purpose of our testimony is to demonstrate why the Proposed Transaction is
12 in the public interest and to provide overall support for the Joint Petition, which is
13 being filed contemporaneously with this testimony.

14 **Q. Please briefly describe the Joint Petition.**

15 A. The Joint Petition of IBERDROLA, Energy East, Green Acquisition Capital, Inc.
16 ("Green Acquisition"), RGS, NYSEG and RG&E (collectively, the "Joint
17 Petitioners") requests Commission approval, without modification or condition,
18 pursuant to Section 70 of the New York Public Service Law ("PSL"), of the
19 Proposed Transaction, pursuant to which IBERDROLA will acquire 100 percent
20 of the common stock of Energy East. More particularly, the Joint Petitioners
21 request the necessary approvals for the Proposed Transaction to be completed in
22 accordance with the provisions of the Agreement and Plan of Merger, dated as of

BENEFITS AND PUBLIC INTEREST PANEL

1 June 25, 2007, among IBERDROLA, Green Acquisition and Energy East (the
2 “Merger Agreement”), without condition or modification. Pursuant to the Merger
3 Agreement, Green Acquisition, a New York corporation and wholly-owned
4 subsidiary of IBERDROLA formed for the purpose of effectuating the Proposed
5 Transaction, will merge with and into Energy East, with Energy East as the
6 surviving entity. Therefore, as a result of the Proposed Transaction, Energy East
7 will become a wholly-owned subsidiary of IBERDROLA, and Energy East’s
8 subsidiaries will become subsidiaries of IBERDROLA. The Merger Agreement
9 is attached to the Joint Petition as Exhibit 8.

10 **Q. Please describe how this testimony supports the Joint Petition.**

11 A. To obtain the Commission’s consent for the Proposed Transaction, the Joint
12 Petitioners must show that the Proposed Transaction is in the public interest. This
13 testimony, in conjunction with the Joint Petition, supports such a finding.

14 **Q. Are the Joint Petitioners requesting Commission approval of the Proposed
15 Transaction by a specific date?**

16 A. Yes. The Joint Petitioners desire to complete the Proposed Transaction
17 expeditiously so that the benefits of the Proposed Transaction can begin to be
18 realized as quickly as possible, and to close the Proposed Transaction promptly
19 following satisfaction of all conditions precedent to the Proposed Transaction,
20 which include regulatory authorization by the Commission. It is important,
21 therefore, that the Commission act promptly on this Joint Petition. Accordingly,
22 the Joint Petitioners respectfully request that the Commission approve the

BENEFITS AND PUBLIC INTEREST PANEL

1 Proposed Transaction without modification or condition within six (6) months of
2 the date of filing. A schedule calling for a decision by such time will provide a
3 full opportunity for review, including public input.

4 **Q. Is this Panel sponsoring any exhibits?**

5 A. This Panel will address and discuss the exhibits to the Joint Petition, with the
6 number designations and descriptions as listed in the Joint Petition. Several of the
7 Joint Petition exhibits are referenced and described in our testimony.

8 **Q. Please describe the organization of the rest of your testimony.**

9 A. Section II of our testimony provides an Executive Summary of the benefits of the
10 Proposed Transaction. Section III describes the Joint Petitioners, including
11 background information about IBERDROLA's global utility operations and
12 interests in the United States, and the mechanics of the Proposed Transaction.
13 Finally, Section IV describes the benefits of the Proposed Transaction and
14 demonstrates that the Proposed Transaction is in the public interest, as required by
15 PSL Section 70.

16 **II. EXECUTIVE SUMMARY**

17 **Q. What is the overarching reason why the Commission should approve the**
18 **Proposed Transaction?**

19 A. The Proposed Transaction should be approved because it will result in numerous
20 benefits for NYSEG and RG&E customers and New York generally.

