

Exhibit 19

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Energy East Corporation,)
Iberdrola, S.A. and) Docket No. EC07-____-000
Their Public Utility Affiliates)

AFFIDAVIT OF
WILLIAM H. HIERONYMUS

I. INTRODUCTION

My name is William H. Hieronymus. I am a Vice President at CRA International, Incorporated (“CRA”), formerly known as Charles River Associates. My business address is 200 Clarendon Street, T-33, Boston, MA 02116. For the past 30 years, the primary focus of my consulting has been on the electricity sector. For the past 19 years, I have worked primarily on the restructuring of the electricity industry from a fully regulated to a more competitively oriented model, both in the United States and abroad. Much of my time has been spent on market power issues. I have developed and commented on market power-related regulatory rules and Regional Transmission Organization (“RTO”) (or foreign equivalent) tariff provisions on market power mitigation and monitoring as well as on issues of market structure. I have testified before the Federal Energy Regulatory Commission (“Commission”) and other regulatory bodies on market power on numerous occasions. This includes a number of mergers and acquisitions over the past dozen years, including more than 20 mergers among electric utilities and “convergence” mergers of electric utilities and natural gas pipelines as well as numerous major acquisitions. Among these, I testified in connection with the merger of Energy East Corporation (“Energy East”) and RGS Energy Group, Inc. (the “RGS Group”). I also have filed numerous affidavits in connection with market-based rate applications and triennial updates. My resume is attached as Exhibit J-1.

I have been asked by counsel for Iberdrola, S.A. (“Iberdrola”) and its public utility affiliates (collectively, the “Iberdrola Applicants”) to evaluate the potential competitive impact on relevant markets of its merger (the “Transaction”) with Energy East and its public utility affiliates

(collectively, the “Energy East Applicants”). The Iberdrola Applicants and the Energy East Applicants are collectively referred to as the “Applicants”.

My affidavit addresses both potential horizontal and vertical market power effects of the Transaction. The potential horizontal market power effects are those arising from the combination of the electric generating assets owned or controlled by the Energy East Applicants and the Iberdrola Applicants that theoretically could create or enhance the merged firm’s ability to increase prices in the electricity market. The potential vertical market power effects arise from barriers to entry that might undercut the presumption that long-run generation markets are competitive and, more generally, the potential to use control over fuel supplies, fuel transportation facilities, or electric transmission to exert vertical market power by increasing rivals’ costs.

II. SUMMARY OF CONCLUSIONS

My analysis indicates that the Transaction does not raise competitive concerns for the following reasons:

The horizontal effect of the Transaction, resulting from the combination of generation, is *de minimis*. The only markets in which the Energy East Applicants and the Iberdrola Applicants both own or control generation are in the Northeast ISOs/RTOs (New York Independent System Operator, Inc. (“NYISO”), PJM Interconnection L.L.C. (“PJM”) and ISO-New England, Inc. (“ISO-NE”)) and in each of these markets the horizontal effect is *de minimis*. NYISO is the only of these markets in which either the Energy East Applicants or the Iberdrola Applicants own or control what is arguably a material amount of generation, and even here their market shares are trivial.

- In NYISO, the Energy East Applicants will own or control¹ at most about 1,350 MW (summer rating).^{2,3} The Iberdrola Applicants own or control at most less than 300 MW

¹ In its recent Order in PL07-01-000, the Commission confirmed that control of generation will be deemed to have passed from the owner to a contractual buyer only when *inter alia* the buyer gains operational control over the physical capacity underlying the contract. Commission precedent indicates that factors bearing on the control issue include whether the buyer has dispatch rights and, more generally, whether the buyer acquires the ability to determine whether and how the output from physical units owned by the seller is sold. As noted *infra*, a significant portion of the contracted generation that I have attributed to Energy East does not meet this operational control test and hence should be allocated to the owner, still further reducing Energy East’s share of these markets.

of nameplate-rated generating capacity; however, since all of this generation consists of wind generating stations, the effective capacity and energy is substantially less. See Table 1 below. Applicants' pre-Transaction shares of installed capacity in NYISO are about 3 percent for the Energy East Applicants and 0.2 to 0.6 percent for the Iberdrola Applicants (summer/"adjusted" and nameplate capacity, respectively). No horizontal Competitive Analysis Screen is necessary in NYISO because the "extent of business transactions in the same geographic markets is *de minimis*,"⁴ as I demonstrate affirmatively herein. Applicants' combined share of NYISO installed capacity is well below 5 percent, whether on the basis of nameplate or summer ratings. The combination of these shares clearly has an immaterial effect on market concentration.⁵ Further, NYSEG and RG&E will be capacity- (and energy-) short in meeting their load obligations. In other words, their uncommitted capacity and their Available Economic Capacity is essentially zero. This position would be unchanged even if the Iberdrola-affiliated generation in NYISO was intended to serve NYSEG and RG&E load, which it is not.

- In PJM, the Energy East Applicants own or control at most 44 MW of generation and the Iberdrola Applicants own or control 73 MW of generation (see Table 1 below), all of it wind-powered, with a nameplate rating of less than 400 MW. However, PJM overall has in excess of 160,000 MW of generation, and hence the Energy East Applicants and the Iberdrola Applicants each account for an insignificant share of total generation in PJM. No horizontal Competitive Analysis Screen is necessary in PJM because the "extent of business transactions in the same geographic markets is *de minimis*."
- In ISO-NE, the Energy East Applicants own no generation, and, while they have some power purchase contracts that will entitle them to at most 225 MW on a going-forward basis, Energy East's subsidiary, Central Maine Power ("CMP"), is required to auction the output from such entitlements to third parties, currently in three-year blocks.⁶ By 2008, the Iberdrola Applicants will have only a 24 MW wind facility in ISO-NE, or

² Unless otherwise indicated, all of my references to generator ratings are based on summer ratings.

³ The Energy East subsidiaries in NYISO, New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E"), have power purchase contracts that terminate in 2007 or early 2008. Additionally, RG&E will be shutting down its Russell Station in the first quarter of 2008 and terminating its connection to the grid. RG&E possibly will repower the Russell Station but that would only occur after a lapse of several years. No long-term contracts have been entered to replace the terminating contracts. Thus, my analysis focuses on generation owned or controlled following these contract terminations and plant shutdown.

⁴ 18 C.F.R. § 33.3(a)(2)(i) (2006).

⁵ As discussed in more detail below, I conducted additional analyses of the NYISO market to demonstrate that the impact of the Transaction is minimal. This includes a Delivered Price Test ("DPT") analysis that supports my conclusion that the Transaction meets the *de minimis* test under the Revised Filing Requirements.

⁶ CMP has a number of power purchase contracts that terminate in 2007 or 2008. No long-term contracts have been entered to replace the terminating contracts. As with respect to the NYSEG and RG&E generation purchases (see note 32), my analysis focuses on generation owned or controlled following these contract terminations.

only 7 MW based on its capacity-adjusted rating (see Table 1 below). ISO-NE overall has in excess of 30,000 MW of generation, and hence the Energy East Applicants and the Iberdrola Applicants each account for an insignificant share of total generation in ISO-NE. Clearly, no horizontal Competitive Analysis Screen is necessary in ISO-NE because the “extent of business transactions in the same geographic markets is *de minimis*.”

Table 1: Generation Owned or Controlled by Applicants in the Northeast (Summer/“Adjusted”) Rating MW)

	Energy East Applicants	Iberdrola Applicants	ISO/RTO Installed Capacity*
ISO/RTO			
NYISO	1,355	81	39,000
PJM	44	76	160,000
ISO-NE	225	7	30,000
Sub Total	1,624	164	229,000

The Transaction raises no horizontal issues in markets outside of the Northeast. Although the Iberdrola Applicants own modest amounts of generation scattered throughout the United States, there are no geographic markets other than the Northeast in which the Energy East Applicants and Iberdrola Applicants both own or control generation facilities.⁷ Energy East does not own or control any generation outside of the Northeast ISOs/RTOs. Under the Commission’s regulations, because “the merging entities do not currently operate in the same geographic markets, or if they do . . . the extent of such overlapping operation is *de minimis*”,⁸ it is not necessary to conduct a full competitive analysis to demonstrate the absence of horizontal market power concerns.

The Transaction creates no vertical market power issues. First, there are no issues related to electric transmission ownership and operation. The electric transmission systems owned by the Energy East Applicants are controlled by the respective Northeast ISOs/RTOs. The Iberdrola Applicants own no electric transmission assets in the United States other than those necessary to connect their generation to the grid.

⁷ Additionally, as discussed below, there also are no markets in which the Energy East Applicants and the Iberdrola Applicants both have sold power in the past two years, other than the Northeast, which I discuss in detail below.

⁸ Order No. 642, Final Rule in Docket No. RM98-4-000, 18 C.F.R. Part 33, 93 FERC ¶ 61,164 (2000) (“Revised Filing Requirements”).

Second, there are no concerns relating to the combination of electric generation assets and fuel supplies or fuel delivery systems. None of the Iberdrola Applicants has any ownership interest in fuel supplies, fuel transportation systems or other inputs to electricity products in the relevant Northeast markets. Iberdrola's affiliated natural gas storage facilities are located in markets in which the Energy East Applicants do not own generation, namely in Alberta, New Mexico and Texas, far from the relevant markets in the Northeast. While the Energy East Applicants operate natural gas distribution systems in the Northeast, little gas-fired generation is served off the gas distribution systems, and the Iberdrola Applicants own no gas-fired generation in the Northeast. Energy East also owns the Seneca Lake Natural Gas Storage Facility in New York. To the extent any of the Applicants own or market natural gas that is used as an input in electricity production, the Commission previously has determined that the gas commodities markets are competitive.⁹ The mere ownership of local distribution company ("LDC") operations does not give rise to a concern that Applicants will use control over their gas LDCs to favor affiliated activities.¹⁰ Nor do the Applicants have the ability to use these systems to raise rivals' costs or otherwise disadvantage rivals. Distribution tariffs are regulated by the respective state public utility commissions, which *inter alia* allow all customers to choose their retail gas suppliers. Distribution rates for larger customers are frequently constrained below tariff levels by bypass alternatives or existing long-term (sometimes discounted) contracts. Because these are ISO/RTO markets, there is no necessity for new generators to site their plants in areas served by Energy East Applicants' gas distribution companies in order to compete in the relevant power markets. Moreover, it is unlikely and unnecessary that major new generation facilities, even if located in the service territories of one of the Energy East Applicants, would seek to be connected to an LDC as opposed to direct interconnection with a pipeline system.

⁹ Natural Gas Wellhead Decontrol Act of 1989, Pub.L. No. 101-60, 103 Stat. 157 (1989) ("Natural Gas Wellhead Decontrol Act of 1989"); Natural Gas Policy Act of 1978, section 601(a)(1), 15 U.S.C. § 3431 (2000) ("Natural Gas Policy Act of 1978") (deregulating the wellhead price of natural gas).

¹⁰ Ownership of the Seneca Lake Natural Gas Storage Facility similarly does not raise any concerns with respect to using control to favor affiliates, raise rivals' costs, or otherwise disadvantage rivals. The Seneca Lake Natural Gas Storage Facility is one of several such facilities in New York State, and, as of December 31, 2006, was essentially fully contracted, at 95 percent of capacity.

Third, there are no other barriers to entry that raise concerns. Applicants do not have dominant control over generating sites in any relevant market. In short, none of the vertical concerns that the Commission typically considers exists with respect to the Transaction and hence they do not create or enhance vertical market power.

