

Exhibit 8

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

Dated as of June 25, 2007

among

IBERDROLA, S.A.,

GREEN ACQUISITION CAPITAL, INC.

and

ENERGY EAST CORPORATION

TABLE OF CONTENTS

	Page
ARTICLE I THE MERGER.....	1
SECTION 1.1 The Merger.....	1
SECTION 1.2 Closing.....	1
SECTION 1.3 Effective Time	2
SECTION 1.4 Effects of the Merger	2
SECTION 1.5 Certificate of Incorporation and Bylaws of the Surviving Corporation	2
SECTION 1.6 Directors and Officers of the Surviving Corporation	2
SECTION 1.7 Conversion of Securities	2
SECTION 1.8 Exchange of Certificates	3
SECTION 1.9 Effect on Company Equity Plans	6
 ARTICLE II REPRESENTATIONS AND WARRANTIES OF THE COMPANY	 7
SECTION 2.1 Organization, Standing and Corporate Power	8
SECTION 2.2 Capitalization	9
SECTION 2.3 Authority; Noncontravention; Voting Requirements.....	10
SECTION 2.4 Governmental Approvals.....	12
SECTION 2.5 Company SEC Documents; Financial Statements; Undisclosed Liabilities	12
SECTION 2.6 Absence of Certain Changes.....	15
SECTION 2.7 Legal Proceedings.....	15
SECTION 2.8 Compliance With Laws and Orders; Permits.....	16
SECTION 2.9 Proxy Statement	16
SECTION 2.10 Tax Matters	17
SECTION 2.11 Employee Benefits and Labor Matters	19
SECTION 2.12 Contracts	22
SECTION 2.13 Environmental Matters.....	23
SECTION 2.14 Intellectual Property.....	24
SECTION 2.15 Insurance	25
SECTION 2.16 Certain Business Relationships with Affiliates.....	25
SECTION 2.17 Nuclear Generating Facilities	26



SECTION 2.18	Hedging Activities	26
SECTION 2.19	Foreign Corrupt Practices and International Trade Sanctions	27
SECTION 2.20	Opinion of Financial Advisors.....	27
SECTION 2.21	Brokers and Other Advisors.....	27
SECTION 2.22	Section 912 of the NYBCL Not Applicable; State Takeover Statutes	27
SECTION 2.23	Regulatory Proceedings	27
ARTICLE III REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER		
SUB.	28
SECTION 3.1	Organization and Standing.....	28
SECTION 3.2	Authority; Noncontravention	28
SECTION 3.3	Governmental Approvals	29
SECTION 3.4	Compliance	30
SECTION 3.5	Information Supplied	30
SECTION 3.6	Ownership and Operations of Merger Sub	30
SECTION 3.7	Capital Resources.....	30
SECTION 3.8	Legal Proceedings.....	30
SECTION 3.9	Brokers and Other Advisors.....	30
SECTION 3.10	Ownership of Company Common Stock	30
ARTICLE IV ADDITIONAL COVENANTS AND AGREEMENTS.....		31
SECTION 4.1	Conduct of Business	31
SECTION 4.2	Other Offers; Etc	35
SECTION 4.3	Proxy Statement	38
SECTION 4.4	Company Shareholders Meeting.....	39
SECTION 4.5	Reasonable Best Efforts	39
SECTION 4.6	Public Announcements	41
SECTION 4.7	Access to Information; Confidentiality.....	41
SECTION 4.8	Notification of Certain Matters.....	41
SECTION 4.9	Indemnification and Insurance.....	42
SECTION 4.10	Fees and Expenses	44
SECTION 4.11	Rule 16b-3.....	44
SECTION 4.12	Employee Matters	44

SECTION 4.13	Delisting.....	46
SECTION 4.14	Transfer Taxes	46
SECTION 4.15	Governance; Support	46
SECTION 4.16	Company Nuclear Assets.....	46
SECTION 4.17	Rate Matters.....	46
SECTION 4.18	Company Investor Services Program.....	47
SECTION 4.19	Restructuring Transactions	47
ARTICLE V CONDITIONS TO THE MERGER.....		47
SECTION 5.1	Conditions to Each Party’s Obligation to Effect the Merger.....	47
SECTION 5.2	Conditions to the Obligations of Parent and Merger Sub.....	48
SECTION 5.3	Conditions to the Obligations of the Company.....	48
SECTION 5.4	Frustration of Closing Conditions.....	49
ARTICLE VI TERMINATION.....		49
SECTION 6.1	Termination.....	49
SECTION 6.2	Effect of Termination.....	51
SECTION 6.3	Termination Fee.....	51
SECTION 6.4	Acknowledgment	51
ARTICLE VII MISCELLANEOUS.....		52
SECTION 7.1	Nonsurvival of Representations, Warranties and Agreements	52
SECTION 7.2	Amendment or Supplement	52
SECTION 7.3	Extension of Time, Waiver, Etc.....	52
SECTION 7.4	Assignment	52
SECTION 7.5	Counterparts.....	53
SECTION 7.6	Entire Agreement; Third-Party Beneficiaries	53
SECTION 7.7	Governing Law; Jurisdiction.....	53
SECTION 7.8	Specific Enforcement.....	54
SECTION 7.9	Notices	54
SECTION 7.10	Severability	55
SECTION 7.11	Definitions.....	55
SECTION 7.12	Interpretation.....	61

SECTION 7.13 No Limitation on Other Representation..... 61
Exhibit A: Form of Employment Agreement

A handwritten signature in black ink, consisting of a large, stylized initial 'R' followed by a series of loops and a final downward stroke.

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of June 25, 2007 (this "Agreement"), is among IBERDROLA, S.A., a corporation (*sociedad anónima*) organized under the Laws of the Kingdom of Spain ("Parent"), GREEN ACQUISITION CAPITAL, INC., a New York corporation and a wholly owned Subsidiary of Parent ("Merger Sub"), and ENERGY EAST CORPORATION, a New York corporation (the "Company") (Parent, Merger Sub and the Company being hereinafter collectively referred to as the "Parties"). Certain terms used in this Agreement without definition shall have their meanings as defined in Section 7.11.

WITNESSETH:

WHEREAS, the respective Boards of Directors or similar governing bodies of Parent, Merger Sub and the Company each deems it advisable that Parent acquire the Company on the terms and subject to the conditions provided for in this Agreement;

WHEREAS, in furtherance thereof it is proposed that such acquisition be accomplished by the merger of Merger Sub with and into the Company, with the Company as the surviving corporation, in accordance with the New York Business Corporation Law (the "NYBCL"), pursuant to which all of the shares of common stock, \$0.01 par value, of the Company ("Company Common Stock") issued and outstanding immediately prior to the Effective Time (each, a "Share" and, collectively, the "Shares") (other than certain Shares as provided in Section 1.7(b)) will be converted into the right to receive the Merger Consideration, on the terms and subject to the conditions provided for in this Agreement (the "Merger"); and

WHEREAS, the respective Boards of Directors or similar governing bodies of Parent (on its own behalf and as the sole shareholder of Merger Sub), Merger Sub and the Company have each approved this Agreement and the Merger;

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound hereby, Parent, Merger Sub and the Company hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the NYBCL, at the Effective Time, Merger Sub shall be merged with and into the Company, and the separate corporate existence of Merger Sub shall thereupon cease, and the Company shall be the surviving corporation in the Merger (the "Surviving Corporation").

SECTION 1.2 Closing. The closing of the Merger (the "Closing") shall take place at 10:00 a.m. (New York time) on a date to be specified by the Parties (the "Closing Date"), which date shall be no later than the second (2nd) business day after satisfaction or waiver of the conditions set forth in Article V (other than those conditions that by

their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time), at the offices of Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005, unless another time, date or place is agreed to in writing by the Parties.