21 Furthermore, IBERDROLA and Energy East are making commitments that
22 protect NYSEG and RG&E ratepayers from costs incurred to consummate the

BENEFITS AND PUBLIC INTEREST PANEL

1 Proposed Transaction, including any acquisition premium. As such, the Proposed
2 Transaction is in the public interest.

3 **Q. Is the Proposed Transaction intended to be a merger of two operating entities**
4 **for the realization of savings?**

5 A. No. The Proposed Transaction represents an acquisition by IBERDROLA at the
6 Energy East holding company level, rather than a combination of the operations
7 of individual operating companies. While the Proposed Transaction will not
8 result in the synergistic savings that sometimes accompany mergers where the
9 operations of individual operating companies are combined, New York customers
10 will nonetheless benefit from NYSEG and RG&E becoming part of
11 IBERDROLA.

12 **Q. How will New York benefit from the Proposed Transaction?**

13 A. IBERDROLA is a leading global utility and energy company with a market
14 capitalization of approximately \$70 billion (utilizing an exchange rate of
15 \$1.35/Euro). It has the financial, technological and managerial capabilities, honed
16 by over 100 years of utility experience, to acquire control of Energy East while
17 ensuring that NYSEG and RG&E continue to provide high-quality, safe, and
18 reliable service to their customers. IBERDROLA brings to New York a proven
19 record of providing high-quality electric distribution service and a demonstrated
20 commitment to innovation, infrastructure investment, service quality, efficiency,
21 clean energy policies, and sustainable development. IBERDROLA strives to
22 achieve its business objectives while meeting customer needs, with a focus on

BENEFITS AND PUBLIC INTEREST PANEL

1 security of supply and climate change issues. IBERDROLA's policies and plans
2 affecting customers, shareholders, and employees are guided by principles of
3 corporate social responsibility. In addition to IBERDROLA's commitment to
4 energy efficiency and the environment, IBERDROLA is well-capitalized, has
5 considerable liquidity, strong credit ratings, and ready access to international as
6 well as domestic capital markets.

7 **III. DESCRIPTION OF THE JOINT PETITIONERS** 8 **AND THE PROPOSED TRANSACTION**

9 **A. Description of the Joint Petitioners**

10 **IBERDROLA**

11 **Q. What is IBERDROLA's corporate structure and primary business?**

12 A. IBERDROLA is a corporation (*Sociedad Anónima*) organized under the Laws of
13 the Kingdom of Spain whose shares are publicly traded on the Madrid Stock
14 Exchange. IBERDROLA's principal place of business is located at Calle
15 Cardenal Gardoqui, 8 48008, Bilbao, Spain. A description of IBERDROLA's key
16 officers and management personnel is set forth in Exhibit 2 to the Joint Petition
17 and a copy of its Certificate of Formation is attached to the Joint Petition as
18 Exhibit 1.

19 **Q. What is IBERDROLA's scope and scale of operations?**

20 A. IBERDROLA is a global utility that has over 100 years of experience in the
21 electric and gas business, including experience as a provider of electric
22 transmission and distribution services. It is one of the largest energy companies

BENEFITS AND PUBLIC INTEREST PANEL

1 in the world with a market capitalization of approximately \$70 billion.

2 IBERDROLA provides services to approximately 22 million electric points of
3 supply and 2 million gas points of supply in Europe and the Americas, including
4 10 million electric points of supply in Spain, 7.7 million in Brazil, 3.4 million in
5 the United Kingdom and approximately 1 million in Guatemala and Bolivia.

6 IBERDROLA is also engaged in the natural gas business in Europe and the
7 Americas, as a gas supplier and developer of gas infrastructure.