Based upon the analyses I have conducted, summarized above and detailed more fully below, I conclude that the proposed Transaction will not adversely affect competition.

III. DESCRIPTION OF APPLICANTS

Energy East Applicants

Energy East. Energy East is a registered public utility holding company whose subsidiaries are energy services and delivery companies with operations in New York, Connecticut, Massachusetts, Maine and New Hampshire. Its principal operating subsidiaries are described below. A more detailed description is included in the Application.

NYSEG. NYSEG is an electric and natural gas distribution company in New York, whose electric and gas service territories are in the central, eastern and western parts of the State of New York but do not include the constrained areas in the southeast part of the state. NYSEG sold a majority of its generation assets in 1999 and most of its remaining generation assets in 2001. NYSEG currently owns approximately 70 MW of generation, consisting primarily of hydroelectric facilities, and has power purchase contracts for approximately 1,400 MW of energy and capacity from third-parties.¹¹ NYSEG's transmission facilities are operated by the NYISO, and its transmission service is subject to an Open Access Transmission Tariff ("OATT"). NYSEG owns the Seneca Lake Natural Gas Storage Facility, also located in New York. NYSEG is authorized to sell at market-based rates.

RG&E. RG&E is an electric and natural gas distribution company in New York, whose electric and gas service territories are in the region centering around the City of Rochester in Upstate New York. RG&E currently owns 375 MW of generation, of which 236 MW (the Russell

¹¹ About 650 MW of these power purchase contracts are terminating in 2007 and early 2008, leaving approximately 750 MW of long-term power purchase contracts.

facility) is scheduled to be shut down and off-line from May 2008 to at least 2013. It also has power purchase contracts for approximately 780 MW of energy and capacity.¹² RG&E's transmission facilities are operated by the NYISO, and its transmission service is subject to an OATT. RG&E is authorized to sell at market-based rates.

CMP. CMP is an electric distribution company whose service territory is in the southern, western and central regions of the state of Maine. CMP no longer owns generating assets but retains some power entitlements under long-term contracts with non-utility generators, a power purchase contract with Entergy Nuclear Vermont Yankee, LLC, and long-term contracts with other market entities. All of these total 225 MW. CMP sells its power entitlements for periods ranging from one to three years under auctions approved by the Maine Public Utility Commission. CMP, along with its subsidiary, Maine Electric Power Company, Inc. ("MEPCO"), has an ownership interest in and operates a 345 kV bulk transmission network in Maine. CMP also owns and operates all lower voltage transmission in its service territory. CMP has turned operational control over its transmission system to ISO-NE. CMP is authorized to sell at market-based rates.

MEPCO. MEPCO's sole asset is a 182 mile, 345 kV transmission line connecting Maine and New Brunswick Power. This is the only transmission interconnecting in the Maritimes Control Area to the north in Atlantic Canada and Maine and the ISO-NE control area to the south in New England. MEPCO has ceded operational control over its transmission system to ISO-NE.

Other. Hartford Steam Company owns and operates a 7.5 MW cogeneration facility in the ISO-NE control area. Currently, all of the excess energy produced by the facility is committed for sale to a third-party under a long-term contract that expires on December 23, 2008. Carthage Energy, LLC owns and operates a 56 MW generating facility in the NYISO, and is authorized to sell at market-based rates. PEI Power II, LLC ("PEI Power"), which is 50.1 percent owned by the Energy Network, Inc. ("Energy Network"), a wholly-owned subsidiary of Energy East, owns an approximately 44 MW gas turbine generation facility in Archbald, Pennsylvania, in the PJM control area. Energy Network manages fuel procurement and electricity sales from the generating

¹² About 170 MW of these power purchase contracts are terminating in 2007 and early 2008, leaving approximately 600 MW of long-term power purchase contracts.

facility. PEI Power is authorized to sell at market-based rates. NYSEG Solutions, Inc. (“NYSEG Solutions”) is an energy service company marketing electricity and natural gas to retail and wholesale customers in the Northeast. NYSEG Solutions is authorized to sell at market-based rates. Energetix, Inc. (“Energetix”) is an energy service company marketing electricity and natural gas to retail and wholesale customers in the Northeast. Energetix is authorized to sell at market-based rates.

Exhibit J-2 details the generation owned or controlled by the Energy East Applicants. It should be noted that the data in Exhibit J-2 and discussed above materially overstate the amount of generation controlled by Energy East Applicants. First, the majority of their owned generation is hydro. This generation has not been derated to reflect its energy limits. Second, it is assumed that all of their purchases give them operational control over the underlying physical generation. This manifestly is untrue. For example, various of the affiliates have long term contracts for the output of minority portions of nuclear units that are controlled and operated by third parties. Moreover, as of 2008, the Energy East Applicants will lack operational control over any of their NUG contract generation (*i.e.*, it is purchased on an “as available” basis.)

Energy East also has several gas operating companies primarily engaged in the retail sale and distribution of natural gas. The Berkshire Gas Company is a local natural gas distribution company delivers natural gas to customers in western Massachusetts. Connecticut Natural Gas Corporation delivers natural gas to residential, commercial, and industrial customers in central Connecticut. The Southern Connecticut Gas Company delivers natural gas to residential, commercial, and industrial customers in southern Connecticut. Maine Natural Gas Corporation distributes natural gas to customers throughout Maine.

The Iberdrola Applicants

Iberdrola. Iberdrola is a Spanish utility holding company that has business operations in gas and electricity across twenty-eight countries, including Spain, the United Kingdom, Mexico and Brazil. Within the U.S., the only public utilities affiliates of Iberdrola are non-transmission owning generation project companies and marketers with market-based rate authorization. Iberdrola is not affiliated with any public utility with a franchised service area in the United States. A portion of Iberdrola’s existing U.S. generation was acquired as a part of a larger transaction in

April 2007 when Iberdrola acquired ScottishPower plc (“Scottish Power”), a Scottish public limited company. As part of that transaction, Iberdrola acquired an indirect 100% interest in PPM Energy, Inc. (“PPM Energy”) and its public utility subsidiaries.

PPM Energy. PPM Energy, directly and through its subsidiaries, is engaged in the marketing and development of wind and thermal energy facilities, natural gas marketing, storage and hub services, and in providing other energy services. PPM Energy is authorized to sell at market-based rates. The Application describes PPM Energy’s public utility subsidiaries.

Iberdrola Energías Renovables SAU (“Iberdrola Renewables”). Iberdrola Renewables, a wholly-owned subsidiary of Iberdrola, holds indirect interests in two public utility subsidiaries. The Application describes Iberdrola Renewables’ public utility subsidiaries.

The Iberdrola Applicants own approximately 1,500 MW (nameplate rating) of existing or planned generation in the United States.¹³ Of this generation, approximately 550 MW (nameplate rating) is located in the Northeast ISOs/RTOs. Exhibit J-2 details the generation owned or controlled by the Iberdrola Applicants. The substantial majority of this generation is wind-powered, the exception being a gas-fired combustion turbine in Oregon. For purposes of my analysis, as described above, I have assumed a 30 percent capacity factor (*i.e.*, average availability) for wind. Derated to reflect availability, Iberdrola Applicants own approximately 1,000 MW of generation. In addition, Iberdrola Applicants have long term contracts with a number of third party wind generators and marketing rights for the output of one municipally-owned combined cycle unit, also in Oregon. Taking into account deratings for energy limits and allocating all purchases as being under its control, the Iberdrola Applicants’ controlled capacity is approximately 1,650 MW, of which approximately 165 MW is in the Northeast ISOs/RTOs. Substantial amounts of the Iberdrola Applicants’ generation are subject to long term sales contracts. Long term sales net of long term purchases in the United States are approximately 100 MW.

¹³ This includes generation on-line as well as generation expected to be on-line by 2008. For discussion purposes, controlled generation is deemed to be owned generation. Since the Iberdrola Applicants are net sellers, to the extent that long term purchase and sales contracts transfer control to the buyer, this overstates the Iberdrola Applicants’ generation.

Iberdrola also has a number of subsidiaries involved in natural gas storage activities. These include Alberta Storage Hub, located in Alberta, Canada; Gamma Ridge Storage Hub, located in New Mexico; Houston Storage Hub and Katy Storage Hub, both located near Houston, Texas; and Waha Storage Hub, under development in West Texas.

IV. FRAMEWORK FOR THE ANALYSIS

Market power is the ability of a firm profitably to maintain prices above competitive levels for a significant period of time. Market power analysis of a merger proposal examines whether the merger would cause a material increase in the merging firms' market power or a significant reduction in the competitiveness of relevant markets. The focus is on the effects of the merger, which means that the merger analysis examines those business areas in which the merging firms are competitors. This is referred to as horizontal market power assessment. In most instances, a merger will not affect competition in markets in which the merging firms do not compete. In the context of the proposed Transaction, therefore, the focus is properly on those markets in which the Iberdrola Applicants actually or potentially compete with the Energy East Applicants. The analysis is intended to measure the adverse impact, if any, of the elimination of an actual or potential competitor as a result of the combination. For purposes of my analysis, I treat the Transaction as if it were a merger.

Potential vertical market effects of the merger relate to the merging firms' ability and incentives to use their market position over a product or service to affect competition in a related business or market. Control over transmission is the primary vertical concern in electric mergers. The Commission has identified market power as also potentially arising from dominant control over candidate generation sites or over fuels supplies and delivery systems. Such dominant control could undercut the presumption that long-run generation markets are competitive and more generally raise issues concerning disadvantaging competitors.

Understanding the competitive impact of a merger requires defining the relevant market (or markets) in which the merging firms participate. Participants in a relevant market include all suppliers, and in some instances potential suppliers, who can compete to supply the products produced by the merging parties and whose ability to do so diminishes the ability of the merging parties to increase prices. Hence, determining the scope of a market is fundamentally an analysis

of the potential for competitors to respond to an attempted price increase. Typically, markets are defined in two dimensions: geographic and product. Thus, the relevant market is composed of companies that can supply a given product (or its close substitute) to customers in a given geographic area.

In December 1996, the Commission issued Order No. 592 (the “Merger Policy Statement”),¹⁴ which provides a detailed analytical framework for assessing the horizontal market power arising from electric utility mergers. This analytical framework is organized around a market concentration analysis. The Commission adopted the Department of Justice and Federal Trade Commission Horizontal Merger Guidelines for measuring market concentration levels by the Herfindahl-Hirschman Index (“HHI”).¹⁵ On November 15, 2000, the Commission issued its Revised Filing Requirements, which affirmed the screening approach to mergers consistent with the Appendix A analysis set forth in the Merger Policy Statement, and codified the need to file a screen analysis and any exemptions from this requirement. It also provided a new Section 33.4 to the Commission’s regulations dealing with the analysis of vertical market power.¹⁶

Appendix A of the Merger Policy Statement, the Competitive Analysis Screen, specifies a “delivered price” screening test to measure Economic Capacity, which is defined as energy that can be delivered into a destination market at a delivered cost less than 105 percent of the

¹⁴ *Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement*, Order No. 592, Docket No. RM96-6-000, 61 Fed. Reg. 68595 (Dec. 30, 1996), FERC Stats. & Regs. (Regulations Preambles) ¶ 31,044 (1996), *on reconsideration*, Order No. 592-A, 79 FERC ¶ 61,321 (1997).