SECTION 1.3 Effective Time. Subject to the provisions of this Agreement, the Company as the Surviving Corporation shall duly prepare and execute a certificate of merger in accordance with the relevant provisions of the NYBCL (the "Certificate of Merger") and on the Closing Date file the Certificate of Merger with the Secretary of State of the State of New York. The Merger shall become effective upon such filing of the Certificate of Merger or at such later time as is agreed to by the Parties and specified in the Certificate of Merger (the time at which the Merger becomes effective being hereinafter referred to as the "Effective Time").

SECTION 1.4 Effects of the Merger. The Merger shall have the effects set forth in Section 906 of the NYBCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

SECTION 1.5 Certificate of Incorporation and Bylaws of the Surviving Corporation. The certificate of incorporation and bylaws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation and bylaws of the Surviving Corporation until thereafter amended as provided therein or by applicable Law (and subject to Section 4.9).

SECTION 1.6 Directors and Officers of the Surviving Corporation.

(a) The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation immediately following the Effective Time, until their respective successors are duly elected or appointed and qualified or their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

(b) The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation until their respective successors are duly appointed and qualified or their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

SECTION 1.7 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of the holders of any securities of Merger Sub or the Company:

(a) Conversion of Merger Sub Common Stock. Each share of common stock, par value \$0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one (1) validly issued, fully paid and nonassessable share of common stock, par value \$0.01 per share, of the Surviving Corporation.

(b) Cancellation of Certain Company Capital Stock. Any shares of Company Common Stock that are owned by the Company as treasury stock and any Shares owned by Parent, Merger Sub, any Subsidiary of Parent or any Subsidiary of the Company shall be automatically canceled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor.

(c) Merger Consideration. Each Share, including each restricted share of Company Common Stock granted under Company Plans (other than Shares to be canceled in accordance with Section 1.7(b)), shall automatically be converted into the right to receive \$28.50 in cash, without interest (the "Merger Consideration"), payable to the holder of such shares of Company Common Stock in the manner provided in Section 1.8. All such Shares, when so converted, shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate which immediately prior to the Effective Time represented any such Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration therefor, without interest, in accordance with this Agreement.

(d) Adjustment to Prevent Dilution. If after the date hereof and on or prior to the Effective Time, the issued and outstanding shares of Company Common Stock or securities convertible or exchangeable into or exercisable for Company Common Stock shall be changed into a different number of shares or a different class by reason of any merger, issuer tender, exchange offer, consolidation or other business combination, reclassification, recapitalization, stock-split (including a reverse stock-split), split-up, combination or exchange of shares, or any dividend or distribution payable in stock or other securities is declared thereon with a record date within such period, or any similar event shall occur, the Merger Consideration will be adjusted accordingly to provide to the shareholders of the Company the same economic effect, including any premiums, as contemplated by this Agreement prior to such event.

SECTION 1.8 Exchange of Certificates.

(a) Paying Agent. Prior to the Effective Time, Parent shall designate and enter into an agreement with a bank or trust company reasonably acceptable to the Company to act as agent for the holders of Shares in connection with the Merger (the "Paying Agent") to receive, on terms reasonably acceptable to the Company, for the benefit of holders of Shares, the aggregate Merger Consideration to which holders of Shares shall become entitled pursuant to Section 1.7(c). Parent shall deposit, or cause to be deposited, such aggregate Merger Consideration with the Paying Agent prior to the Effective Time. Such aggregate Merger Consideration deposited with the Paying Agent shall, pending its disbursement to such holders, be invested by the Paying Agent in (i) direct obligations of the United States of America, (ii) obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (iii) commercial paper rated the highest quality by either Moody's Investors Service, Inc. or Standard and Poor's Ratings Services or (iv) money



market funds investing solely in a combination of the foregoing. Any interest and other income resulting from such investments shall be the property of, and shall be paid to, Parent. No such investment or loss thereon shall affect the Merger Consideration and Parent shall promptly replace any funds deposited with the Paying Agent lost through any investment made pursuant to this clause (a).

(b) Exchange Procedures. Promptly after the Effective Time (but in no event more than three (3) business days thereafter), the Surviving Corporation shall cause the Paying Agent to (i) mail to each holder of Shares represented by book-entry on the records of the Company or the Company's transfer agent on behalf of the Company ("Book-Entry Shares"), whose shares were converted pursuant to Section 1.7(c) into the right to receive the Merger Consideration, a check in the amount of the number of Shares held by such holder as Book-Entry Shares multiplied by the Merger Consideration and (ii) mail to each holder of record of a certificate or certificates, which immediately prior to the Effective Time represented outstanding Shares (the "Certificates"), whose shares were converted pursuant to Section 1.7(c) into the right to receive the Merger Consideration: (x) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent, and which shall be in such form and shall have such other provisions as Parent may reasonably specify prior to the Effective Time); and (y) instructions for use in effecting the surrender of the Certificates in exchange for payment of the Merger Consideration to which such holder is entitled pursuant to Section 1.7(c). Upon surrender of a Certificate for cancellation to the Paying Agent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto (and such other customary documents as may reasonably be required by the Paying Agent), the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration to which such holder has a right to receive pursuant to Section 1.7(c) (less any applicable withholding Taxes in accordance with Section 1.8(g)), without interest, for each Share formerly represented by such Certificate, and the Certificate so surrendered shall forthwith be canceled. If payment of the Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificate is registered, it will be a condition of payment that (i) the Certificate so surrendered will be properly endorsed or will otherwise be in proper form for transfer and (ii) the Person requesting such payment will have paid to Parent or any agent designated by Parent any transfer and other Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of such Certificate surrendered or will have established to the reasonable satisfaction of the Surviving Corporation that such Tax either has been paid or is not payable. Until surrendered as contemplated by this Section 1.8, each Certificate shall be deemed at any time from and after the Effective Time to represent only the right to receive the Merger Consideration in cash, without interest, as contemplated by this Article I. For the avoidance of doubt, no interest shall accrue or be paid on the amounts payable pursuant to this Section 1.8 upon surrender of a Certificate.

(c) Transfer Books: No Further Ownership Rights in Company Stock. The Merger Consideration paid in respect of Shares upon the surrender for exchange of Certificates in accordance with the terms of this Article I, shall be deemed to have been paid in full satisfaction of all rights pertaining to the Shares previously represented by such Certificates, and at the close of business on the day on which the Effective Time occurs, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers on

the stock transfer books of the Surviving Corporation of the Shares that were outstanding immediately prior to the Effective Time. From and after the Effective Time, the holders of Book-Entry Shares or Certificates that evidenced ownership of Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares, except as otherwise provided for herein or by applicable Law. Subject to the last sentence of Section 1.8(e), if, at any time after the Effective Time, Certificates are presented to the Surviving Corporation or the Paying Agent for any reason, such Certificates shall be canceled and exchanged as provided in this Article I.

(d) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will pay, in exchange for such lost, stolen or destroyed Certificate, the Merger Consideration to which the holder of the Shares formerly represented by such Certificate is entitled pursuant to this Article I.

(e) Termination of Fund. At any time following the first anniversary of the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it, upon demand, any funds (including any interest received with respect thereto) that had been made available to the Paying Agent and which have not been disbursed to holders of Certificates, and thereafter such holders shall be entitled to look only to the Surviving Corporation (subject to applicable abandoned property, escheat or other similar Laws) as general creditors thereof with respect to the payment of any Merger Consideration, without any interest thereon, that may be payable upon surrender of any Certificates held by such holders, as determined pursuant to this Agreement. Any amounts remaining unclaimed by such holders at such time at which such amounts would otherwise escheat to or become property of any Governmental Authority shall become, to the extent permitted by applicable Law, the property of the Surviving Corporation free and clear of all claims or interests of any Person previously entitled thereto.