8 **Q. Please describe IBERDROLA's natural gas operations.**

9 A. IBERDROLA is engaged in the natural gas business in Europe and the Americas,
10 as a gas supplier and developer of gas infrastructure. In Spain, IBERDROLA
11 supplied 150 bcf of natural gas in 2006, including 20 percent of Spain's liquefied
12 natural gas supplies. IBERDROLA also has significant investments in two
13 Spanish re-gasification plants and in the MEDGAZ pipeline, which transports
14 supplies from Algeria to Spain. IBERDROLA also is the third largest
15 independent operator of natural gas storage in North America, with almost 95 bcf
16 of storage capacity. IBERDROLA has signed long-term supply contracts for 565
17 bcf annually (247 bcf in Spain and 318 bcf in Latin America), allowing
18 IBERDROLA to reduce its exposure to fuel price volatility.

19 **Q. Please describe IBERDROLA's experience in the operation of electric
20 distribution networks.**

21 A. IBERDROLA operates an electric distribution network in Spain with over
22 218,000 kilometers (130,000 miles) of distribution and transmission lines. In

BENEFITS AND PUBLIC INTEREST PANEL

1 2006 alone, IBERDROLA invested over \$675 million in expansion and
2 improvement of its electric distribution networks in Spain. Pursuant to its
3 strategic plan, IBERDROLA focuses on reducing power failure rates, repowering
4 existing lines and using existing rights-of-way to avoid disruption from
5 construction of infrastructure improvements, reducing losses through the
6 installation of capacitor banks, increasing voltage to increase capacity, and
7 updating facilities with state-of-the-art "low-loss" transformers.

8 **Q. Is IBERDROLA currently engaged in utility or non-utility energy business**
9 **activities in the United States?**

10 **A.** IBERDROLA is not currently engaged in any traditionally regulated transmission
11 or distribution utility operations in the United States. However, in April 2007,
12 IBERDROLA completed its acquisition of Scottish Power, plc ("ScottishPower"),
13 expanding its business activities in Europe and the United States. ScottishPower
14 is involved in the generation, transmission, distribution and supply of electricity,
15 as well as the storage and supply of natural gas, in the United Kingdom. Through
16 ScottishPower's subsidiary, PPM Energy, Inc. ("PPM"), IBERDROLA is now
17 engaged in renewable generation, gas storage and associated energy management
18 activities in the United States and Western Canada. Additionally, since May
19 2006, IBERDROLA has acquired three renewable energy companies in the
20 United States (i.e., Community Energy in May 2006; MREC Partners in October
21 2006, and CPV Wind Ventures, LLC in April 2007).

BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. What wind energy assets does IBERDROLA own and/or operate in New**
2 **York State?**

3 A. PPM, through certain subsidiaries, holds a 50 percent interest in Flat Rock
4 Windpower, LLC ("Flat Rock) which owns a 231 MW generating project and Flat
5 Rock Windpower II, LLC ("Flat Rock II"), which owns a 90.75 MW generating
6 project. Each of these projects is interconnected to the Niagara Mohawk Power
7 Corporation transmission system, which is operated by the New York
8 Independent System Operator, Inc. Flat Rock and Flat Rock II are both Exempt
9 Wholesale Generators, and have been authorized by the Federal Energy
10 Regulatory Commission to make sales of electric energy and related products at
11 market-based rates.

12 **Q. What, if any, wind energy projects are being developed by IBERDROLA in**
13 **New York State?**

14 A. A subsidiary of IBERDROLA is currently developing a 110 MW wind energy
15 project in Herkimer County, New York, which is expected to achieve commercial
16 operation in 2008.

17 **Q. Can you describe IBERDROLA's commitment to sustainable development?**

18 A. Sustainable development is the cornerstone of IBERDROLA's strategic plan,
19 which is premised on using technologies that are cleaner, more efficient and
20 environmentally friendly. IBERDROLA has demonstrated its commitment to
21 renewable energy and the environment by developing world-class expertise in
22 delivering sustainable, clean energy. IBERDROLA has followed a strategy of

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1 growth in the renewable energy field that reflects IBERDROLA's support for the
2 Kyoto Protocol and the European Union Emissions Trading Directive.