¹⁵ To determine whether a proposed merger requires further investigation because of a potential for a significant anti-competitive impact, the DOJ and FTC consider the level of the HHI after the merger (the post-merger HHI) and the change in the HHI that results from the combination of the market shares of the merging entities. Markets with a post-merger HHI of less than 1000 are considered “unconcentrated.” The DOJ and FTC generally consider mergers in such markets to have no anti-competitive impact. Markets with post-merger HHIs of 1000 to 1800 are considered “moderately concentrated.” In those markets, mergers that result in an HHI change of 100 points or fewer are considered unlikely to have anti-competitive effects. Finally, post-merger HHIs of more than 1800 are considered to indicate “highly concentrated” markets. The *Guidelines* suggest that in these markets, mergers that increase the HHI by 50 points or fewer are unlikely to have a significant anti-competitive impact, while mergers that increase the HHI by more than 100 points are considered likely to reduce market competitiveness. (See U.S. Department of Justice and Federal Trade Commission, *Horizontal Merger Guidelines*, 1992 [amended 1997].)

¹⁶ The Commission’s recent order in PL07-1 supplements the Merger Policy Statement and provides additional clarification and guidance on the Appendix A analysis, but does not substantively change my analysis in connection with the Transaction. *FPA 203 Supplemental Policy Statement*, PL07-1-000, 120 FERC ¶ 61,060 (2007).

destination market price. The screening test also provides for an analysis of Available Economic Capacity, which is defined as Economic Capacity over and above that required to meet native load and other long-term obligations that meets the delivered price test (“DPT”).

If a proposed merger raises no market power concerns (*i.e.*, passes the Appendix A screen), the inquiry generally is terminated. However, both the Merger Policy Statement and the Revised Filing Requirements accept that merger applications involving no overlap in relevant geographic markets do not require a screen analysis or the filing of the data needed for the screen analysis.¹⁷

Relevant Product Markets

The Commission generally has been concerned with three relevant product markets: non-firm energy, short-term capacity (firm energy) and long-term capacity.¹⁸ Both Economic Capacity and Available Economic Capacity are used as measures of energy. The Commission’s current policy does not specify the required analyses of capacity markets as such. The Revised Filing Requirements direct applicants to analyze relevant ancillary services markets (specifically, reserves and imbalance energy) “when the necessary data are available.”

¹⁷ The Merger Policy Statement, Order No. 592 (at 30,113) states: “it will not be necessary for the merger applicants to perform the screen analysis or file the data needed for the screen analysis in cases where the merging firms do not have facilities or sell relevant products in common geographic markets. In these cases, the proposed merger will not have an adverse competitive impact (*i.e.*, there can be no increase in the applicants’ market power unless they are selling relevant products in the same geographic markets) so there is no need for a detailed data analysis.” 61 Fed. Reg. at 68597.

As noted below, the Revised Filing Requirements also allow that an analysis need not be filed if the applicant “demonstrates that the merging entities do not currently conduct business in the same geographic markets or that the extent of the business transactions in the same geographic markets is *de minimis*.” 18 C.F.R. § 33.3(a)(2).

¹⁸ The market for long-term capacity generally does not need to be analyzed since the Commission has concluded as a generic matter that the potential for entry ensures that the long-term capacity market is competitive. *See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21540 (May 10, 1996), FERC Statutes and Regulations, ¶ 31,036 - 31,657 (1996). The presumption that long-term capacity markets are competitive can be overcome if the applicants have dominant control over power plant sites or fuels supplies and delivery systems. This exception is addressed below.

The market for short-term capacity (firm energy) can be addressed by using the Economic Capacity or Available Economic Capacity analysis at a price that reflects all generation in the relevant market as economic. I typically use the summer peak load hour to conduct this analysis.

Under the Economic Capacity and Available Economic Capacity measures, capacity that is attributed to a market participant is that capacity controlled by it that can reach the destination market, taking transmission constraints and costs into account, at a price no higher than 105 percent of the destination market price. As described above, the two measures differ as to the treatment of capacity used to meet native load requirements. The Commission has determined that long-term capacity markets are presumed to be competitive, unless special factors exist that limit the ability of new generation to be sited or receive fuel.

The Commission's current policy does not specify required analyses of capacity markets as such. As noted, the Commission has determined that long-term capacity markets are presumed to be competitive, unless special factors exist that limit the ability of new generation to be sited or receive fuel.

Insofar as ancillary services are concerned, the Commission's regulations require an analysis of relevant ancillary services markets (specifically, spinning and non-spinning reserves and imbalance energy) "when the necessary data are available."¹⁹

Relevant Geographic Markets

Traditionally, the Commission has defined the relevant geographic markets as centered on the applicants and on utilities directly interconnected with the applicants, referred to as first-tier utilities. Both the Merger Policy Statement and the Revised Filing Requirements continue to define the relevant geographic market in terms of control areas and first-tier destination markets.²⁰ Further, in a merger context, the Commission considers as potential additional destination markets other entities that historically have been customers of the applicants. The Commission's practice has been to consider RTOs as single destination market. In doing so, the Commission also has considered constrainable sub-areas within RTO markets to be relevant geographic markets.²¹

¹⁹ Order No. 642 at 31,884.

²⁰ Order No. 592, at 30,119, *supra* note 14.

²¹ See, for example, *Exelon Corporation and Public Service Enterprise Corporation, Inc.* 112 FERC ¶ 61,011 (2005) ("*Exelon-PSEG*").

The Commission's geographic market definition is intended to be a conservative screen to determine whether further analysis of market power is necessary. If the Appendix A analysis shows that a company will not be able to exercise market power in its first-tier destination markets, it generally follows that the applicants will not have market power in more broadly defined and more geographically remote markets. The screen is the first step in determining whether there is a need for further investigation. If the screening test is not passed, leaving open the issue of whether the merger will create market power, the Commission invites applicants to propose mitigation remedies targeted to reduce potential anti-competitive effects to safe harbor levels. In the alternative, the Commission will undertake a proceeding to determine whether unmitigated market power concerns mean that the merger is contrary to the public interest.

De Minimis Exception

In affirming the screening approach to mergers consistent with the Appendix A analysis set forth in the Merger Policy Statement, in Section 33.3(a)(2) of the Commission's Revised Filing Requirements, the Commission established an exemption from the requirement to file a horizontal Competitive Analysis Screen if the applicant:

- (i) Affirmatively demonstrates that the merging entities do not currently operate in the same geographic markets or that the extent of the business transactions in the same geographic market is *de minimis*; and
- (ii) No intervenor has alleged that one of the merging entities is a perceived potential competitor in the same geographic market as the other.

A parallel *de minimis* exemption exists with respect to the vertical analysis. In Section 33.4(a)(2), the Commission established an exemption from the requirement to file a vertical Competitive Analysis Screen if the applicant can affirmatively demonstrate that:

- (i) The merging entities currently do not provide inputs to electricity products (i.e., upstream relevant products) and electricity products (i.e., downstream relevant products) in the same geographic markets or that the extent of the business transactions in the same geographic market is *de minimis*; and no intervenor has alleged that one of the merging entities is a perceived potential competitor in the same geographic market as the other.

- (ii) The extent of the upstream relevant products currently provided by the merging entities is used to produce a *de minimis* amount of the relevant downstream products in the relevant destination markets...

Competitive Analysis Screen

This test is intended to be a conservative screen to determine whether further analysis of market power is necessary.²² If the Competitive Analysis Screen shows that the merging entities will not be able to exercise market power in narrowly defined markets in which they own or control generation, it generally follows that the merging entities will not have market power in more broadly defined and more geographically remote markets.

The horizontal Competitive Analysis Screen measures the HHI changes resulting from a transaction.²³ The vertical Competitive Analysis Screen focuses on the concentration of the post-transaction market.

V. IMPACT OF THE TRANSACTION ON COMPETITION

Horizontal Market Power

Consistent with the guidance in the *Merger Policy Statement* and the Revised Filing Requirements, I examined the relevant markets in which Applicants own or control generation. With respect to the Transaction, the only markets in which the Iberdrola Applicants and the Energy East Applicants both own or arguably control generation are the Northeast ISOs/RTOs.

NYISO is the only market in which the Energy East Applicants own or control what is arguably a material amount of generation. The Iberdrola Applicants own or control a *de minimis* amount of generation in NYISO. I demonstrate below that the extent of the Applicants' relevant business transactions in the NYISO market is *de minimis*. I also present the results of a Delivered Price Test Analysis in the NYISO to reinforce this analysis.

²² See Order No. 642 at 31,879 and 31,886-31,887; Order No. 592 at 30,119.

²³ See footnote 15.

In the PJM and ISO-NE markets, both the Iberdrola Applicants and the Energy East Applicants own or arguably control only very small amounts of generation, and clearly “the extent of the business transactions in the same geographic market is *de minimis*”.

In all other markets, only the Iberdrola Applicants own or control generation, and thus there also is no requirement under the Commission’s regulations to perform a Competitive Analysis Screen.²⁴

NYISO

Energy Markets

Both the Iberdrola Applicants and the Energy East Applicants own or control generation in NYISO. The Energy East Applicants own or could be deemed to control 1,355 MW of generation in NYISO in 2008, consisting of: hydroelectric generation (113 MW); gas- or oil-fired generation (153 MW); and long-term power purchase agreements (1,088 MW). NYSEG’s owned or contracted for power totals 534 MW, RG&E’s totals 752 MW, and Carthage Energy, LLC owns 56 MW. Essentially all of this generation is located in the western part of NYISO, in zones B through E.²⁵ As I noted earlier, RG&E’s Russell Station (236 MW) is scheduled for shutdown in 2008, subject to possible repowering and return to service in or after 2013, and several of NYSEG’s and RG&E’s long-term power purchase contracts (838 MW) have termination dates in 2007 and early 2008. Given that my analysis is prospective, and the Transaction is not expected to close until 2008, my analysis appropriately takes into consideration these contract terminations and the Russell Station shutdown.

The Iberdrola Applicants will own or control 81 MW (summer/“adjusted” rating) of generation in NYISO by 2008, all wind-powered generation, and also all located in the western part of NYSIO. The Iberdrola Applicants own a 50 percent interest in one wind generating plant (161 MW net interest nameplate rating, or 48 MW summer/“adjusted” rating); and have one

²⁴ As I discuss below, it also is the case that there are no other markets in which the Energy East Applicants both sell energy.

²⁵ See http://www.nyiso.com/public/market_data/zone_maps.jsp. Zone B (Genesee), C (Central), D (North), E (Mohawk Valley). NYSEG has 20 MW of generation located in Zone F (Capital).

planned facility with an expected 2008 commercial operation date (110 MW, or 33 MW summer/"adjusted" rating).

NYISO had approximately 39,000 MW of generation as of April 1, 2007.²⁶ Taking into consideration 2007 reratings, retirements and additions, there is approximately 38,800 MW of generation based on summer/"adjusted" ratings and 44,400 MW based on nameplate ratings. On this basis, the Energy East Applicants' share of NYISO generation is only 3.5 percent based on summer/"adjusted" ratings (3.1 percent based on nameplate ratings) and the Iberdrola Applicants' share of NYISO generation is only 0.2 percent based on summer/"adjusted" ratings (0.6 percent based on nameplate ratings).²⁷ This is shown in Table 2 below. The HHI change resulting from the combination of Applicants' generation in NYISO is only 1 or 4 points, depending on which generation rating is used. In any event, this is well below any threshold that indicates a competitive concern.²⁸ This conclusion is conservative in that I have not included imports in my analysis. On the basis of this analysis, it would be appropriate to conclude that the extent of Applicants' business transactions in the NYISO market are *de minimis*. Moreover, I note that while I have included an analysis based on nameplate ratings, such an analysis is not particularly meaningful. As a measure of capacity, a product that I discuss further below, the NYISO clearly credits wind generation with only 10 percent of its nameplate rating for summer and 30 percent for winter, and hence it is the seasonal rating that is relevant. As a measure of energy, nameplate ratings also do not reflect the typical energy output of the wind facility, which tend to have capacity factors in the 20-40 percent range.