(f) No Liability. Notwithstanding any provision of this Agreement to the contrary, none of the Parties, the Surviving Corporation or the Paying Agent shall be liable to any Person in respect of any Merger Consideration for any amount properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(g) Withholding Taxes. Except as provided in Section 4.14, each of the Parties, the Surviving Corporation and the Paying Agent shall be entitled to deduct and withhold from the consideration otherwise payable to a holder of Shares pursuant to the Merger such amounts as they may be respectively required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the "Code"), or under any provision of applicable state, local or foreign Tax Law; provided however, that any such Taxes that are imposed as a result of or arising out of Parent not being a U.S. person (as such term is defined pursuant to Section 7701(a)(30) of the Code (and any similar provisions of state or local law)) or with respect to any transfer of funds between Parent and Merger Sub shall be solely the liability of Parent and neither Parent nor Merger Sub shall deduct any such amounts from the amounts paid for the

Shares. Subject to the above proviso, to the extent amounts are so withheld and paid over to the appropriate taxing authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding was made.

(h) Further Action. After the Effective Time, the officers and directors of Parent and the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company and Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company and Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

SECTION 1.9 Effect on Company Equity Plans. As soon as practicable after the date hereof, the Company shall take all actions necessary to provide that:

(a) Stock Options. Each option or other right of any kind to acquire shares of Company Common Stock under the Company Stock Plans that is outstanding immediately prior to the Effective Time (whether or not then vested or exercisable), and the tandem stock appreciation rights issued with each such option (collectively, the "Company Employee Stock Options") shall be terminated and converted at the Effective Time into the right to receive a cash amount equal to the Option Consideration for each share of Company Common Stock then subject to the Company Employee Stock Option. The Option Consideration shall be paid as soon after the Effective Time as shall be practicable, without interest. Notwithstanding the foregoing, Parent and the Company shall be entitled to deduct and withhold from the Option Consideration otherwise payable such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Code, or any provision of applicable state, local or foreign Tax Law. For purposes of this Agreement, "Option Consideration" means, with respect to any share of Company Common Stock issuable under a particular Company Employee Stock Option, an amount equal to the excess, if any, of (i) the Merger Consideration over (ii) the exercise price payable in respect of such share of Company Common Stock issuable under such Company Employee Stock Option. From and after the Effective Time, no such Company Employee Stock Option shall be exercisable by the former holder thereof, but shall only entitle such holder to the payment of the Option Consideration, and prior to the payment of such Option Consideration, the Company shall obtain all necessary consents to ensure that former holders of such Company Employee Stock Options will have no rights other than the right to receive the Option Consideration by taking all actions determined by the Company Board (or, if appropriate, any committee thereof administering any Company Plan under which shares of Company Common Stock or equity-based awards may be issued) to be necessary or appropriate under the provisions of the relevant Company Stock Plans regarding termination of Company Employee Stock Options in connection with certain corporate transactions. As of the Effective Time, any Company Employee Stock Option with an exercise price equal to or greater than the Merger Consideration shall be canceled without consideration and be of no further force or effect. As soon as practicable after the Effective Time, Parent shall deliver or cause to be delivered to each holder of a canceled Company Employee Stock Option an appropriate notice setting forth such holder's rights, if any, to receive cash payments with respect to such Company Employee Stock Options pursuant to the Company Plans and this Section 1.9(a).

(b) Director Share Plan. Each Phantom Share outstanding immediately prior to the Effective Time under the Company's Director Share Plan shall be converted into the right to receive the Merger Consideration in accordance with Section 1.8. Subject to Section 1.8(g), which shall apply to the Merger Consideration paid for a Phantom Share, all amounts payable pursuant to this Section 1.9(b) shall be paid as promptly as practicable following the Effective Time, without interest, or to the extent of any elections made prior to the Effective Time, paid in accordance with the Company's Deferred Compensation Plan - Director Share Plan.

(c) Restricted Stock. As of the Effective Time, each share of Company Common Stock outstanding immediately prior to the Effective Time that is subject to future vesting requirements, risk of forfeiture back to the Company, a right of repurchase by the Company or similar restrictions (each, a share of "Restricted Stock") which have not lapsed immediately prior to the Effective Time shall become fully vested and free of all restrictions and converted at the Effective Time into the right to receive the Merger Consideration, without interest, in accordance with Section 1.8. Notwithstanding the foregoing, Parent, the Company and the Paying Agent shall be entitled to deduct and withhold from the Merger Consideration otherwise payable such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Code, or any provision of applicable state, local or foreign Tax Law.

(d) Employee Stock Purchase Programs. With respect to each employee stock purchase plan maintained by the Company or any of its Subsidiaries (each, an "ESPP"), each participant's accumulated payroll deductions shall be used to purchase shares of Company Common Stock immediately prior to the Effective Time in accordance with the terms of the relevant ESPP, and the shares of Company Common Stock purchased thereunder shall be canceled at the Effective Time and converted into the right to receive the Merger Consideration, without interest, in accordance with Section 1.8. Except as specified on Section 1.9(d) of the Company Disclosure Letter, the Company shall use its commercially reasonable efforts to cause all ESPPs to terminate at the Effective Time, so that no further purchase rights shall be granted or exercised under such ESPPs thereafter. Subject to applicable confidentiality, legal and regulatory requirements, the Company shall cooperate with and provide such information to Parent relating to all ESPPs as Parent reasonably requires in order to plan and make proposals to participants of the ESPPs and, if necessary, to communicate with such participants in respect to such proposals.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Merger Sub that except as set forth in (a) the letter, dated as of the date hereof, delivered by the Company to Parent simultaneously with the execution and delivery of this Agreement (the "Company Disclosure Letter"), with specific reference to the particular Section or clause of this Agreement to which the information set forth in such letter relates, (it being agreed that disclosure of any item in any section or subsection of the Company Disclosure Letter shall be deemed disclosure with respect to any other section or subsection to which the relevance of such

item is reasonably apparent), or (b) the Company SEC Documents filed by the Company with, or furnished by the Company to, the U.S. Securities and Exchange Commission (the “SEC”) at any time on or after January 1, 2004 through the date hereof and publicly available on the website of the SEC through the Electronic Data Gathering, Analysis and Retrieval System prior to the date hereof (the “Filed Company SEC Documents”), other than risk factor disclosure contained in any such Filed Company SEC Document under the headings “Risk Factors”, “Forward Looking Statements” or any similar sections and any other disclosure that is predictive or forward-looking in nature; provided, however, that nothing in the Filed Company SEC Documents shall be deemed to qualify, or be deemed to have been disclosed for the purposes of, Sections 2.2 or 2.3:

SECTION 2.1 Organization, Standing and Corporate Power.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of New York and has all requisite corporate power and authority necessary to own, lease or operate all of its properties and assets and to carry on its business as it is being conducted as of the date hereof. The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased or held under license by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or to impair in any material respect the ability of the Company to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

(b) Each of the Company’s Subsidiaries is a corporation or other organization duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Each of the Company’s Subsidiaries is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased or held under license by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Section 2.1(b) of the Company Disclosure Letter sets forth a true and complete list of each such Subsidiary, the jurisdiction of incorporation or organization of such Subsidiary and the Company’s interest therein. All the outstanding shares of capital stock of, or other equity interests in, each such Subsidiary (except for directors’ qualifying shares or the like) are duly authorized, have been validly issued, are fully paid, nonassessable and free of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of applicable Law, the Company Charter Documents or any Contract to which such Subsidiary is a party or otherwise bound, and are owned directly or indirectly by the Company beneficially and of record free and clear of any and all liens, claims, mortgages, encumbrances, pledges, security interests, equities and charges of any kind or nature whatsoever (each a “Lien”) and transfer restrictions, except for such transfer restrictions of general applicability as may be provided under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the “Securities Act”), and other applicable securities Laws and rules and regulations promulgated thereunder.

(c) Each Joint Venture of the Company or any of its Subsidiaries is a corporation or other organization duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all requisite power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is being conducted as of the date hereof. Each Joint Venture of the Company or any of its Subsidiaries is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased or held under license by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not, individually or in the aggregate, reasonably be expected to result in a Company Material Adverse Effect. To the Knowledge of the Company, all of the Shares of Capital Stock or other equity interests which the Company or any of its Subsidiaries owns in a Joint Venture are duly authorized, validly issued, fully paid and nonassessable.