3 **Q. How large is IBERDROLA's portfolio of renewable resources?**

4 A. IBERDROLA owns a diversified portfolio of approximately 40,000 MW of
5 electric generation, including approximately 10,000 MW of hydro power and over
6 6,800 MW of renewable wind generation resources. In 2006 alone, IBERDROLA
7 invested over \$1.32 billion in renewable technologies and has over 40,000 MW of
8 new renewable resources in the pipeline, including over 20,000 MW in the United
9 States.

10 **Q. Has IBERDROLA been recognized for its environmental sustainability**
11 **policies?**

12 A. Yes. IBERDROLA has received international recognition for its environmental
13 policies and performance, including rankings of best in class for both the Electric
14 Utilities Category for environmental behavior by Storebrand Investments and for
15 the global level in the 2006 Climate Leadership Index. Moreover, IBERDROLA
16 has been named a leader in the Worldwide Utilities Category of the Dow Jones
17 Sustainability Index, identified as one of the 50 best companies in climate
18 strategy, and is listed as one of the Global 100 Most Sustainable Corporations in
19 the World and among the top three companies in the Energy & Utilities Sector
20 Category in the Pacific Sustainability Index.

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Green Acquisition

1 **Q. Please describe Green Acquisition.**

2
3 A. Green Acquisition is a New York corporation and a wholly-owned subsidiary of
4 IBERDROLA that was formed solely for the purpose of merging with and into
5 Energy East in the Proposed Transaction. Its function is to be IBERDROLA's
6 acquisition subsidiary and ultimately, as set forth in the Merger Agreement, it will
7 be merged with and into Energy East. At that time, the separate corporate
8 existence of Green Acquisition will cease and Energy East will be the surviving
9 corporation wholly-owned by IBERDROLA. IBERDROLA will provide Green
10 Acquisition with the financial resources needed to carry out the Proposed
11 Transaction. Green Acquisition's Certificate of Incorporation is attached to the
12 Joint Petition as Exhibit 3.

Energy East

13 **Q. What is Energy East's corporate structure and primary business?**

14 A. Energy East is a public utility holding company with operations in New York,
15 Connecticut, Massachusetts, Maine, and New Hampshire, serving approximately
16 1.8 million electric customers and 900,000 natural gas customers. Energy East's
17 corporate and administrative offices are located in New Gloucester, Maine and
18 Rochester, New York. Energy East's principal business subsidiaries are engaged
19 in regulated electric transmission, distribution and generation operations in
20 upstate New York and Maine and in regulated natural gas transportation, storage
21 and distribution operations in Connecticut, upstate New York, Maine,
22

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1 Massachusetts, and New Hampshire. Energy East also has two service company
2 affiliates, Energy East Shared Services Corporation and EEMC, that provide back
3 office services to its affiliates, and has a 100 percent indirect ownership interest in
4 several subsidiaries that are not traditional public utilities.

RGS

6 **Q. What is RGS's corporate structure and primary business?**

7 A. RGS is a holding company organized under the laws of State of New York. As
8 we noted earlier in our testimony, RGS is a wholly-owned subsidiary of Energy
9 East. RGS is the intermediate holding company for NYSEG and RG&E. The
10 corporate headquarters of RGS are located in Rochester, New York. RGS's
11 Certificate of Incorporation is attached to the Joint Petition as Exhibit 5.

NYSEG

13 **Q. What is NYSEG's corporate structure and primary business?**

14 A. NYSEG is a regulated public utility engaged in the generation (hydro), purchase,
15 distribution and transmission of electricity, and the purchase, distribution and
16 transportation of natural gas in the central, eastern and western parts of the State
17 of New York. NYSEG has approximately 870,000 electric and 257,000 gas
18 customers. NYSEG's corporate headquarters are located in Rochester, New York
19 and its operations center is located in Binghamton, New York. NYSEG's
20 Certificate of Incorporation, as amended, is attached to the Joint Petition as
21 Exhibit 6.