²⁶ NYISO 2007 Load and Capacity Data
http://www.nyiso.com/public/webdocs/services/planning/planning_data_reference_documents/2007_GoldBook_PUBLIC.pdf ("2007 Gold Book").

²⁷ As discussed *infra*, I have performed an Economic Capacity delivered price test for NYISO markets. In that analysis, I used a 30 percent availability to derate wind-powered capacity.

²⁸ To calculate the HHI change, I used the simplified "2ab" method, which refers to the change in HHI resulting from the merger of company A (with market share a) and Company B (with market share b). This formula is derived from the HHI calculation as follows:

$$\text{Applicants' pre-merger HHI} = a^2 + b^2$$

$$\text{Applicants' post-merger HHI} = (a+b)^2 = a^2 + b^2 + 2ab$$

Thus, the change in HHI resulting from the merger equals 2ab.

Table 2: Effect of Transaction in NYISO

	Summer/"Adjusted" Rating		Nameplate Rating	
	MW	Share	MW	Share
Energy East Applicants	1,355	3.49%	1,382	3.11%
Iberdrola Applicants	81	0.21%	271	0.61%
Other	37,400	96.30%	42,747	96.28%
Total	38,836	100.00%	44,400	100.00%
HHI Change	1		4	

Power flows in the NYISO are principally from the north and west to the southeast. The western part of NYISO, where all of the Applicants' generation is located, is on the unconstrained side of the interface. While the New York West market sometimes has been analyzed in the context of prior mergers,²⁹ and, I too, analyzed this submarket in the connection with the merger of Energy East and RGS Group,³⁰ it is not properly considered a destination market. As I stated in my testimony in the Energy East-RGS Group merger, since power flows in New York are from west to east, the western zone is essentially never a constrained load area. As a result, the alternatives customers within western New York face properly should include a broader, *i.e.*, all of New York, destination market.³¹ Nevertheless, once again, for the sake of completeness and to present the most conservative analysis, I considered the effect of the Transaction in a New York West market, as shown in Table 3 below. This analysis shows an HHI change of only 5 points based on summer/"adjusted" ratings, and 13 points based on nameplate ratings. Again, the effect on market concentration is small, and well within screening thresholds.

²⁹ See, e.g., *National Grid plc and KeySpan Corporation*, 117 FERC ¶ 61,080 (2006) ("*National Grid-KeySpan*").

³⁰ *Energy East Corporation and RGS Energy Group, Inc.*, 96 FERC ¶ 61, 322 (2001).

³¹ Further, New York West is not an RTO submarket that the Commission identified in its recent Order No. 697, in connection with market-based rate authority. *Market-Based Rates For Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities*, Order No. 697, 119 FERC ¶ 61,295 (2007).

Table 3: Effect of Transaction in New York West

	Summer/"Adjusted" Rating		Nameplate Rating	
	MW	Share	MW	Share
Energy East Applicants	1,335	6.17%	1,366	5.68%
Iberdrola Applicants	81	0.37%	271	1.13%
Other	20,223	93.46%	22,428	93.20%
Imports	7,150	6.26%	7,150	6.27%
Total	21,639	100.00%	24,065	100.00%
HHI Change	5		13	

Further evidence of the lack of competitive effect is evidenced by the fact that NYSEG and RG&E are significantly capacity- and energy-short. Both NYSEG and RG&E are significant net purchasers (including both long-term and short-term purchases). Given the shutdown of the Russell Station, and the termination of several long-term power purchase agreements in the 2007-2008 period, both NYSEG and RG&E are expected to be in a net-short resource position in the near term. The forecast for 2008 demonstrates how capacity- and energy-short NYSEG and RG&E are expected to be, as shown in Table 4 below.³²

Table 4: NYSEG and RG&E Load and Resource Requirements, 2007

	NYSEG	RG&E
Capacity Requirement (MW)	2,157	934
Capacity Resources (MW)	339	347
Net (Short) (MW)	(1,818)	(587)
Total Load (MWh)	9,456,413	3,740,923
Resources (MWh)	2,509,535	2,771,490
Net (Short) (MW)	(6,946,878)	(969,433)

It is thus demonstrated that the Energy East Applicants have essentially no Available Economic Capacity under the DPT. See Exhibit J-3. As the Commission has found, "where

³² These results for the company reflect the current status of customer migration. To the extent additional customer migration occurs (or the reverse), under existing New York PSC policies, resources move with the customer such that this net short position is essentially proportionately unchanged.

applicants have significant native load obligations, Available Economic Capacity provides a more accurate measure of the effect on competition than Economic Capacity.”³³

Given all these facts, it is not necessary to conduct a full Competitive Analysis Screen to demonstrate that the competitive effect of this Transaction on energy markets is immaterial. Nevertheless, I provide for informational purposes a DPT for the NYISO and NY West markets that I conducted to further support my conclusion about the lack of competitive effect of the Transaction.³⁴ See Exhibit J-4. As shown in Table 5, the NYISO market is unconcentrated in all time periods, both pre- and post-Transaction, and the HHI change is in the single digits.³⁵

Table 5: Economic Capacity, NYISO Market

Period	Price	Pre-Merger						Post-Merger			
		Iberdrola		Energy East		Market Size	HHI	Combined			HHI Change
		MW	Mkt Share	MW	Mkt Share			MW	Mkt Share	HHI	
S_SP1	\$250	82	0.2%	1,251	2.9%	43,675	695	1,332	3.1%	696	1
S_SP2	\$120	82	0.2%	1,224	3.1%	39,449	689	1,306	3.3%	690	1
S_P	\$70	82	0.3%	1,182	4.1%	28,850	710	1,264	4.4%	713	2
S_OP	\$45	83	0.4%	1,063	5.1%	20,786	706	1,145	5.5%	710	4
W_SP	\$100	82	0.3%	1,251	4.0%	31,392	697	1,334	4.3%	699	2
W_P	\$65	83	0.3%	1,141	4.7%	24,116	807	1,224	5.1%	811	3
W_OP	\$40	83	0.4%	1,080	5.2%	20,703	698	1,163	5.6%	702	4
SH_SP	\$70	83	0.3%	1,126	4.3%	26,449	739	1,209	4.6%	742	3
SH_P	\$60	83	0.4%	1,081	4.8%	22,574	847	1,164	5.2%	851	4
SH_OP	\$35	83	0.4%	1,004	5.2%	19,240	718	1,087	5.7%	722	5

As shown in Table 6, the NY West market also is unconcentrated and the HHI changes are no more than 6 points.

³³ *National Grid-Keyspan* at P 27, citing *Nevada Power Co.*, 113 FERC ¶ 61,265 at P 15, 18 (2005); *Kansas City Power and Light Co.*, 113 FERC ¶ 61,074 at P 30, 35 (2005).

³⁴ My workpapers detail the assumptions and methodology used for the DPT. The abbreviations for time periods reflected in the tables in the text reference the ten time periods analyzed: Super Peak 1 (S_SP1) is the Top Summer load hour; Super Peak 2 (S_SP2) is the Top 10% of Summer peak load hours; Peak (S_P) is the Remaining Summer peak hours; Off-peak (S_OP) is All Summer off-peak hours; Super Peak (W_SP) is the Top 10% of Winter peak load hours; Peak (W_P) is the Remaining Winter peak hours; Off-peak (W_OP) is All Winter off-peak hours; Super Peak (SH_SP) is the Top 10% of Shoulder peak load hours; Peak (SH_P) is the Remaining Shoulder peak hours; and Off-peak (SH_OP) is All Shoulder off-peak hours.

³⁵ Note that MW attributed to Iberdrola in my DPT analysis is less than the nameplate ratings and greater than the summer ratings that I discussed earlier. My DPT analysis follows the convention of using a dependable capability or seasonal rating, and adjusting for duration from planned and forced outages. For purposes of this analysis, I derated wind generation to 30 percent of its installed (nameplate) capacity rating. Use of a higher or lower capacity factor for wind generation would not materially impact the results, and would not alter my conclusions.

Table 6: Economic Capacity, NY West Market

Period	Price	Pre-Merger						Post-Merger			
		Iberdrola		Energy East		Market Size	HHI	Combined			HHI Change
		MW	Mkt Share	MW	Mkt Share			MW	Mkt Share	HHI	
S_SP1	\$250	81	0.4%	1,242	5.4%	23,040	780	1,323	5.7%	784	4
S_SP2	\$120	81	0.4%	1,216	5.3%	23,012	789	1,297	5.6%	793	4
S_P	\$70	82	0.4%	1,175	5.5%	21,222	791	1,256	5.9%	795	4
S_OP	\$45	83	0.5%	1,061	5.8%	18,458	717	1,144	6.2%	722	5
W_SP	\$100	81	0.4%	1,235	5.8%	21,192	794	1,317	6.2%	798	4
W_P	\$65	82	0.4%	1,130	5.8%	19,536	898	1,212	6.2%	903	5
W_OP	\$40	83	0.5%	1,075	5.9%	18,331	730	1,158	6.3%	735	5
SH_SP	\$70	82	0.4%	1,112	5.6%	19,942	818	1,194	6.0%	822	5
SH_P	\$60	83	0.4%	1,071	5.7%	18,761	929	1,153	6.2%	934	5
SH_OP	\$35	83	0.5%	1,001	5.7%	17,429	743	1,084	6.2%	748	5

Clearly, the impact of the Transaction on relevant energy markets in NYISO is not material.

Other Product Markets

The NYISO operates an Installed Capacity (“ICAP”) market under which load-serving entities are required to procure sufficient ICAP to meet load and reserve requirements. Each generating resource is assigned a Unforced Capacity (“UCAP”) credit, which essentially takes into account forced outages on the capacity.

Locational capacity markets exist for New York City, for Long Island, and for the entire state. The analysis shown in Table 2 for summer capacity is a measure of installed capacity in NYISO overall. Table 7 below reflects Applicants’ shares in the NYISO capacity market, which are below 4 percent on a combined basis.³⁶ Since the Applicants own no generation in New York City or Long Island, New York State is the only relevant market for capacity.

³⁶ This analysis uses the NYISO default value that the summer rating for wind generation is 10 percent of the nameplate rating. See 2007 NYISO Load & Capacity Data, page 52. http://www.nyiso.com/public/webdocs/services/planning/planning_data_reference_documents/2007_GoldBook_PUBLIC.pdf See also, NYISO Installed Capacity Manual, page 4-13. http://www.nyiso.com/public/webdocs/products/icap/icap_manual/icap_mnl.pdf

Table 7: Effect of Transaction in Capacity Market (Summer Rating)

	MW	Share
Energy East Applicants	1,355	3.51%
Iberdrola Applicants	27	0.07%
Other	37,217	96.42%
Total	38,599	100.00%
HHI Change		0

With respect to ancillary services markets, as noted earlier, the Commission requires an analysis of relevant ancillary services markets (spinning and non-spinning reserves and imbalance energy) “when the necessary data are available.”³⁷ In the context of this Transaction, however, wind-powered generation such as that owned or controlled by the Iberdrola Applicants is not well suited to providing ancillary services, so there is not effect of the Transaction on these markets.