(d) The Company has previously made available to Parent complete and correct copies of the certificate of incorporation and bylaws (or other comparable organizational documents) of the Company and each of its Subsidiaries, as amended to the date hereof (collectively, the "Company Charter Documents").

SECTION 2.2 Capitalization.

(a) The authorized capital stock of the Company consists solely of 300,000,000 shares of Company Common Stock and 10,000,000 shares of preferred stock, par value \$0.01 per share (the "Company Preferred Stock"). At the close of business on June 20, 2007 (the "Measurement Date"): (i) 158,364,908 shares of Company Common Stock were issued and outstanding, of which (x) 134,198 shares of Company Common Stock were held by the Company in its treasury and (y) 1,010,204 shares were Restricted Stock; (ii) 7,238,225 shares of Company Common Stock were reserved and available for issuance under the Company Stock Plans, of which 3,847,549 shares of Company Common Stock were subject to outstanding Company Employee Stock Options; (iii) 124,034 Phantom Shares were outstanding under the Company's Director Share Plan; (iv) no shares of Company Preferred Stock were issued or outstanding; and (v) no other shares of capital stock, or rights to acquire shares of capital stock, of the Company were outstanding, issuable or reserved for issuance. All Shares (including shares of Restricted Stock) and all shares of Company Common Stock reserved for issuance upon the exercise of the Company Employee Stock Options have been duly authorized. All Shares (including shares of Restricted Stock) are, and all shares of Company Common Stock reserved for issuance upon the exercise of the Company Employee Stock Options in accordance with their respective terms will upon issuance be, validly issued, fully paid, nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the NYBCL, the Company Charter Documents or any Contract to which the Company is a party or otherwise bound. Section 2.2(a) of the Company Disclosure Letter sets forth a correct and complete list, as of the Measurement Date, of the outstanding Company Employee Stock Options, the number of shares of Company Common Stock underlying such Company Employee Stock Options, and the holders, exercise prices and expiration dates thereof. Since the Measurement Date, except as would be permissible under Section 4.1(a)(i) or as otherwise permitted by Parent in writing, no (i) shares of capital stock or other securities or equity interests of the Company (including



Restricted Stock and Phantom Shares) or any of its Subsidiaries, (ii) securities convertible into or exchangeable or exercisable for any shares of capital stock or other securities or equity interests of the Company (including Restricted Stock and Phantom Shares) or any of its Subsidiaries, or (iii) preemptive rights or other outstanding rights, options, warrants, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company or any of its Subsidiaries to issue or sell any shares of capital stock or other equity securities of the Company or any of its Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person the right to subscribe for or acquire any equity securities of the Company or any of its Subsidiaries (collectively, "Options"), or stock appreciation rights, "phantom" stock rights, performance awards, dividend equivalent awards of the Company or any of its Subsidiaries, or other rights that are linked to the value of Company Common Stock were issued, reserved for issuance or granted or reserved for granting, other than issuances or grants of shares of Company Common Stock pursuant to the Company's Investor Services Program, subject to the restrictions of Section 4.18.

(b) Except for provisions in the Company Charter Documents, there are no outstanding contractual obligations of the Company or any of its Subsidiaries (i) restricting the transfer of, (ii) affecting the voting rights of, (iii) requiring the repurchase, redemption, acquisition or disposition of, or containing any right of first refusal with respect to, (iv) requiring the registration for sale of, or (v) granting any preemptive or anti-dilutive right with respect to, any shares of Company Common Stock or any capital stock or other securities or equity interests of the Company or any of its Subsidiaries. There are no bonds, debentures, notes or other indebtedness of the Company or any of its Subsidiaries having the right to vote (or convertible into or exchangeable for securities having the right to vote) on any matters on which holders of capital stock or other securities or equity interests of the Company or any such Subsidiary may vote.

(c) Except as set forth above in Section 2.2(a), there are (i) no Options to which the Company or any of its Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, (A) shares of capital stock or other securities or equity interests of, or any security convertible or exercisable for or exchangeable into any capital stock or other securities or equity interests of, the Company or any of its Subsidiaries or (B) any Company Voting Debt, and (ii) no other rights, the value of which is in any way based on or derived from, or that give any Person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights accruing to holders of capital stock or other securities or equity interests of the Company or any of its Subsidiaries.

SECTION 2.3 Authority; Noncontravention; Voting Requirements.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and, subject to obtaining the Company Shareholder Approval, to perform its obligations hereunder and to consummate the Transactions. The execution, delivery and performance by the Company of this Agreement, and the consummation by it of the Transactions, have been duly authorized and approved by the Company Board, and except for obtaining the Company Shareholder Approval, no other corporate action on the part of the

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Company is necessary to authorize the execution, delivery and performance by the Company of this Agreement and the consummation by it of the Transactions. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by the other Parties, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general application affecting or relating to the enforcement of creditors' rights generally, and (ii) is subject to general principles of equity, whether considered in a proceeding at Law or in equity (the "Bankruptcy and Equity Exception").

(b) The Company Board, at a meeting duly called and held and by resolutions duly adopted at such meeting and not subsequently rescinded or modified in any way, has (i) determined that this Agreement and the Transactions are advisable and in the best interests of the Company and its shareholders, (ii) adopted this Agreement and, subject to Section 4.2, approved the Transactions (iii) directed, subject to Section 4.2, that this Agreement and the Transactions be submitted to the shareholders of the Company for their adoption and (iv) resolved, subject to Section 4.2, to recommend that the shareholders of the Company adopt this Agreement and approve the Transactions.

(c) Neither the execution and delivery of this Agreement by the Company nor the consummation by the Company of the Transactions, nor compliance by the Company with any of the terms or provisions hereof, will (i) conflict with, result in any violation of, or constitute a default (with or without notice or lapse of time or both) under, or give rise to a right of termination, amendment, cancellation or acceleration of any obligation or the loss of a material benefit under, or the creation of a Lien on any assets (any such conflict, violation, default, right of termination, amendment, cancellation or acceleration, loss or creation, a "Violation") of any provision of the Company Charter Documents or (ii) assuming that the Permits, orders, registrations, declarations referred to in Section 2.4 and the Company Shareholder Approval are obtained and the notices and filings referred to in Section 2.4 are made, (x) violate any order, judgment, writ, decree or injunction of any Governmental Authority (collectively, "Order") or Law applicable to the Company or any of its Subsidiaries or (y) constitute or result in a Violation under any of the terms, conditions or provisions of any Contract or Company Plan to which the Company or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or affected, except, in the case of sub-clause (ii), for such Violations as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or to impair in any material respect the ability of the Company to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

(d) Assuming the accuracy of Parent's representation and warranty contained in Section 3.10, the affirmative vote (in person or by proxy) of the holders of a majority of the outstanding shares of Company Common Stock in favor of the adoption of this Agreement is the only vote or approval of the holders of any class or series of capital stock of the Company which is necessary to adopt this Agreement and approve the Transactions (the "Company Shareholder Approval").