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1 **RG&E**

2 **Q. What is RG&E's corporate structure and primary business?**

3 A. RG&E is a regulated public utility engaged principally in the business of
4 generating, purchasing, transmitting and distributing electricity, and purchasing,
5 transporting and distributing natural gas in nine upstate New York counties.
6 RG&E has approximately 359,000 electric and 297,000 gas customers. RG&E's
7 corporate headquarters and operations center are located in Rochester, New York.
8 RG&E's Certificate of Incorporation, as amended, is attached to the Joint Petition
9 as Exhibit 7.

10 **B. Description of the Proposed Transaction**

11 **Q. Please describe the Proposed Transaction.**

12 A. Pursuant to the Merger Agreement, IBERDROLA will acquire 100 percent of the
13 common stock of Energy East and the shareholders of Energy East will receive, in
14 consideration for their shares, \$28.50 in cash per share. The total consideration
15 that Iberdrola will pay to Energy East shareholders, based upon the number of
16 Energy East shares outstanding of approximately 158 million as of June 25, 2007,
17 is approximately \$4.5 billion. As noted earlier in our testimony, the Proposed
18 Transaction will be implemented by means of the merger of Green Acquisition
19 with and into Energy East, with Energy East as the surviving corporation that will
20 be a wholly owned subsidiary of IBERDROLA.

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1 **Q. Does the Joint Petition contain exhibits illustrating the corporate**
2 **organizational effects of the Proposed Transaction?**

3 A. Yes. The current corporate organizational chart for Energy East, including the
4 New York utility subsidiaries of Energy East (*i.e.*, NYSEG and RG&E), is
5 attached to the Joint Petition as Exhibit 9. Exhibit 10 of the Joint Petition
6 contains the corporate organizational charts of IBERDROLA both prior to and
7 after the Proposed Transaction.

8 **Q. How will IBERDROLA finance the Proposed Transaction?**

9 A. On June 27, 2007, IBERDROLA sold 85 million new shares of common stock
10 through an accelerated private placement that was fully subscribed, providing
11 IBERDROLA with approximately \$4.5 billion for Green Acquisition to proceed
12 with the Proposed Transaction. Thus, the cash consideration payable to Energy
13 East shareholders has already been financed through the proceeds of the capital
14 issuance realized through this single equity placement, and will not result in any
15 new debt for Iberdrola, Energy East or their subsidiaries. This deal structure
16 allows IBERDROLA to maintain a solid financial position, and eliminates the
17 need for any financing contingency that needs to be satisfied prior to the closing
18 of the Proposed Transaction.

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IV. PUBLIC INTEREST DEMONSTRATION

Energy East and its Utility Subsidiaries Will Benefit from IBERDROLA's Utility Expertise

1
2
3
4 **Q. You mentioned earlier in your testimony that the Proposed Transaction**
5 **represents an acquisition by IBERDROLA at the Energy East holding**
6 **company level rather than a combination of the operations of individual**
7 **operating companies that would result in synergistic savings. As that is the**
8 **case, what benefits will Energy East and its subsidiaries obtain from the**
9 **Proposed Transaction?**

10 **A. Energy East and its utility subsidiaries will obtain benefits from IBERDROLA's**
11 **global utility and other energy expertise and managerial talent. As we indicated**
12 **earlier in our testimony, IBERDROLA, through its affiliates, is a world leader**
13 **with a proven record of providing high-quality electric distribution service. It is**
14 **one of the world's largest energy companies, with approximately 22 million**
15 **electric points of supply and 2 million gas points of supply. For over 100 years,**
16 **IBERDROLA has provided high-quality, environmentally friendly utility service.**