PJM and ISO-NE

As discussed in my summary of conclusions, and detailed in Table 1, the overlap in Applicants’ ownership of generation in the PJM and ISO-NE markets is *de minimis*. As shown in Table 8 below, the Applicants combined own only 0.1 percent of the approximately 164,000 MW of installed generation in PJM, clearly a *de minimis* amount.

Table 8: Effect of Transaction in PJM (Summer/“Adjusted” Ratings)

	MW	Share
Energy East Applicants	44	0.03%
Iberdrola Applicants	76	0.05%
Other	164,282	99.93%
Total	164,402	100.00%
HHI Change		0

As shown in Table 9 below, the Applicants combined own less than one percent of the 39,000 MW of installed generation in ISO-NE, clearly a *de minimis* amount.

³⁷ Order No. 642 at 31,884.

Table 9: Effect of Transaction in ISO-NE (Summer/"Adjusted" Rating)

	MW	Share
Energy East Applicants	225	0.73%
Iberdrola Applicants	7	0.02%
Other	30,697	99.25%
Total	30,929	100.00%
HHI Change		0

Other Markets

There are no other markets in which there is the potential for a horizontal effect of this Transaction. The Energy East Applicants neither own nor control any generation outside of the Northeast ISOs/RTOs. The Iberdrola Applicants own generation in a number of other markets in the United States, but such generation is not sufficiently proximate to the Northeast markets where Energy East Applicants own or control generation to have a competitive effect.

In concluding that no other markets need to be analyzed, I also considered whether Applicants had wholesale sales in common markets over the past two years. Based on data in the *Electric Quarterly Reports* ("EQR") of the Applicants,³⁸ I confirmed that the Energy East Applicants did not report any sales outside of the Northeast.

Vertical Market Power

The Transaction does not raise any competitive concerns with regard to vertical market power.

Electric Transmission

There are no electric transmission market power concerns raised by the Transaction. None of the Iberdrola Applicants own any transmission facilities other than those necessary to interconnect their generation to the transmission grid. While the Energy East Applicants own transmission assets in New York and Maine, the transmission is operated by the respective ISOs/RTOs, NYISO and ISO-NE.

³⁸ The data I examined cover EQR filings for the second quarter 2005 through the first quarter 2007.

The Commission also considers whether applicants have the ability to erect barriers to entry by other suppliers in terms of such things as 1) control of sites for new capacity development other than those that may exist at the sites being acquired; 2) control of fuel inputs to generation; and 3) control of any equipment suppliers or facilities used to transport fuels or other inputs to generation.

Control of Facilities used to Transport Fuels

The Commission has indicated that under some circumstances mergers between parties owning electric generation and gas transportation could give rise to vertical concerns. The Commission has expressed its concern in decisions addressing “convergence mergers” and in Order No. 642 that vertical mergers “may create or enhance the incentive and/or ability for the merged firm to adversely affect prices and output in the downstream electricity market and to discourage entry by new generators.”³⁹ The main areas of Commission concern are: (1) the creation of incentives for the gas-related upstream activities to raise costs for rivals of the electricity generation affiliate; (2) the enhanced ability to facilitate coordination of pricing in upstream or downstream markets; and (3) the enhanced ability to evade regulation, primarily through self-dealing.⁴⁰ The Commission also has expressed concerns that (a) convergence mergers involving an upstream gas supplier serving the downstream merger partner, as well as competitors of that partner, could result in preferential terms of service; and (b) a pipeline serving electric generation could provide commercially valuable information to newly affiliated electricity generating or marketing operations. None of these concerns are present with respect to the Transaction.

The Energy East Applicants have affiliated LDCs that operate in the Northeast, including in New York, Connecticut, Maine and Massachusetts. However, none of the Energy East affiliates own major interstate or intrastate gas transmission pipelines.⁴¹ And, since all of the generating

³⁹ III FERC Stats. & Regs. Regs. Preambles, ¶31,111 at 31,904.

⁴⁰ Because the Iberdrola Applicants do not own any generation that take service from the Energy East Applicants’ LDCs, the regulatory evasion concern is not present and I do not discuss it further.

⁴¹ NYSEG and RG&E own a modest amount of pipelines on their LDC systems, as does Maine Natural Gas Corporation.

facilities owned or controlled by the Iberdrola Applicants in the Northeast are wind generators, none take delivery of natural gas from the Energy East LDCs. Moreover, the Energy East LDCs do not supply gas to any material amounts of electric generation in NYISO,⁴² and even though they supply gas to some electric generation in ISO-NE, the generation owned or controlled by the Applicants in that market is *de minimis*. Thus the Iberdrola Applicants cannot use the Energy East affiliated LDC to either favor their own generation, raise rivals' costs, or otherwise disadvantage rivals. Natural gas distribution service is regulated by the respective state public utilities commissions. Newly built gas-fired generating facilities are likely to seek direct interconnection with a pipeline system, rather than connection to an LDC. In short, none of the vertical concerns that the Commission focused upon in convergence mergers exists in this Transaction and this Transaction does not create or enhance vertical market power. Since the extent of business transactions in the same geographic market *de minimis*, no Competitive Analysis Screen is required.⁴³

Other Vertical Issues

Applicants do not have dominant control over generating sites in any relevant market, including the Northeast markets. Substantial new entry of merchant generation has occurred in the each of these markets, and the expected further new entry demonstrates the absence of entry barriers. NYISO currently has about 19,000 MW of generation projects active in the interconnection queue projects through 2013.⁴⁴ PJM currently has about 5,100 MW of generation projects under construction and an additional 30,000 MW of generation under development.⁴⁵

⁴² There is only about 300 MW of generation in NYISO taking natural gas transportation service from NYSEG and RG&E. Of this 150 MW uses natural gas only as a supplemental fuel.

⁴³ Section 33.4(a)(2) of the Revised Filing Requirements.

⁴⁴ NYISO interconnection queue as of July 10, 2007.
http://www.nyiso.com/public/webdocs/services/planning/nyiso_interconnection_queue/nyiso_interconnection_queue.xls

⁴⁵ PJM Interconnection, L.L.C., PJM RTO as of June 26, 2007, Megawatt Summary by Queue Letter, <ftp://ftp.pjm.com/pub/reports/planning/rto/20070626-RTO.pdf>.

ISO-NE has about 14,000 MW of generation projects active in the interconnection queue projects through 2011.⁴⁶

None of the Applicants has dominant control of fuel inputs to generation or control of any equipment suppliers.

There are no other barriers to entry that raise concerns. Thus, none of the vertical concerns that the Commission typically considers exists here and hence the Transaction does not create or enhance vertical market power.

VI. CONCLUSION

The market power analyses discussed herein demonstrate that the Transaction will not have anti-competitive effects in any relevant market. No other relevant concerns exist with respect to competition.

⁴⁶ http://www.iso-ne.com/genrtion_resrcs/nwgen_inter/status/interconnection_request_queue_06082007.xls



INTERNATIONAL

Exhibit J-1

WILLIAM H. HIERONYMUS

Vice President

Ph.D. Economics
University of Michigan

M.A. Economics
University of Michigan

B.A. Social Science
University of Iowa

William Hieronymus has consulted extensively to managements of electricity and gas companies, their counsel, regulators, and policymakers. His principal areas of concentration are the structure and regulation of network utilities and associated management, policy, and regulatory issues. Dr. Hieronymus has spent the last seventeen years working on the restructuring and privatization of utility systems in the U.S. and internationally. In this context he has assisted the managements of energy companies on corporate and regulatory strategy, particularly relating to asset acquisition and divestiture. He has testified extensively on regulatory policy issues and on market power issues related to mergers and acquisitions. In his thirty years of consulting to this sector, he also has performed a number of more specific functional tasks, including analyzing potential investments; assisting in negotiation of power contracts, tariff formation, demand forecasting, and fuels market forecasting. Dr. Hieronymus has testified frequently on behalf of energy sector clients before regulatory bodies, federal courts, and legislative bodies in the United States the United Kingdom and Australia.

EXPERIENCE

**Electricity Sector Structure, Regulation, And
Related Management And Planning Issues**

U.S. Market Restructuring Assignments

- Dr. Hieronymus serves as an advisor to the senior executives of electric utilities on restructuring and related regulatory issues, and he has worked with senior management in developing strategies for shaping and adapting to the emerging competitive market in electricity. Related to some of these assignments, he has testified before state agencies on regulatory policies and on contract and asset valuation.

-
- For utilities seeking merger approval, Dr. Hieronymus has prepared and testified to market power analyses at FERC and before state commissions. He also has assisted in discussions with the Antitrust Division of the Department of Justice and in responding to information requests. The mergers on which Dr. Hieronymus has testified include both electricity mergers and combination mergers involving electricity and gas companies. Among the major mergers on which he has testified are Duke Energy-Cinergy, EEG (Exelon and PSE&G), Sempra (Enova and Pacific Enterprises), Xcel (New Century Energy and Northern States Power), Exelon (Commonwealth Edison and Philadelphia Electric), AEP (American Electric Power and Central and Southwest), Dynegy-Illinois Power, Con Edison-Orange and Rockland, Dominion-Consolidated Natural Gas, NiSource-Columbia Energy, E-on-PowerGen/LG&E and NYSEG-RG&E. He also submitted testimony in mergers that were terminated for unrelated reasons, including Entergy-Florida Power and Light, Northern States Power and Wisconsin Energy, KCP&L and Utilicorp and Consolidated Edison-Northeast Utilities. Testimony on similar topics has been filed for a number of smaller utility mergers and for numerous asset acquisitions. Dr. Hieronymus has also assisted numerous clients in the pre-merger screening of potential acquisitions and merger partners.
 - For utilities seeking to establish or extend market rate authority, Dr. Hieronymus has provided numerous analyses concerning market power in support of submissions under Sections 205 of the Federal Power Act.
 - For utilities and power pools engaged in restructuring activities, he has assisted in examining various facets of proposed reforms. Such analysis has included features of the proposals affecting market efficiency and those that have potential consequences for market power. Where relevant, the analysis also has examined the effects of alternative reforms on the client's financial performance and achievement of other objectives.
 - For generators and marketers, Dr. Hieronymus has testified extensively in the regulatory proceedings concerning the electricity crisis in the WECC that occurred during May 2000 and May 2001. His testimony concerned, inter alia, the economics of long term contracts entered into during that period, the behavior of market participants during the crisis period and the nexus between purportedly dysfunctional spot markets and forward contracts. In the context of investigations into economic and physical withholding, he prepared and sponsored analyses of the specific behaviors of client generating companies relating to the nature and causes of their activities and the profits earned from them.
 - For the New England Power Pool (NEPOOL), Dr. Hieronymus examined the issue of market power in connection with NEPOOL's movement to market-based pricing for energy, capacity, and ancillary services. He also assisted the New England utilities in preparing their market power mitigation proposal. The main results of his analysis were incorporated in NEPOOL's market power filing before FERC and in ISO-New England's market power mitigation rules.
 - On behalf of Consolidated Edison, he drafted and sponsored market power mitigation rules relating to energy and capacity sales in the New York City load pocket.

-
- For a coalition of independent generators, he provided affidavits advising FERC on changes to the rules under which the northeastern U.S. power pools operate.
 - Dr. Hieronymus has contributed substantially to projects dealing with the restructuring of the California electricity industry. In this context he also is a witness in California and FERC proceedings on the subject of market power and mitigation and more recently before FERC in connection with transactions related to PG&E's bankruptcy and on the contracts signed between merchant generators and various buyers.