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SECTION 2.4 Governmental Approvals. Except for (i) the filing with the SEC of the Proxy Statement in definitive form, and other filings required under, and compliance with other applicable requirements of, the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"), the rules of the New York Stock Exchange ("NYSE") and state securities or "blue sky" Laws (the "Blue Sky Laws"), (ii) the filing of the Certificate of Merger with the Secretary of State of the State of New York pursuant to the NYBCL, (iii) filings required under, and compliance with other applicable requirements of, the HSR Act and any other antitrust or competition Laws of any applicable jurisdiction, (iv) notices to, or consents, approvals or waivers from, to the extent required, (A) the Connecticut Department of Public Utility Control ("CTDPUC"), (B) the Maine Public Utilities Commission ("MPUC"), (C) the Massachusetts Department of Public Utilities (the "MDPU"), (D) the New Hampshire Public Utilities Commission ("NHPUC") and (E) the New York Public Service Commission ("NYPSC", and collectively with CTDPUC, MPUC, MDPU and NHPUC, the "Company PUC Consents"), (v) notices, consents, approvals or waivers required under, and compliance with applicable requirements of, the Federal Energy Regulatory Commission (the "FERC") pursuant to Section 203 of the Federal Power Act, as amended, and the rules and regulations promulgated thereunder (the "Federal Power Act"), (vi) notices to, or consents, approvals or waivers from, and compliance with applicable requirements of, the United States Federal Communications Commission ("FCC") in connection with a change of control and/or assignment of the holder of the FCC licenses of the Company and its Subsidiaries (the "Company License Consents"), (vii) notices to, or consents, approvals or waivers from, and compliance with applicable requirements of, the United States Nuclear Regulatory Commission (the "NRC") under the Atomic Energy Act of 1954, as amended (the "Atomic Energy Act"); (viii) notices to or filings required under, and compliance with other applicable requirements of, the United States Committee on Foreign Investment pursuant to the Exon-Florio amendment to the Defense Production Act of 1950, as amended, and (ix) compliance with any such filings and notices as may be required under applicable Environmental Laws (the consents, approvals, waivers, filings, notices, declarations or registrations set forth in sub-clauses (iii) through (ix) above being hereinafter collectively referred to as the "Required Consents"), no consents, approvals or waivers of, or filings, notices, declarations or registrations with, any Governmental Authority are necessary for the execution, delivery and performance of this Agreement by the Company or the consummation by the Company of the Transactions, other than such consents, approvals, waivers, filings, notices, declarations or registrations that, if not obtained, made or given, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or to impair in any material respect the ability of the Company to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

SECTION 2.5 Company SEC Documents; Financial Statements; Undisclosed Liabilities.

(a) The Company has filed all required registration statements, prospectuses, forms, reports and proxy statements with the SEC from and after January 1, 2004 (collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the "Company SEC Documents"). As of their respective effective dates (in the case of Company SEC Documents that are registration statements filed pursuant to the requirements of the Securities Act) and as of their respective SEC filing dates (in the case of all



other Company SEC Documents), the Company SEC Documents complied in all material respects with the requirements of the Exchange Act, the Securities Act and the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC promulgated thereunder (the "Sarbanes-Oxley Act"), as the case may be, applicable to such Company SEC Documents, and none of the Company SEC Documents as of such respective dates contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. To the Knowledge of the Company, as of the date hereof, there are no material unresolved comments with respect to any Company SEC Documents.

(b) With respect to each Company SEC Document that is a report on Form 10-K or 10-Q or an amendment thereto, each of the principal executive officer and the principal financial officer of the Company and each Subsidiary of the Company that is or was required to file reports under Sections 13(a) or 15(d) of the Exchange Act (a "Company Reporting Utility") (or each former principal executive officer and principal financial officer of the Company and each the Company Reporting Utility, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act, from and after January 1, 2004 with respect to the Company SEC Documents and similar reports of each Company Reporting Utility. For purposes of the preceding sentence, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Sarbanes-Oxley Act. Since the effectiveness of the Sarbanes-Oxley Act, neither the Company nor any of its Subsidiaries has arranged any "extensions of credit" to directors or executive officers within the meaning of Section 402 of the Sarbanes-Oxley Act.

(c) The audited consolidated financial statements and unaudited consolidated interim financial statements of the Company (including, in each case, the notes, if any, thereto) included in the Company SEC Documents (the "Company Financial Statements") have been prepared in accordance with GAAP (except, in the case of unaudited interim statements, as indicated in the notes thereto) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations, cash flows and changes in common stock equity for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments which were not and would not, individually or in the aggregate, reasonably be expected to be material). No restatement of any of the Company Financial Statements has occurred or is reasonably likely to occur.

(d) Neither the Company nor any of its Subsidiaries has any liabilities or obligations (whether absolute, contingent, accrued or otherwise) which would be required to be reflected or reserved against on a consolidated balance sheet of the Company prepared in accordance with GAAP or the notes thereto, except liabilities (i) reflected or reserved against on the audited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2006 (the "Balance Sheet Date") included in the Filed Company SEC Documents (including the notes thereto), (ii) incurred after the Balance Sheet Date in the ordinary course of business consistent with past practice, (iii) as contemplated by this Agreement or otherwise in connection with the Transactions or (iv) as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(e) Neither the Company nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract relating to any transaction or relationship between or among the Company and any of its Subsidiaries, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose entity or person, on the other hand or any "off-balance sheet arrangements" (as defined in Item 303(a) of Regulation S-K promulgated by the SEC)), where the result, purpose or effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, the Company or any of its Subsidiaries, in the Company's or any of its Subsidiary's audited financial statements or other Company SEC Documents.

(f) Without limitation to Section 2.4, all filings required to be made by the Company or any of its Subsidiaries since January 1, 2004 with any Governmental Authority, including under the Federal Power Act, the Atomic Energy Act, the Public Utility Holding Company Act of 1935 (prior to the effective date of its repeal, February 8, 2006), the Public Utility Holding Company Act of 2005, the Communications Act of 1934, as amended by the Telecommunications Act of 1996, the Natural Gas Act of 1938 and applicable state Laws and regulations, have been filed with the appropriate Governmental Authority, including the SEC, the FERC, the Department of Energy, the NRC, the FCC, the CTDPUC, the MPUC, the MDPU, the NHPUC or the NYPSC, as the case may be, including all forms, statements, reports, agreements (oral or written) and all documents, exhibits, amendments and supplements pertaining thereto, including all rates, tariffs, compliance filings, franchises, service agreements and related documents, and all such filings complied, as of their respective dates, with all applicable requirements of the applicable statute and the rules and regulations thereunder, except for filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of the applicable statute and the rules and regulations thereunder, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(g) Without limitation to clauses (d) and (e) above, the Company and its Subsidiaries have designed and maintain a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company (i) has designed and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure, and (ii) has disclosed, based on its most recent evaluation of such disclosure controls and procedures prior to the date hereof, to the Company's auditors and the audit committee of the Company Board (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect the Company's ability to record, process, summarize and report financial information and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. The Company has disclosed to Parent all matters set forth in sub-



clauses (A) and (B) above discovered or disclosed since December 31, 2004. Since December 31, 2004, any material change in internal controls over financial reporting required to be disclosed in any Company SEC Document has been so disclosed.

(h) Since December 31, 2004, the Company has not received any oral or written notification of a "reportable condition" in its internal controls. The term "reportable condition" has the meaning assigned to it in the Statements of Auditing Standards 60, as in effect on the date hereof.

(i) Since December 31, 2004, (i) neither the Company nor any of its Subsidiaries nor, to the Knowledge of the Company, any director, officer, employee, auditor, accountant or representative of the Company or any of its Subsidiaries has received or otherwise obtained actual knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any of its Subsidiaries or their respective internal accounting controls relating to periods after December 31, 2004, including any material complaint, allegation, assertion or claim that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices (except for any of the foregoing after the date hereof which have no reasonable basis), and (ii) to the Knowledge of the Company, no attorney representing the Company or any of its Subsidiaries, whether or not employed by the Company or any of its Subsidiaries, has reported evidence of a material violation of securities Laws, breach of fiduciary duty or similar violation, relating to periods after December 31, 2004, by the Company or any of its officers, directors, employees or agents to the Company Board (or any committee thereof) or to any director or executive officer of the Company.

(j) Except as disclosed in Section 2.5(j) of the Company Disclosure Letter, none of the Company's Subsidiaries is, or has at any time since January 1, 2004, been, subject to the reporting requirements of Sections 13(a) and 15(d) of the Exchange Act.

SECTION 2.6 Absence of Certain Changes.