17 **IBERDROLA has received numerous awards for corporate excellence,**
18 **leadership and achievement, including having been recognized in 2006 as Energy**
19 **Company of the Year by Platts Global Energy Awards. IBERDROLA has also**
20 **been named a leader in the Worldwide Utilities Category of the Dow Jones**
21 **Sustainability Index, identified as one of the 50 best companies in climate strategy**
22 **and listed in the Global 100 Most Sustainable Corporations in the World. In**

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1 addition, IBERDROLA's Chairman and CEO, Ignacio Sanchez Galán, has been
2 repeatedly recognized as a top energy executive. IBERDROLA's CFO, José
3 Sáinz Armada, repeatedly has been named one of Europe's Best CFOs and
4 IBERDROLA's Ignacio Cuenca has been recognized as Best Investor Relations
5 Professional by Institutional Investor Research Group.

6 Energy East and Its Utility Subsidiaries Will Benefit From IBERDROLA's

7 Commitment to Energy Efficiency and the Environment

8 **Q. Will IBERDROLA's commitment to energy efficiency and the environment**
9 **provide any benefits to New York?**

10 A. Yes. As we described earlier in our testimony, sustainable development is the
11 cornerstone of IBERDROLA's strategic plan, which is premised on using
12 technologies that are cleaner, more efficient and environmentally friendly.
13 IBERDROLA has demonstrated its commitment to renewable energy and the
14 environment by developing world-class expertise in delivering sustainable, clean
15 energy and its significant engineering and construction resources allow it to
16 utilize new energy efficiency and environmental technologies.

17 **Q. Please explain how IBERDROLA's commitment to energy efficiency and the**
18 **environment will benefit New York.**

19 A. IBERDROLA is committed to encouraging Energy East's efforts to implement
20 energy efficiency initiatives and to invest in new utility technology.
21 IBERDROLA has a strong commitment to demand side management and other
22 conservation efforts, such as NYSEG's and RG&E's Advanced Metering

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1 Infrastructure plan. In addition, New York will benefit from certain current
2 IBERDROLA practices. For example, IBERDROLA: (1) distributes guides for
3 energy efficiency to more than 1.5 million customers; (2) promotes energy
4 efficient and electronically regulated air conditioning and heating devices;
5 (3) provides advice on energy conservation and efficiency, printed on the back of
6 the bill and forwarded to more than 9 million customers; (4) utilizes time-
7 differentiated rates; and (5) supports industrial customers and government entities
8 through energy audits to help them to achieve a better energy efficiency. Energy
9 East, NYSEG and RG&E will benefit from IBERDROLA's experience regarding
10 the implementation of renewable energy and environmental programs.

11 **Q. In what other ways will Energy East benefit from IBERDROLA's**
12 **environmental focus?**

13 A. IBERDROLA has implemented an Environmental Policy, which includes Basic
14 Action Principles that allow it to attain the most demanding objectives of
15 European environmental policy. IBERDROLA also has established Ten
16 Guidelines for Corporate Responsibility.

17 In addition, the Joint Petitioners also commit to having NYSEG and RG&E
18 cooperate with the newly formed Climate Change Office in the New York State
19 Department of Environmental Conservation, which will oversee implementation
20 of the Regional Greenhouse Gas Initiative. IBERDROLA will bring an
21 invaluable global as well as a regional and local perspective to these critical
22 environmental issues.

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1 **Q. Is IBERDROLA's commitment to the environment consistent with New**
2 **York's stated policies?**

3 A. Yes, IBERDROLA's commitments to energy efficiency, demand side
4 management and other conservation efforts are consistent with Governor Spitzer's
5 proposal to reduce demand for power by 15 percent from forecasted levels by
6 2015 (*i.e.*, the "15 by 15" energy policy). As a global leader in environmentally
7 friendly programs, IBERDROLA also understands that renewable energy and
8 environmental efficiency are two of the best ways to reduce dependence on fossil
9 energy and to fight global warming. IBERDROLA is committed to facilitating
10 Energy East's efforts to implement energy efficiency initiatives and to invest in
11 new technology. IBERDROLA's commitment to programs that reduce customer
12 demand in general and peak consumption in particular, a key goal of the State of
13 New York's energy policy, make it a unique and valuable partner to assist
14 NYSEG and RG&E in their development and implementation of environmentally
15 friendly policies and initiatives.