Valuation of Utility Assets in North America

- Dr. Hieronymus has testified in state securitization and stranded cost quantification proceedings, primarily in forecasting the level of market prices that should be used in assessing the future revenues and the operating contribution earned by the owner of utility assets in energy and capacity markets. The market price analyses are tailored to the specific features of the market in which a utility will operate and reflect transmission-constrained trading over a wide geographic area. He also has testified in rebuttal to other parties' testimony concerning stranded costs, and has assisted companies in internal stranded cost and asset valuation studies.
- He was the primary valuation witness on behalf of a western utility in an arbitration proceeding concerning the value of a combined cycle plant coming off lease that the utility wished to purchase.
- He assisted a bidder in determining the commercial terms of plant purchase offers as well as assisting clients in assessing the regulatory feasibility of potential acquisitions and mergers.
- He has testified in bankruptcy court and in arbitration proceedings concerning the value of terminated long term contracts in connection with contract defaults by bankrupt power marketers and merchant generators.

Other U.S. Utility Engagements

- Dr. Hieronymus has contributed to the development of several benchmarking analyses for U.S. utilities. These have been used in work with clients to develop regulatory proposals, set cost reduction targets, restructure internal operations, and assess merger savings.
- Dr. Hieronymus was a co-developer of a market simulation package tailored to region-specific applications. He and other senior personnel have conducted numerous multi-day training sessions using the package to help utility clients in educating management regarding the consequences of wholesale and retail deregulation and in developing the skills necessary to succeed in this environment.
- He has made numerous presentations to U.S. utility managements regarding overseas electricity systems.

-
- In connection with nuclear generating plants nearing completion, he has testified in Pennsylvania, Louisiana, Arizona, Illinois, Missouri, New York, Texas, Arkansas, New Mexico, and before the Federal Energy Regulatory Commission regarding plant-in-service rate cases on the issues of equitable and economically efficient treatment of plant costs for tariff-setting purposes, regulatory treatment of new plants in other jurisdictions, the prudence of past system planning decisions and assumptions, performance incentives, and the life-cycle costs and benefits of the units. In these and other utility regulatory proceedings, Dr. Hieronymus and his colleagues have provided extensive support to counsel, including preparation of interrogatories, cross-examination support, and assistance in writing briefs.
 - On behalf of utilities in the states of Michigan, Massachusetts, New York, Maine, Indiana, Pennsylvania, New Hampshire, and Illinois, he has submitted testimony in regulatory proceedings on the economics of completing nuclear generating plants that were then under construction. His testimony has covered the likely cost of plant completion; forecasts of operating performance; and extensive analyses of the impacts of completion, deferral, and cancellation upon ratepayers and shareholders. For the senior managements and boards of utilities engaged in nuclear plant construction, Dr. Hieronymus has performed a number of highly confidential assignments to support strategic decisions concerning the continuance of construction.
 - For an eastern Pennsylvania utility that suffered a nuclear plant shutdown due to NRC sanctions relating to plant management, he filed testimony regarding the extent to which replacement power cost exceeded the costs that would have occurred but for the shutdown.
 - For a major Midwestern utility, Dr. Hieronymus headed a team that assisted senior management in devising its strategic plans, including examination of such issues as plant refurbishment/life extension strategies, impacts of increased competition, and available diversification opportunities.
 - On behalf of two West Coast utilities, Dr. Hieronymus testified in a needs certification hearing for a major coal-fired generation complex concerning the economics of the facility relative to competing sources of power, particularly unconventional sources and demand reductions.
 - For a large western combination utility, he participated in a major 18-month effort to provide the client with an integrated planning and rate case management system.
 - For two Midwestern utilities, Dr. Hieronymus prepared an analysis of intervenor-proposed modifications to the utilities' resource plans. He then testified on their behalf before a legislative committee.

U.K. Assignments

- Following promulgation of the white paper that established the general framework for privatization of the electricity industry in the United Kingdom, Dr. Hieronymus participated extensively in the task forces charged with developing the new market system and regulatory regime. His work on behalf of the Electricity Council and the twelve regional distribution and retail supply companies focused on the proposed regulatory regime, including the price cap and regulatory formulas, and distribution and transmission use of system tariffs. He was an active participant in industry-government task forces charged with creating the legislation, regulatory framework, initial contracts, and rules of the pooling and settlements system. He also assisted the regional companies in the valuation of initial contract offers from the generators, including supporting their successful refusal to contract for the proposed nuclear power plants that subsequently were canceled as being non-commercial.
- During the preparation for privatization, Dr. Hieronymus assisted several individual U.K. electricity companies in understanding the evolving system, in developing use of system tariffs, and in enhancing commercial capabilities in power purchasing and contracting. He continued to advise a number of clients, including regional companies, power developers, large industrial customers, and financial institutions on the U.K. power system for a number of years after privatization.
- Dr. Hieronymus assisted four of the regional electricity companies in negotiating equity ownership positions and developing the power purchase contracts for a 1,825 megawatt combined cycle gas station. He also assisted clients in evaluating other potential generating investments including cogeneration and non-conventional resources.
- Dr. Hieronymus also has consulted on the separate reorganization and privatization of the Scottish electricity sector. Part of his role in that privatization included advising the larger of the two Scottish companies and, through it, the Secretary of State on all phases of the restructuring and privatization, including the drafting of regulations, asset valuation, and company strategy.
- He assisted one of the Regional Electricity Companies in England and Wales in the 1993 through 1995 regulatory proceedings that reset the price caps for its retailing and distribution businesses. Included in this assignment was consideration of such policy issues as incentives for the economic purchasing of power, the scope of price control, and the use of comparisons among companies as a basis for price regulation. Dr. Hieronymus's model for determining network refurbishment needs was used by the regulator in determining revenue allowances for capital investments.
- He assisted one of the Regional Electricity Companies in its defense against a hostile takeover, including preparation of its submission to the Cabinet Minister who had the responsibility for determining whether the merger should be referred to the competition authority.

Assignments Outside the U.S. and U.K.

- Dr. Hieronymus testified before the federal court of Australia concerning the market power implications of acquisition of a share of a large coal-fired generating facility by a large retail and distribution company.
- Dr. Hieronymus assisted a large state-owned European electricity company in evaluating the impacts of the 1997 EU directive on electricity that inter alia requires retail access and competitive markets for generation. The assignment included advice on the organizational solution to elements of the directive requiring a separate transmission system operator and the business need to create a competitive marketing function.
- For the European Bank for Reconstruction and Development, he performed analyses of least-cost power options and evaluated the return on a major investment that the Bank was considering for a partially completed nuclear plant in Slovakia. Part of this assignment involved developing a forecast of electricity prices, both in Eastern Europe and for potential exports to the West.
- For the OECD he performed a study of energy subsidies worldwide and the impact of subsidy elimination on the environment, particularly on greenhouse gases.
- For the Magyar Villamos Muevek Troszt, the electricity company of Hungary, Dr. Hieronymus developed a contract framework to link the operations of the different entities of an electricity sector in the process of moving from a centralized command- and-control system to a decentralized, corporatized system.
- For Iberdrola, the largest investor-owned Spanish electricity company, he assisted in development of their proposal for a fundamental reorganization of the electricity sector, its means of compensating generation and distribution companies, its regulation, and the phasing out of subsidies. He also has assisted the company in evaluating generation expansion options and in valuing offers for imported power.
- Dr. Hieronymus contributed extensively to a project for the Ukrainian Electricity Ministry, the goal of which was to reorganize the Ukrainian electricity sector and prepare it for transfer to the private sector and the attraction of foreign capital. The proposed reorganization is based on regional electric power companies, linked by a unified central market, with market-based prices for electricity.
- At the request of the Ministry of Power of the USSR, Dr. Hieronymus participated in the creation of a seminar on electricity restructuring and privatization. The seminar was given for 200 invited Ministerial staff and senior executives of the USSR power system. His specific role was to introduce the requirements and methods of privatization. Subsequent to the breakup of the Soviet Union, Dr. Hieronymus continued to advise both the Russian energy and power ministry and the government-owned generation and transmission company on restructuring and market development issues.

-
- On behalf of a large continental electricity company, Dr. Hieronymus analyzed the proposed directives from the European Commission on gas and electricity transit (open access regimes) and on the internal market for electricity. The purpose of this assignment was to forecast likely developments in the structure and regulation of the electricity sector in the common market and to assist the client in understanding their implications.
 - For the electric utility company of the Republic of Ireland, he assessed the likely economic benefit of building an interconnector between Eire and Wales for the sharing of reserves and the interchange of power.
 - For a task force representing the Treasury, electricity generating, and electricity distribution industries in New Zealand, Dr. Hieronymus undertook an analysis of industry structure and regulatory alternatives for achieving the economically efficient generation of electricity. The analysis explored how the industry likely would operate under alternative regimes and their implications for asset valuation, electricity pricing, competition, and regulatory requirements.

Tariff Design Methodologies And Policy Issues

- Dr. Hieronymus participated in a series of studies for the National Grid Company of the United Kingdom and for ScottishPower on appropriate pricing methodologies for transmission, including incentives for efficient investment and location decisions.
- For a U.S. utility client, he directed an analysis of time-differentiated costs based on accounting concepts. The study required selection of rating periods and allocation of costs to time periods and within time periods to rate classes.
- For EPRI, Dr. Hieronymus directed a study that examined the effects of time-of-day rates on the level and pattern of residential electricity consumption.
- For the EPRI-NARUC Rate Design Study, he developed a methodology for designing optimum cost-tracking block rate structures.
- On behalf of a group of cogenerators, Dr. Hieronymus filed testimony before the Energy Select Committee of the UK Parliament on the effects of prices on cogeneration development.
- For the Edison Electric Institute (EEI), he prepared a statement of the industry's position on proposed federal guidelines regarding fuel adjustment clauses. He also assisted EEI in responding to the U.S. Department of Energy (DOE) guidelines on cost-of-service standards.
- For private utility clients, Dr. Hieronymus assisted in the preparation both of their comments on draft FERC regulations and of their compliance plans for PURPA Section 133.
- For a state utilities commission, Dr. Hieronymus assessed its utilities' existing automatic adjustment clauses to determine their compliance with PURPA and recommended modifications.

- For DOE, he developed an analysis of automatic adjustment clauses currently employed by electric utilities. The focus of this analysis was on efficiency incentive effects.
- For the commissioners of a public utility commission, Dr. Hieronymus assisted in preparation of briefing papers, lines of questioning, and proposed findings of fact in a generic rate design proceeding.

Sales Forecasting Methodologies For Gas And Electric Utilities

- For the White House Sub-Cabinet Task Force on the future of the electric utility industry, Dr. Hieronymus co-directed a major analysis of "least-cost planning studies" and "low-growth energy futures." That analysis was the sole demand-side study commissioned by the task force, and it formed a basis for the task force's conclusions concerning the need for new facilities and the relative roles of new construction and customer side-of-the-meter programs in utility planning.
- For a large eastern utility, Dr. Hieronymus developed a load forecasting model designed to interface with the utility's revenue forecasting system-planning functions. The model forecasts detailed monthly sales and seasonal peaks for a 10-year period.
- For DOE, he directed development of an independent needs assessment model for use by state public utility commissions. This major study developed the capabilities required for independent forecasting by state commissions and provided a forecasting model for their interim use.
- For state regulatory commissions, Dr. Hieronymus has consulted in the development of service area-level forecasting models of electric utility companies.
- For EPRI, he authored a study of electricity demand and load forecasting models. The study surveyed state-of-the-art models of electricity demand and subjected the most promising models to empirical testing to determine their potential for use in long-term forecasting.
- For a Midwestern electric utility, he provided consulting assistance in improving the client's load forecast, and testified in defense of the revised forecasting models.
- For an East Coast gas utility, Dr. Hieronymus testified with respect to sales forecasts and provided consulting assistance in improving the models used to forecast residential and commercial sales.