Since the Balance Sheet Date, except as set forth on Section 2.6 of the Company Disclosure Letter:

(i) each of the Company and its Subsidiaries has carried on and operated its businesses in the ordinary course of business, consistent with past practice;

(ii) there have not been any events, changes or occurrences that, individually or in the aggregate, have had or would reasonably be expected to have a Company Material Adverse Effect; and

(iii) no action, event, occurrence or transaction has taken place that would have been prohibited by sub-clauses (ii), (iii), (viii), (ix), (x), (xi) or (xii) of Section 4.1(a) without the consent of Parent if this Agreement had been in effect at the time thereof.

SECTION 2.7 Legal Proceedings. As of the date hereof, there is no pending or, to the Knowledge of the Company, threatened, legal or administrative proceeding,



claim, suit, action or investigation against or relating to the Company or any of its Subsidiaries, nor is there any injunction, order, judgment, ruling, writ or decree imposed upon the Company or any of its Subsidiaries, in each case, by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or to impair in any material respect the ability of the Company to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

SECTION 2.8 Compliance With Laws and Orders; Permits.

The Company and its Subsidiaries and their respective Joint Ventures are in compliance with all laws, statutes, ordinances, codes, rules, regulations, decrees and orders of Governmental Authorities (collectively, "Laws") or Orders applicable to the Company or any of its Subsidiaries or their respective Joint Ventures, including the Federal Power Act, the Atomic Energy Act, the Public Utility Holding Company Act of 1935 (prior to the effective date of its repeal, February 8, 2006), the Public Utility Holding Company Act of 2005, the Communications Act of 1934, as amended by the Telecommunications Act of 1996, the Natural Gas Act of 1938 and applicable state Laws and regulations, except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company and each of its Subsidiaries hold all licenses, franchises, permits, certificates, consents, approvals, clearances, qualifications, concessions and authorizations from Governmental Authorities necessary for the lawful conduct of their respective businesses (collectively, "Permits"), and all such Permits are valid and in full force and effect, except where the failure to hold the same or of the same to be valid and in full force and effect would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or impair in any material respect the ability of the Company and its Subsidiaries to perform its respective obligations hereunder or prevent or materially delay consummation of the Transactions. The Company and its Subsidiaries are in compliance with the terms of all Permits, except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Without limitation to the foregoing, the Company is, and has been, in compliance in all material respects with the applicable listing standards and corporate governance rules and regulations of the NYSE.

SECTION 2.9 Proxy Statement. Subject to the accuracy of the representations and warranties of Parent and Merger Sub set forth in Section 3.5, the Proxy Statement, and any amendments or supplements thereto, will not, on the date they are first mailed to the holders of Company Common Stock, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, and will not, at the time of the Company Shareholders Meeting, omit to state any material fact necessary to correct any statement in any earlier communication from the Company with respect to the Company Shareholders Meeting which shall have become false or misleading in any material respect. The Proxy Statement will comply as to form in all material respects with the applicable requirements of the Exchange Act. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to information supplied by or on behalf of Parent or Merger Sub for inclusion or incorporation by reference in the Proxy Statement.

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SECTION 2.10 Tax Matters.

Except as set forth in Section 2.10 of the Company Disclosure Letter:

(a) Except for those matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) each of the Company and its Subsidiaries has timely filed, or has caused to be timely filed on its behalf (taking into account any extension of time within which to file), all Tax Returns required to be filed by it, and all such filed Tax Returns are correct and complete in all material respects, (ii) all Taxes shown to be due on such Tax Returns have been timely paid, (iii) no deficiency or claim with respect to any Taxes has been proposed, asserted or assessed, in each case in writing, against the Company or any of its Subsidiaries which have not been fully paid or adequately reserved for in accordance with GAAP in the Company SEC Documents and (iv) no audit, assessment, dispute, claim or other administrative or court proceedings is pending with any Governmental Authority with respect to Taxes of the Company or any of its Subsidiaries, and no written notice thereof has been received.

(b) Since the Balance Sheet Date, neither the Company nor any of its Subsidiaries has incurred any material liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice.

(c) Except as disclosed in Section 2.10(c) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is a party to any Contract, arrangement or plan that is currently in effect and that has resulted or would result, separately or in the aggregate, in the payment of any material amount that is not deductible under Section 162(m) of the Code.

(d) Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax allocation, Tax sharing or similar agreement, understanding or arrangement that is currently in force and provides for the sharing of Taxes between members that file or have filed their Tax Returns on a consolidated, group, combined or unified basis (other than any such agreement solely between or among the Company and any of its Subsidiaries).

(e) Neither the Company nor any of its Subsidiaries (i) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or (ii) has any material liability for the Taxes of any Person (other than the Company or any of its Subsidiaries) under United States Treasury Regulation §1.1502-6 (or any similar provision of state, local, or foreign Law), as a transferee or successor, or by contract (except to the extent set forth in any Company Contract).

(f) There are no Liens for Taxes upon any material property or other material assets of the Company or any of its Subsidiaries, except Liens for Taxes (i) not yet due and payable or (ii) that have been accrued for or otherwise taken into account in accordance with GAAP on the Company SEC Documents.

(g) All Taxes required to be withheld, collected or deposited by or with respect to the Company and each of its Subsidiaries have been timely withheld, collected or deposited, as the case may be, and to the extent required, have been paid to the relevant Tax authority or other Governmental Authority, except for such failure to do any of the foregoing as

would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(h) Neither the Company nor any of its Subsidiaries has constituted either a “distributing corporation” or a “controlled corporation” under Section 355 of the Code (i) in the two years prior to the date hereof or (ii) in a distribution which could otherwise constitute part of a “plan” or “series of related transactions” (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

(i) Neither the Company nor any of its Subsidiaries has engaged in any transaction that constitutes a “listed transaction” for purposes of Section 6011 of the Code and Treasury Regulation Section 1.6011-4.

(j) No power of attorney with an outside consultant, advisor, counsel or other party not employed by the Company or its Subsidiaries is currently in force with respect to the Company or any of its Subsidiaries concerning any Tax matter that will not be terminated as of the Closing Date.

(k) Neither the Company nor any of its Subsidiaries has requested (and no request has been made on its behalf for) any extension of time within which to file any Tax Return. Neither the Company nor any of its Subsidiaries has executed any outstanding waivers or comparable consents regarding the application of the statute of limitations for any Taxes or Tax Returns (and no extensions have been executed on their behalf).

(l) Neither the Company nor any of its Subsidiaries is required to include in income any adjustment pursuant to Section 481(a) of the Code by reason of a voluntary change in accounting method initiated by the Company or any of its Subsidiaries. Other than to the extent of any reserves or accruals reflected or taken into account on the Company SEC Documents, no income of the Company or any of its Subsidiaries that economically accrued prior to the Closing will be recognized as taxable income after the Closing as a result of the Company or any of its Subsidiaries being a party to an installment sale or an open transaction.

(m) The Tax Returns of the Company and its Subsidiaries delivered to Parent or Parent’s representatives, employees or advisors for inspection represent true and complete copies of the filed versions of such Tax Returns.

(n) To the Knowledge of the Company, all material written communications to or from any Governmental Authorities with respect to Taxes of the Company or any of its Subsidiaries have been delivered to Parent or Parent’s representatives, employees or advisors to the extent such communications relate to (i) a matter that has not been disclosed on the Company Disclosure Letter, or (ii) a Tax liability that has not been (A) paid or accrued for or (B) otherwise taken into account on the Company Financial Statements.

(o) All Tax years for United States federal income tax purposes and for purpose of the income tax imposed by the states of New York, Massachusetts, Connecticut and Maine ending on or prior to December 31, 2000 have been examined and such tax years are closed by the Internal Revenue Service or the relevant state tax authority, or the statute of limitations with respect to Tax Returns filed for such tax period have expired.

(p) This Section 2.10 contains the sole and exclusive representations and warranties of the Company with respect to all matters involving Taxes and any liabilities for or relating to Taxes.