16 **Q. Are there any other aspects of IBERDROLA's environmental focus that**
17 **would provide benefits to New York?**

18 A. Yes. As part of IBERDOLA's commitment to the environment, IBERDROLA is
19 the largest producer of wind energy in the world, with over 6,800 MW of wind
20 capacity. In 2006 alone, IBERDROLA invested over \$1.32 billion in renewable
21 technologies and has over 40,000 MW of new renewable resources in the
22 pipeline, including over 20,000 MW in the United States. IBERDROLA would

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1 be willing to explore how its expertise, capacity and resources to develop
2 renewable generation could assist the State in meeting its energy goals.

3 IBERDROLA's strategic plans are, therefore, consistent with the State's energy
4 policies.

5 **A. The Proposed Transaction Allows NYSEG and RG&E to be Part of a**
6 **Financially Strong Company System**

7 **Q. Please describe IBERDROLA's financial strength.**

8 A. IBERDROLA is one of the largest energy companies in the world. It currently
9 has a market capitalization approximately \$70 billion. Standard and Poor's has
10 awarded IBERDROLA an "A" level rating for its long-term credit, thus
11 recognizing IBERDROLA's strength and the stability of its financial results.
12 IBERDROLA's financial strength was demonstrated following the announcement
13 of the Proposed Transaction, when IBERDROLA issued 85 million new shares of
14 common stock through an accelerated private placement that was fully
15 subscribed. Thus, the capital markets have already provided IBERDROLA with
16 approximately \$4.5 billion for the Proposed Transaction and demonstrated
17 IBERDROLA's capacity and ability to raise financial resources.

18 **Q. Will IBERDROLA's financially strong position provide any additional**
19 **benefits to Energy East?**

20 A. Yes. The Proposed Transaction will provide Energy East (and thus RG&E and
21 NYSEG) with greater access to both U.S. and global financial markets than they
22 would have in the absence of the Proposed Transaction. IBERDROLA's ability

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1 to quickly sell 85 million new shares of common stock through a fully-subscribed
2 accelerated private placement shows how access to capital can be a benefit of
3 IBERDROLA's financial strength. By providing enhanced access to capital, the
4 Proposed Transaction will allow NYSEG and RG&E to continue to provide high-
5 quality, safe and reliable service.

6 **B. IBERDROLA is Committed to Excellence in Customer Service and**
7 **Reliability**

8 **Q. What impact will the Proposed Transaction have on customer service and**
9 **reliability?**

10 **A.** IBERDROLA has demonstrated through its global operations its competence and
11 commitment in providing high-quality service and ensuring the delivery of safe
12 and reliable energy supply. IBERDROLA understands the need to invest in
13 infrastructure to support the goal of enhanced reliability. From 2005 to the end of
14 2007, IBERDROLA will have made capital investments of approximately \$4
15 billion in transmission and distribution facilities globally, demonstrating its
16 commitment to investing in improvements that promote a secure and reliable
17 energy infrastructure.

18 IBERDROLA has maintained its focus on improving service quality for its
19 approximately 22 million electric points of supply and 2 million gas points of
20 supply around the world through development and improvement of its energy
21 infrastructure. For example, with respect to standard measures of service
22 interruption, IBERDROLA's focus on operational excellence is evident in its

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1 superior performance as measured by the Customer Average Interruption
2 Duration Index ("CAIDI") and the System Average Interruption Frequency Index
3 ("SAIFI"). Relative to U.S. benchmarks, IBERDROLA over the last 3 years has
4 delivered results that would rank in either the first or second quartile of U.S.
5 utilities. IBERDROLA's CAIDI of 1.70 hours for operations in Spain and the
6 United Kingdom would rank near the top of the second quartile. The SAIFI
7 performance of 1.16 average interruptions for operations in Spain and the United
8 Kingdom is in the first quartile performance of U.S. utilities.