Other Studies Pertaining To Regulated And Energy Companies

- In a number of antitrust and regulatory matters, Dr. Hieronymus has performed analyses and litigation support tasks. These cases have included Sherman Act Section 1 and 2 allegations, contract negotiations, generic rate hearings, ITC hearings, and a major asset valuation suit. In a major antitrust case, he testified with respect to the demand for business telecommunications services and the impact of various practices on demand and on the market share of a new entrant. For a major electrical equipment vendor, Dr. Hieronymus testified on damages with respect to alleged defects and associated fraud and warranty claims. In connection with mergers for which he is the market power expert, Dr. Hieronymus assists clients in Hart-Scott-Rodino investigations by the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission. In an arbitration case, he testified as to changed circumstances affecting the equitable nature of a contract. In a municipalization case, he testified concerning the reasonable expectation period for the supplier of power and transmission services to a municipality. In two Surface Transportation Board proceedings, he testified on the sufficiency of product market competition to inhibit the exercise of market power by railroads transporting coal to power plants.
- For a landholder, Dr. Hieronymus examined the feasibility and value of an energy conversion project that sought a long-term lease. The analysis was used in preparing contract negotiation strategies.
- For an industrial client considering development and marketing of a total energy system for cogeneration of electricity and low-grade heat, Dr. Hieronymus developed an estimate of the potential market for the system by geographic area.
- For the U.S. Environmental Protection Agency (EPA), he was the principal investigator in a series of studies that forecasted future supply availability and production costs for various grades of steam and metallurgical coal to be consumed in process heat and utility uses.

TESTIMONY AND REPORTS

Dr. Hieronymus has been an invited speaker at numerous conferences on such issues as market power, industry restructuring, utility pricing in competitive markets, international developments in utility structure and regulation, risk analysis for regulated investments, price squeezes, rate design, forecasting customer response to innovative rates, intervener strategies in utility regulatory proceedings, utility deregulation, and utility-related opportunities for investment bankers.

PROFESSIONAL HISTORY

Prior to rejoining CRA in June 2001, Dr. Hieronymus was a Member of the Management Group at PA Consulting, which acquired Hagler Bailly, Inc. in October 2000. He was a Senior Vice President of Hagler Bailly. In 1998, Hagler Bailly acquired Dr. Hieronymus's former employer, Putnam, Hayes & Bartlett, Inc. He was a Managing Director at PHB. He joined PHB in 1978. From 1973 to 1978 he was a Senior Research Associate and the Program Manager for Energy Market Analysis at CRA. Previously, he served as a project director at Systems Technology Corporation and as an economist while serving as a Captain in the U.S. Army

Iberdrola Generation in the U.S. (Includes Planned Generation expected on-line in 2007-2008)

NERC Region	Control Area	Zone	Planned On-Line Date	Unit Name	Unit Type	Nameplate Rating (MW)	Adjusted Rating (MW) ^{1/}	Ownership Share	Net Capacity Interest (MW)	Purchases (Sales) ^{2/}	MW Owned or Purchased
NYISO											
NPCC	NYISO	E		Maple Ridge (Flat Rock)	WT	321.8	96.5	50%	48.3	-	48.3
NPCC	NYISO	E	2008	Jordanville Wind Farm	WT	110.0	33.0	100%	33.0	-	33.0
NYISO, Subtotal											81.3
PJM											
RFC	PJM			Jersey-Atlantic Wind	WT	7.5	2.3	17.7%	0.4	-	0.4
RFC	PJM			Crescent Ridge II	WT	72.0	21.6	50.0%	10.8	-	10.8
RFC	PJM			Bear Creek	WT	24.0	7.2	17.7%	1.3	-	1.3
RFC	PJM	2007		Casselman	WT	34.5	10.4	100%	10.4	(10.4)	10.4
RFC	PJM	2007		Locust Ridge	WT	26.0	7.8	100%	7.8	(7.8)	7.8
RFC	PJM	2008		Locust II	WT	102.0	30.6	100%	30.6	-	30.6
RFC	PJM	2008		South Chestnut	WT	50.4	15.1	100%	15.1	(15.1)	15.1
PJM, Subtotal											76.3
ISO-NE											
NPCC	ISO-NE		2008	Lempster Wind	WT	24.0	7.2	100%	7.2	-	7.2
MISO											
MRO	MISO			Flying Cloud	WT	43.5	13.1	100%	13.1	(13.1)	13.1
MRO	MISO			Moraine Wind	WT	51.0	15.3	100%	15.3	(15.3)	15.3
MRO	MISO			Trimont Wind	WT	100.5	30.2	100%	30.2	(30.2)	30.2
MRO	MISO	2007		Top of Iowa II	WT	80.0	24.0	100%	24.0	-	24.0
MRO	MISO	2007		MinnDakota Wind	WT	150.0	45.0	100%	45.0	(45.0)	45.0
MRO	MISO	2008		Moraine II	WT	49.5	14.9	100%	14.9	-	14.9
MRO	MISO	2008		Elm Creek	WT	99.0	29.7	100%	29.7	-	29.7
MRO	MISO	2008		Benson	WT	100.0	30.0	100%	30.0	-	30.0
MRO	MISO	2008		Farmer City	WT	100.0	30.0	100%	30.0	-	30.0
MRO	MISO?	2008		Buffalo Ridge I	WT	51.0	15.3	100%	15.3	(15.3)	15.3
MISO, Subtotal											247.4
MISO, Subtotal											(118.8)
MISO, Subtotal											247.4

Iberdrola Generation in the U.S. (Includes Planned Generation expected on-line in 2007-2008)

NERC Region	Control Area	Zone	Planned On-Line Date	Unit Name	Unit Type	Nameplate Rating (MW)	Adjusted Rating (MW) ^{1/}	Ownership Share	Net Capacity Interest (MW)	Purchases (Sales) ^{2/}	MW Owned or Purchased
SPP											
SPP	SPP			Elk River	WT	150.0	45.0	100%	45.0	(45.0)	45.0
SPP	SPP		2008	Winn I	WT	20.0	6.0	100%	6.0	-	6.0
SPP	SPP		2008	Barton II	WT	80.0	24.0	100%	24.0	-	24.0
SPP	SPP		2008	New Harvest	WT	100.0	30.0	100%	30.0	(30.0)	30.0
SPP, Subtotal						250.0	75.0		75.0	(75.0)	75.0
ERCOT											
ERCOT	ERCOT		2008	Penascal	WT	200.0	60.0	100%	60.0	(60.0)	60.0
ERCOT	ERCOT		2008	Wild H. Creek	WT	120.0	36.0	100%	36.0		36.0
ERCOT, Subtotal						320.0	96.0		96.0	(60.0)	96.0
WECC											
WECC	BPA			Big Horn	WT	199.5	59.9	100%	59.9	(59.9)	59.9
WECC	BPA			Klamath Energy	CT	100.0	100.0	100%	100.0	-	100.0
WECC	BPA			Klamath Cogeneration ^{3/}	CC	506.0	470.0			470.0	470.0
WECC	BPA			Klondike	WT	24.0	7.2	100%	7.2	(7.2)	7.2
WECC	BPA			Klondike II	WT	75.0	22.5	100%	22.5	(22.5)	22.5
WECC	BPA		2007	Klondike III	WT	223.6	67.1	100%	67.1	(67.1)	67.1
WECC	BPA		2008	Klondike IIIa	WT	76.5	23.0	100%	23.0	(23.0)	23.0
WECC	BPA?		2008	Pebble Springs	WT	98.7	29.6	100%	29.6	(29.6)	29.6
WECC	PSCO			Colorado Green	WT	162.0	48.6	50%	24.3	(24.3)	24.3
WECC	PSCO		2007	Twin Buttes	WT	75.0	22.5	100%	22.5	(22.5)	22.5
WECC	CAISO			Mountain View	WT	22.4	6.7	100%	6.7	(6.7)	6.7
WECC	CAISO			Phoenix	WT	2.1	0.6	100%	0.6	-	0.6
WECC	CAISO			Shiloh	WT	150.0	45.0	100%	45.0	(45.0)	45.0
WECC	CAISO			High Winds ^{4/}	WT					48.6	48.6
WECC	CAISO		2007	Dillon Wind	WT	45.0	13.5	100%	13.5	(13.5)	13.5
WECC	PACW			Stateline ^{4/}	WT					90.0	90.0

Iberdrola Generation in the U.S. (Includes Planned Generation expected on-line in 2007-2008)

NERC Region	Control Area	Zone	Planned On-Line Date	Unit Name	Unit Type	Nameplate Rating (MW)	Adjusted Rating (MW) ^{1/}	Ownership Share	Net Capacity Interest (MW)	Purchases (Sales) ^{2/}	MW Owned or Purchased
WECC	PACE			Southwest Wyoming ^{4/}	WT					43.2	43.2
WECC, Subtotal						1,759.8	916.1		421.8	330.6	1,073.6
TOTAL									997.8	43.5	1,649.6

^{1/} For purposes of this exhibit, the "adjusted rating" reflects a 30% capacity rating for wind generation, and summer rating for all other generation. The 30% capacity rating is an approximation of the capacity factor (i.e., availability) of the wind generation.

^{2/} Sales/purchases of wind generation are reflected at the 30% "adjusted rating".

^{3/} The plant is owned by City of Klamath Falls and the output is marketed by PPM Energy.

^{4/} The plant is owned by FPL Energy and the output is marketed by PPM Energy. All of the output is sold under long-term contract.

Energy East Generation

NERC Region	Control Area	Zone	Unit Name	Unit Type	Name-plate Rating (MW)	Summer Rating (MW)	Ownership Share	Net Interest (MW)	Purchases (Sales)	MW Owned or Purchased
NYISO										
NPCC	NYIS	C	NYSEG Auburn-State Street	GT	7.4	5.7	100%	5.7	-	5.7
NPCC	NYIS	D	NYSEG Cadyville 1-3	HY	5.5	4.8	100%	4.8	-	4.8
NPCC	NYIS	D	NYSEG High Falls 1-3	HY	15.0	16.2	100%	16.2	-	16.2
NPCC	NYIS	D	NYSEG Kent Falls 1-3	HY	12.4	11.9	100%	11.9	-	11.9
NPCC	NYIS	D	NYSEG Lower Saranac 1-3	HY	6.7	3.9	100%	3.9	-	3.9
NPCC	NYIS	F	NYSEG Mechanicville 1-2	HY	16.4	20.0	100%	20.0	-	20.0
NPCC	NYIS	D	NYSEG Mill C 1-3	HY	6.0	5.3	100%	5.3	-	5.3
NPCC	NYIS	D	NYSEG Rainbow Falls 1-2	HY	2.6	3.1	100%	3.1	-	3.1
NPCC	NYIS	E	NYSEG Energy Solutions Carthage Energy	CC	62.9	56.5	100%	56.5	-	56.5
NPCC	NYIS	B	RG&E Allegany GT	CT	42.0	40.3	100%	40.3	-	40.3
NPCC	NYIS	B	RG&E Allegany ST	CW	25.0	21.9	100%	21.9	-	21.9
NPCC	NYIS	B	RG&E Beebee GT	GT	19.0	15.0	100%	15.0	-	15.0
NPCC	NYIS	B	RG&E Station 2, 26, 5	HY	53.3	47.5	100%	47.5	-	47.5
NPCC	NYIS	B	RG&E Station 9	GT	19.0	14.0	100%	14.0	-	14.0