SECTION 2.11 Employee Benefits and Labor Matters.

(a) Section 2.11(a) of the Company Disclosure Letter lists each Company Plan. The Company has made available to Parent correct and complete copies of (i) each Company Plan (or, in the case of any such Company Plan that is unwritten, descriptions thereof), (ii) the most recent annual reports on Form 5500 required to be filed with the Internal Revenue Service (the “IRS”) with respect to each Company Plan (if any such report was required), (iii) the most recent summary plan description for each Company Plan for which such summary plan description is required, (iv) each trust agreement and insurance or group annuity Contract or other agreement relating to any Company Plan, (v) the most recent financial statements prepared with respect to each Company Plan, and (vi) the most recent actuarial report of the qualified actuary of any Company Plan with respect to which actuarial valuations are conducted. Each Company Plan maintained by the Company or any of its Subsidiaries has been administered in accordance with its terms except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company, its Subsidiaries and all the Company Plans are in compliance in all respects with the applicable provisions of Employee Retirement Income Security Act of 1974, as amended (“ERISA”), the Code and all other applicable Laws, except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. All Company Plans that are “employee pension plans” (as defined in Section 3(2) of ERISA) that are intended to be Tax qualified under Section 401(a) of the Code (each, a “Company Pension Plan”) that are maintained, contributed to or required to be contributed to by the Company or any of its Subsidiaries have received a favorable determination letter from the IRS and no event has occurred that would reasonably be expected to adversely affect the continued effectiveness of any such determination letter. The Company has made available to Parent a correct and complete copy of the most recent opinion or determination letter received with respect to each Company Pension Plan maintained, contributed to or required to be contributed to by the Company or any of its Subsidiaries as well as a correct and complete copy of each pending application for an opinion or a determination letter, if any. Other than as set forth in Section 2.11(a) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries has contributed or has been obligated to contribute to a Multiemployer Plan.

(b) With respect to the Company Plans, individually and in the aggregate, no event has occurred and there exists no condition or set of circumstances, in connection with which the Company or any of its Subsidiaries could be subject to any liability under ERISA, the Code or any other applicable Law, which would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, other than liabilities for benefits or ancillary administrative services provided in the ordinary course of business consistent with past practice. Without limiting the generality of the foregoing, (i) no material liability under Title IV or Section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to the Company or any ERISA Affiliate of incurring any such liability, other than liability for premiums due the Pension Benefit Guaranty Corporation (“PBGC”) (which premiums have been paid when due), (ii) the

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PBGC has not instituted proceedings to terminate any Company Plan that is subject to Title IV of ERISA (a "Title IV Plan") and no condition exists that presents a risk that such proceedings will be instituted, (iii) no Title IV Plan or any trust established thereunder has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of each Title IV Plan ended prior to the Closing Date, and (iv) no termination, re-establishment or spin-off re-establishment transaction has occurred with respect to any Defined Benefit Plan. No Defined Benefit Plan has incurred any accumulated funding deficiency, whether or not waived. No filing has been made and no proceeding has been commenced for the complete or partial termination of, or withdrawal from, any Company Plan that is a "pension benefit plan" within the meaning of Section 3(2) of ERISA.

(c) Other than as set forth in Section 2.11(c) of the Company Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation of the Transactions will (either alone or in conjunction with any other event) result in or cause the payment or provision of benefits which are "excess parachute payments" as the term is defined in Code Section 280G.

(d) The Company and each of its Subsidiaries is in compliance in all material respects with all applicable Laws respecting labor, employment, fair employment practices, terms and conditions of employment, workers' compensation, occupational safety, plant closings, and wages and hours. Other than as set forth in Section 2.11(d) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is a party to, bound by or in the process of negotiating any collective bargaining agreement or other labor agreement and no labor union or labor organization has been certified to represent any employee of the Company or any of its Subsidiaries or, to the Knowledge of the Company, has applied to represent or is attempting to organize so as to represent such employees. No labor union, labor organization or group of employees of the Company or any of its Subsidiaries has made a demand for recognition or certification in the past three (3) years, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of the Company, threatened to be brought or filed with the National Labor Relations Board (the "NLRB") or any other Governmental Authority.

(e) As of the date hereof, (i) there are no disputes, grievances or arbitrations pending or, to the Knowledge of the Company, threatened between the Company or any of its Subsidiaries and any labor union or other representatives of its employees, (ii) there is no charge, complaint or investigation pending or threatened in writing against the Company or any of its Subsidiaries before the NLRB, the Department of Labor, the Equal Employment Opportunity Commission or any similar Governmental Authority, (iii) there are no litigations, lawsuits, claims, charges, complaints, arbitrations, actions, investigations or proceedings pending or, to the Knowledge of the Company, threatened against or involving the Company or any of its Subsidiaries and any of their respective current or former employees, independent contractors, applicants for employment or classes of the foregoing, except as would not, individually or in the aggregate, have or be reasonably expected to have a Company Material Adverse Effect.

(f) Since January 1, 2004, (i) there has been no work stoppage, strike or slowdown by or affecting the employees of the Company or any of its Subsidiaries and, to the

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Knowledge of the Company, no such action has been threatened in writing, and (ii) neither the Company nor any of its Subsidiaries has engaged in a lockout of any employees of the Company or any of its Subsidiaries or engaged in any "plant closing" or "mass layoff", as defined in the Worker Adjustment and Retraining Notification Act or any comparable state or local Law (the "WARN Act"), without complying in all material respects with the requirements of such Laws.

(g) To the Knowledge of the Company, none of the employees of the Company or any of its Subsidiaries is in any material respect in violation of any term of any employment agreement, nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, non-competition agreement, restrictive covenant or other obligation to a former employer relating to the right of such employee to be employed by the Company or any of its Subsidiaries or the employee's knowledge or use of trade secrets or proprietary information.

(h) Other than as set forth in Section 2.11(h) of the Company Disclosure Letter, there are no (i) severance or employment agreements with directors, officers or employees of or consultants to the Company or any of its Subsidiaries, (ii) severance programs or policies of the Company or any of its Subsidiaries, with or relating to its employees or (iii) plans, programs, agreements or other arrangements of the Company or any of its Subsidiaries with or relating to its directors, officers, employees or consultants which contain change-in-control (or comparable) provisions.

(i) Neither the Company nor any of its Subsidiaries has scheduled or agreed (i) to establish any plan, program, policy or arrangement that would be considered to be a Company Plan or (ii) to increase benefit levels (or to create new benefits) with respect to any Company Plan. Except as disclosed in Section 2.11(i) of the Company Disclosure Letter, no loan is outstanding between the Company or any of its Subsidiaries and any current or former employee thereof. Each Company Plan intended to provide for the deferral of income, the reduction of salary or other compensation or to afford other Tax benefits complies with the requirements of the applicable provisions of the Code or other applicable Laws required in order to provide such Tax benefits.

(j) Neither the Company nor any of its Subsidiaries is in default in performing any of its contractual obligations under any of the Company Plans or any related trust agreement or insurance contract, except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. All contributions and other payments required to be made by the Company or any of its Subsidiaries to any Company Plan with respect to any period ending before or at or including the Closing Date have been made or reserves adequate for such contributions or other payments have been or will be set aside therefor and have been or will be reflected in the Company Financial Statements in accordance with GAAP. There are no material outstanding liabilities of, or related to, any Company Plan, other than liabilities for benefits to be paid in the ordinary course of business consistent with past practice to participants in such Company Plan and their respective beneficiaries in accordance with the terms of such Company Plan.

(k) Except as set forth in Section 2.11(k) of the Company Disclosure Letter, no Company Plan provides welfare coverage that extends after the termination of employment other than for continued coverage provided pursuant to the requirements of Section 4980B of the

Code or other similar provision of state Law and each Company Plan providing such coverage may be amended, modified or terminated after the Effective Time without material cost or liability other than for claims for expenses actually incurred prior to the date of such amendment, modification or termination.

