

**Daniel C. Gundersen**

Chairman, Upstate Empire State Development Corporation  
Commissioner, New York State Department of Economic Development

January 11, 2008

Honorable Jaelyn A. Brilling, Secretary  
New York State Department of Public Service  
Three Empire Plaza 19<sup>th</sup> Floor  
Albany, New York 12223-1350

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 Brilling:

In response to the Public Service Commission's ("PSC" or "the Commission") "Procedural Ruling" issued on October 4, 2007 in the above referenced proceeding, please accept this statement in lieu of testimony on behalf of the New York State Department of Economic Development ("the Department" or "Empire State Development.>").

Based on review of the joint filing by Iberdrola / Energy East, ESD believes the proposed merger between Iberdrola, S.A. and Energy East, presents the opportunity to realize a number of key economic development benefits for the upstate New York region. Governor Spitzer has committed to stimulating economic development in upstate New York as a primary objective of his administration, which includes the commitments of substantial state resources to improve and expand infrastructure; recruit new businesses; stimulate investment in existing businesses; and the creation and retention of jobs.

The New York State Electric & Gas (NYSEG) and Rochester Gas & Electric (RG&E) service areas include a significant portion of the upstate New York region. ESD considers this potential investment by a leading international energy company in the NYSEG and RG&E electric systems to be a key opportunity to assist the State in the implementation of upstate economic development objectives. Iberdrola's global utility experience, financial strength, and commitment to energy efficiency and demand-side management efforts presents the potential to advance state energy policy goals and initiatives.

ESD recommends that the benefits described in the joint filing be given positive consideration in the PSC's review of the merger. The financial strengths of Iberdrola, including

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its corporate credit rating, have the potential to provide key benefits for the operations of the NYSEG and RG&E electric systems over the long term. Iberdrola has affirmatively proposed that utility jobs and the corporate headquarters for NYSEG and RG&E will be maintained after the merger. Iberdrola's current investment in the development and operation of wind power projects in the State represents the type and quality of private sector investment the State requires to diversify its renewable fuels portfolio with the objective of putting downward pressure on energy rates over the long term.

ESD provides specific comments on the merger filing below, and will submit additional comments to the Commission as specific proposals are developed during this proceeding.

(1) The State's Need For Greater Supplies of Affordable Energy For Attraction of Business and Industry

The upward trends in the cost of electric power in the state are serving to diminish the ability to attract new investment in plant and equipment and create new jobs. The Department recommends that the PSC examine the potential to utilize a portion of the quantified merger benefits to increase the supply of low cost electric energy for businesses that locate or expand in the utility's service territory.

The stimulation of private investment in plant and equipment and creation of jobs in the upstate region will ultimately deliver benefits to the utility through an expanding customer base and increased load for the electric distribution system.

(2) The Merger Benefits For Electric System Operations and Economic Development

The utility's operation of a cost effective, reliable electric transmission and distribution system is a key factor for the success of state's economic development initiatives. The Department recommends that the PSC evaluate the feasibility utilizing a portion of the merger benefits to implement electric system improvements to stimulate economic growth in the service territory.

(3) NYSEG / RG&E Economic Development Plans

ESD recommends that the NYSEG / RG&E Economic Development Plans be reviewed by the PSC to determine how the merger addresses economic development objectives in the upstate region to assess the additional benefits that Iberdrola might provide over the planned benefits of Energy East. The planned financial and technical resources dedicated to technical assistance, infrastructure improvements, low cost energy supplies, and demand side management of Energy East must be enhanced to continue the critical investments in economic development.

ESD recommends that the PSC quantify and qualify where necessary, the positive benefits of the merger, ensuring that ratepayer benefits are made available after the merger with particular focus on the upstate New York; including improved utility infrastructure, stimulation of new investment through attraction of new business and industry, and the creation and retention of jobs.

ESD looks forward to working with all the parties in this proceeding so that economic development is effectively supported at a minimum, and enhanced through the proposed merger transaction.

Thank you for the opportunity to comment.

Sincerely,



Daniel C. Gundersen

cc: Parties