Generation Scheduled to be Off-Line from May 2008 to 2013

NPCC	NYIS	B	RG&E Russell 1-4	ST	252.6	236.4	100%	236.4	-	236.4
------	------	---	------------------	----	-------	-------	------	-------	---	-------

Long-Term Purchases (Contracts Terminating in 2007)

NPCC	NYIS		NYSEG New York Power Authority	HY					380.0	380.0
NPCC	NYIS	C	NYSEG Lockport Cogen Pr	CT,CW					199.9	199.9
NPCC	NYIS		NYSEG Citizens Lehman Power 2						55.0	55.0
NPCC	NYIS		RGE New York Power Authority	HY					168.2	168.2

Long-Term Purchases (Contracts Terminating in 2008)

NPCC	NYIS		NYSEG Citizens Lehman Power 10						25.0	25.0
NPCC	NYIS	C	NYSEG Waterloo	HY					2.0	2.0
NPCC	NYIS	C	NYSEG Seneca Falls	HY					8.5	8.5

Energy East Generation

NERC Region	Control Area	Zone	Unit Name	Unit Type	Name-plate Rating (MW)	Summer Rating (MW)	Ownership Share	Net Interest (MW)	Purchases (Sales)	MW Owned or Purchased
Long-Term Purchases (Other)										
NPCC	NYIS	C	Allegheeny 8-9	HY					34.6	34.6
NPCC	NYIS	D	Saranac Energy 1-3	CT, CW					241.2	241.2
NPCC	NYIS	C	Nine Mile Point	Nuclear					185.0	185.0
NPCC	NYIS	C	Renovus Energy	HY					0.1	0.1
NPCC	NYIS	C	Finger Lakes Hydro	HY					0.1	0.1
NPCC	NYIS	H	Croton Falls Hydro	HY					0.2	0.2
NPCC	NYIS	C	Auburn Hydro - N Div St	HY					0.8	0.8
NPCC	NYIS	D	Chasm Hydro	HY					1.0	1.0
NPCC	NYIS	C	Goodyear Lake	HY					1.5	1.5
NPCC	NYIS	D	Alice Falls Hydro	HY					2.1	2.1
NPCC	NYIS	C	Broome Energy						2.5	2.5
NPCC	NYIS	D	Lower Saranac	CT, CW					6.4	6.4
NPCC	NYIS	C	Nine Mile Point	Nuc					144.0	144.0
NPCC	NYIS	B	Ginna ^{1/}	Nuc					469.0	469.0
NYISO, Subtotal (excludes generation shutdown for repowering and LT contracts terminating by 2008)									1,088.4	1,354.5

PJM										
RFC	PJM		Archbald NUG ^{2/}			43.7	50%	21.9	21.9	43.7
PJM, Subtotal									21.9	43.7

Energy East Generation

NERC Region	Control Area	Zone	Unit Name	Unit Type	Name-plate Rating (MW)	Summer Rating (MW)	Ownership Share	Net Interest (MW)	Purchases (Sales)	MW Owned or Purchased
ISO-NE			Hartford Steam	Hartford Hospital Cogeneration ^{3/}	10.4	7.6	100%	7.6	-	7.6
Long-Term Purchases (Contracts Terminating in 2007)										
NPCC	ISO-NE	CMP	Barker Upper Hydro						1.5	1.5
NPCC	ISO-NE	CMP	Benton Falls Hydro						4.4	4.4
Long-Term Purchases (Contracts Terminating in 2008)										
NPCC	ISO-NE	CMP	Champion Paper						32.7	32.7
NPCC	ISO-NE	CMP	Barker Lower Hydro						1.3	1.3
NPCC	ISO-NE	CMP	Brown's Mill Hydro						0.7	0.7
NPCC	ISO-NE	CMP	Damaiscotta Hydro						0.5	0.5
NPCC	ISO-NE	CMP	Eustis Hydro						0.3	0.3
NPCC	ISO-NE	CMP	Gardiner Hydro						1.1	1.1
NPCC	ISO-NE	CMP	Greenville Hydro						0.8	0.8
NPCC	ISO-NE	CMP	Mechanic Falls Hydro						1.1	1.1
NPCC	ISO-NE	CMP	Norway Hydro						0.3	0.3
NPCC	ISO-NE	CMP	Pioneer Dam						0.2	0.2
NPCC	ISO-NE	CMP	Pittsfield Hydro						1.0	1.0
NPCC	ISO-NE	CMP	South Berwick Hydro						0.5	0.5
NPCC	ISO-NE	CMP	Waverly Avenue Hydro						0.4	0.4
NPCC	ISO-NE	CMP	York Hydro						1.2	1.2
Long-Term Purchases (Other)										
NPCC	ISO-NE	CMP	MMWAC						2.6	2.6
NPCC	ISO-NE	CMP	MERC						22.3	22.3
NPCC	ISO-NE	CMP	SDW Somerset						4.0	4.0
NPCC	ISO-NE	CMP	Bisco Falls Hydro						0.8	0.8
NPCC	ISO-NE	CMP	Brassua Hydro						4.2	4.2
NPCC	ISO-NE	CMP	Hackett Mills Hydro						0.5	0.5
NPCC	ISO-NE	CMP	Kennebago Hydro						0.7	0.7

Energy East Generation

NERC Region	Control Area	Zone	Unit Name	Unit Type	Name-plate Rating (MW)	Summer Rating (MW)	Ownership Share	Net Interest (MW)	Purchases (Sales)	MW Owned or Purchased
NPCC	ISO-NE	CMP	Pejepsco Hydro						13.6	13.6
NPCC	ISO-NE	CMP	United American Hydro						17.2	17.2
NPCC	ISO-NE	CMP	Energy Vermont Nuclear						21.2	21.2
Long-Term Purchases (System) ^{4/}										
NPCC	ISO-NE		CINCAP IV						45.0	45.0
NPCC	ISO-NE		CINCAP V						40.0	40.0
NPCC	ISO-NE		CL Power Sales Eight						40.0	40.0
ISO-NE, Subtotal (excludes LT contracts terminating by 2008)									217.8	225.4
TOTAL									21.9	1,328.1

^{1/} The purchase from Ginna, which runs through June 2014, is currently 469 MW, increases to 522 MW June 2008.

^{2/} Although an Energy East affiliate owns only 50% of Archbold, it manages fuel procurement and electricity sales, and hence 100% is attributed to Energy East.

^{3/} The excess energy produced by the facility is committed under a long-term that expires in 2008.

^{4/} Long-term purchase agreements for system capacity and energy which resulted from restructuring of prior contracts with PURPA Qualifying Facilities. The agreements allow for delivery of capacity and energy from unspecified sources to a variety of delivery points within the ISO-NE market region.

Energy East Available Economic Capacity

(based on market prices in Exhibit J-4)

	Market Price	NYSEG			RG&E			Energy East		
		Economic Capacity	Load	Available Economic Capacity ^{1/}	Economic Capacity	Load	Available Economic Capacity	Economic Capacity	Load	Available Economic Capacity
S_SP1	\$250	538	2,050	52	712	979	-	1,250	52	
S_SP2	\$120	538	1,944	52	686	928	-	1,223	52	
S_P	\$70	533	1,577	52	648	753	-	1,181	52	
S_OP	\$45	503	1,242	-	611	593	18	1,114	18	
W_SP	\$100	545	1,590	56	705	759	-	1,250	56	
W_P	\$65	545	1,351	56	652	645	7	1,197	63	
W_OP	\$40	522	1,109	-	614	529	85	1,136	85	
SH_SP	\$70	490	1,791	45	635	855	-	1,125	45	
SH_P	\$60	490	1,523	45	635	727	-	1,125	45	
SH_OP	\$35	448	1,298	-	599	620	-	1,048	-	

^{1/} NYSEG's Available Economic Capacity consists of Carthage.

Delivered Price Test for Iberdrola-Energy East

Period	Price	Pre-Merger						Post-Merger			
		Iberdrola		Energy East		Market Size	HHI	Combined			HHI Change
		MW	Mkt Share	MW	Mkt Share			MW	Mkt Share	HHI	
NYISO											
S_SP1	\$250	82	0.2%	1,251	2.9%	43,675	695	1,332	3.1%	696	1
S_SP2	\$120	82	0.2%	1,224	3.1%	39,449	689	1,306	3.3%	690	1
S_P	\$70	82	0.3%	1,182	4.1%	28,850	710	1,264	4.4%	713	2
S_OP	\$45	83	0.4%	1,063	5.1%	20,786	706	1,145	5.5%	710	4
W_SP	\$100	82	0.3%	1,251	4.0%	31,392	697	1,334	4.3%	699	2
W_P	\$65	83	0.3%	1,141	4.7%	24,116	807	1,224	5.1%	811	3
W_OP	\$40	83	0.4%	1,080	5.2%	20,703	698	1,163	5.6%	702	4
SH_SP	\$70	83	0.3%	1,126	4.3%	26,449	739	1,209	4.6%	742	3
SH_P	\$60	83	0.4%	1,081	4.8%	22,574	847	1,164	5.2%	851	4
SH_OP	\$35	83	0.4%	1,004	5.2%	19,240	718	1,087	5.7%	722	5
NY West											
S_SP1	\$250	81	0.4%	1,242	5.4%	23,040	780	1,323	5.7%	784	4
S_SP2	\$120	81	0.4%	1,216	5.3%	23,012	789	1,297	5.6%	793	4
S_P	\$70	82	0.4%	1,175	5.5%	21,222	791	1,256	5.9%	795	4
S_OP	\$45	83	0.5%	1,061	5.8%	18,458	717	1,144	6.2%	722	5
W_SP	\$100	81	0.4%	1,235	5.8%	21,192	794	1,317	6.2%	798	4
W_P	\$65	82	0.4%	1,130	5.8%	19,536	898	1,212	6.2%	903	5
W_OP	\$40	83	0.5%	1,075	5.9%	18,331	730	1,158	6.3%	735	5
SH_SP	\$70	82	0.4%	1,112	5.6%	19,942	818	1,194	6.0%	822	5
SH_P	\$60	83	0.4%	1,071	5.7%	18,761	929	1,153	6.2%	934	5
SH_OP	\$35	83	0.5%	1,001	5.7%	17,429	743	1,084	6.2%	748	5

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

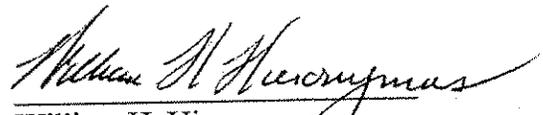
Energy East Corporation,)
Iberdrola, S.A. and)
Their Public Utility Affiliates)

Docket No. EC07-__-000

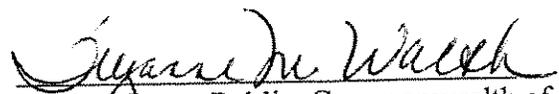
AFFIDAVIT OF
WILLIAM H. HIERONYMUS

County of Suffolk §
Commonwealth of Massachusetts §
§

WILLIAM H. HIERONYMUS being duly sworn, deposes and states: that he prepared the Affidavit and Exhibits of William H. Hieronymus and that the statements contained therein and the Exhibits attached hereto are true and correct to the best of his knowledge and belief.


William H. Hieronymus

SUBSCRIBED AND SWORN TO BEFORE ME, this the 30th day of July 2007.


Notary Public, Commonwealth of
Massachusetts