9 **Q. Will the Proposed Transaction change NYSEG's or RG&E's proposed
10 infrastructure projects?**

11 A. No. IBERDROLA seeks no changes to the planned transmission and distribution
12 improvements being undertaken by NYSEG and RG&E. With respect to new
13 infrastructure projects, the Proposed Transaction will provide NYSEG and RG&E
14 with additional financial stability and a greater ability to access to capital.

15 **C. The Proposed Transaction Will Have No Adverse Impact on New York
16 Ratepayers**

17 **Q. Are the Joint Petitioners making commitments regarding the recovery of
18 transaction costs and the acquisition premium associated with the Proposed
19 Transaction?**

20 A. Yes. The Joint Petitioners commit not to seek recovery of costs incurred to
21 consummate the Proposed Transaction from New York ratepayers. In addition,
22 the premium paid for Energy East common stock resulting from the Proposed

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1 Transaction will remain on the books of IBERDROLA and its wholly-owned
2 affiliates, and will not be recorded on the books of any of the companies acquired,
3 including Energy East, RGS, RG&E, and NYSEG. To be clear, the Joint
4 Petitioners will not seek recovery of any acquisition premium associated with the
5 Proposed Transaction in rates from New York ratepayers.

6 **Q. Will the Proposed Transaction have any impact on the regulatory cost**
7 **accounting and allocation methods that NYSEG and RG&E currently use?**

8 A. No. There are no plans to modify the existing regulatory cost accounting and
9 allocation methods and reporting system utilized today for NYSEG and RG&E.

10 **Q. Will the Proposed Transaction impair access by the New York State**
11 **Department of Public Service Staff to the books and records of NYSEG and**
12 **RG&E?**

13 A. No. Neither the location of, nor Staff's access to, the books and records of
14 NYSEG and RG&E will change in connection with the Proposed Transaction.

15 **Q. Are there any anticipated changes to rates or services provided to customers**
16 **as a result of the Proposed Transaction?**

17 A. No. The Petitioners are not seeking to modify the existing rate plans of NYSEG
18 and RG&E as part of the Proposed Transaction. Customers will also continue to
19 be able to interact with their respective utility at its existing corporate
20 headquarters and operations centers, the locations of which will not change in
21 connection with the Proposed Transaction. In addition, no utility company
22 operations, plant, equipment, franchises, permits, or other assets of RG&E or

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1 NYSEG will change or be transferred in connection with the Proposed
2 Transaction. No restructuring that could result in any transfer of franchises, assets
3 or permits would occur without first seeking any necessary Commission approval
4 under Section 70.

5 **Q. Will the Proposed Transaction adversely impact New York communities?**

6 A. IBERDROLA is committed to the local communities it serves. IBERDROLA
7 will not seek any reductions in any community activities, charitable benefits or
8 other initiatives in which RG&E and NYSEG are currently involved.

9 **D. The Proposed Transaction Will Not Enhance the Ability to Exercise Market**
10 **Power in New York**

11 **Q. Will the Proposed Transaction have any adverse impact with respect to the**
12 **exercise of market power in New York?**

13 A. No. As demonstrated in the affidavit of William H. Hieronymus that is attached
14 to the Joint Petition and that was submitted to FERC in connection with the
15 Proposed Transaction, the Proposed Transaction will have no adverse impact with
16 respect to market power in New York. As Dr. Hieronymus explains, the Joint
17 Petitioners' combined share of NYISO installed capacity is well below 5 percent,
18 and the combination of these shares clearly has an immaterial effect on market
19 concentration.

20 **Q. Does this complete your direct testimony at this time?**

21 A. Yes, it does.