SECTION 2.12 Contracts.

(a) All Contracts, including amendments thereto, required to be filed as an exhibit to any report of the Company filed pursuant to the Exchange Act of the type described in Item 601(b)(10) of Regulation S-K promulgated by the SEC have been filed, and no such Contract has been amended or modified, except for such amendments or modifications which have been filed as an exhibit to a subsequently dated and filed Company SEC Document. All such filed Contracts (excluding any redacted portions thereof) shall be deemed to have been made available to Parent.

(b) Other than the Contracts set forth in clause (a) above which were filed in an unredacted form, Section 2.12(b) of the Company Disclosure Letter sets forth a correct and complete list as of the date of this Agreement, and the Company has made available to Parent correct and complete copies (including all material amendments, modifications, extensions or renewals with respect thereto, but excluding all names, terms and conditions that have been redacted in compliance with applicable Laws governing the sharing of information) of those Contracts to which the Company or any of its Subsidiaries is a party which have not expired prior to the date hereof in accordance with its terms (collectively with the Contracts referred to in clause (a) above, the "Company Contracts"):

(i) that contain a covenant restricting the ability of the Company or any of its Subsidiaries to compete in the business of providing electric utility operations, natural gas utility operations, electricity transmission, electricity distribution, natural gas transportation, natural gas storage, natural gas distribution, energy delivery, energy services, power purchases, utility support services or investing or financing activities related thereto in any geographic area;

(ii) that provides for annual payments in excess of \$1,000,000 to or from the Company or any of its Subsidiaries and that contain any change in control, right of termination, right of cancellation, right to accelerate payments, or other similar provisions in favor of a third party which may be triggered upon the execution and delivery of this Agreement by the Company or the consummation by the Company of any of the Transactions;

(iii) with any Affiliate of the Company (other than any of its Subsidiaries and other than employment or compensation related matters);

(iv) that provides for annual payments in excess of \$1,000,000 to or from the Company or any of its Subsidiaries and which primarily relate to (A) the granting to the Company or any of its Subsidiaries of license rights in or to any Company Intellectual Property owned by a third party, or (B) the granting by the Company or any of its Subsidiaries of license rights to a third party in or to any material Company Intellectual Property, in each of sub-clause (A) and (B) above, excluding "click-wrap" or "shrink-wrap" agreements, agreements contained



in or pertaining to "off-the-shelf" Software, or the terms of use or service for any web site (collectively, "IP Licenses");

(v) relating to the Company's ownership in, or the governance or funding of, any material Joint Venture or any liabilities (contingent or otherwise) the Company has with respect thereto;

(vi) with a Governmental Authority (other than ordinary course Contracts with Governmental Authorities as a customer) which provides for annual payments in excess of \$1,000,000 to or from the Company or any of its Subsidiaries; and

(vii) pursuant to which any indebtedness for borrowed money of the Company or any of its Subsidiaries in an amount in excess of \$10,000,000 is outstanding or may be incurred or pursuant to which the Company or any of its Subsidiaries has guaranteed any indebtedness for borrowed money in an amount in excess of \$10,000,000 of any other Person (other than the Company or any of its Subsidiaries and excluding trade payables arising in the ordinary course of business).

(c) Each Company Contract is valid and binding on the Company and each of its Subsidiaries which is party thereto and, to the Knowledge of the Company, each other party thereto, and is in full force and effect and enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exemption), and the Company and each of its Subsidiaries has performed all obligations required to be performed by it prior to the date hereof under each Company Contract and, to the Knowledge of the Company, each other party to each Company Contract has performed all obligations required to be performed by it prior to the date hereof under such Company Contract and has not violated any provision of such Company Contract or committed any act which (with or without notice, lapse of time or both) would constitute a default under any provisions of such Company Contract, except for such failures to be in compliance as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

SECTION 2.13 Environmental Matters.

(a) The Company and each of its Subsidiaries is in compliance with and has at all times in the past five (5) years complied with all Environmental Laws and Environmental Permits, except for any such instances of non-compliance that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(b) The Company and each of its Subsidiaries possess all Environmental Permits, which Environmental Permits are (i) in good standing or, where applicable, a renewal application has been timely filed with and is pending approval by all applicable Governmental Authorities, and (ii) not subject to challenge or appeal, except for any such failure to possess, standing, application, approval, challenge or appeal would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(c) There are no (i) Hazardous Materials present at or migrating from any current or, to the Knowledge of the Company, former, assets, facilities or properties owned or operated by the Company or any of its Subsidiaries or, to the Knowledge of the Company, any of



their respective predecessors, or (ii) circumstances related to Hazardous Materials, including any relating to the on-site or off-site treatment, storage, disposal, arrangement for disposal, transportation, handling or release of any Hazardous Materials, in each case of (i) and (ii) above, that are reasonably likely to result in a liability or investigatory, corrective or remedial obligation of the Company or any of its Subsidiaries under any applicable Environmental Laws, except for any such Hazardous Materials, circumstances related to Hazardous Materials, liability or obligation that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(d) To the Knowledge of the Company, neither the Company, any of its Subsidiaries, nor any of their predecessors, is subject to, by operation of law or otherwise, or has contractually assumed or retained from any Person (including any Governmental Authority), any liability or obligation for any matters arising under or pursuant to any Environmental Laws or any Environmental Permit or arising from or relating to Hazardous Materials, except for any such liability or obligation that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(e) To the Knowledge of the Company, (i) neither the Company nor any of its Subsidiaries has received any written notice or report from any Person (including any Governmental Authority) in the past three (3) years regarding any actual or alleged violation of any Environmental Law or any liabilities or investigatory, corrective or remedial obligations arising under applicable Environmental Laws concerning the Company, its Subsidiaries or any of their respective predecessors, including concerning any release or threatened release of Hazardous Materials, and (ii) none of the Company or any of its Subsidiaries are subject to or have entered in to any consent decrees, orders, settlement agreements or other contractual arrangements with any Person (including any Governmental Authority) with respect to any Environmental Law or any Environmental Permit, except for any such notice, decree, order, settlement or other arrangement that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(f) Each of the Company and its Subsidiaries holds the rights to all environmental credits, benefits, offsets and allowances (including emission allowances under either Title IV of the federal Clean Air Act (42 U.S.C. § 7401 *et seq.*), any applicable emission budget programs or any other state, regional or federal emission trading program) required under Environmental Laws that have been allocated to or acquired for any of their facilities or operations for (i) calendar year 2007, and (ii) future years for which allowances have been established and are in effect as of the date of this Agreement (collectively, "Emission Allowances"). The Company and all Subsidiaries own or are entitled to (as a matter of law or contract) as of the Closing Date those Emission Allowances identified on Section 2.13(f) of the Company Disclosure Letter. None of the Company or any of its Subsidiaries has entered into any Contract or pledge to sell the Emission Allowances.

SECTION 2.14 Intellectual Property.

(a) The Company and its Subsidiaries own, or are validly licensed or otherwise have the right to use, all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights, copyrights and other proprietary

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intellectual property rights and computer programs (collectively, "Intellectual Property Rights") except as has not had and would not reasonably be expected to have a Company Material Adverse Effect. No claims are pending or, to the Knowledge of the Company, threatened that the Company or any of the Company Subsidiaries is infringing or otherwise adversely affecting the rights of any person with regard to any Intellectual Property Right except as has not had and would not reasonably be expected to have a Company Material Adverse Effect. To the Knowledge of the Company, no person is infringing the rights of the Company or any of the Company Subsidiaries with respect to any Intellectual Property Right except as has not had and would not reasonably be expected to have a Company Material Adverse Effect.

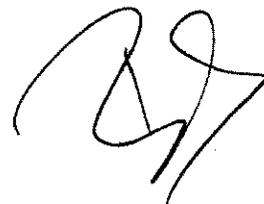
(b) Except as would not, individually or in the aggregate, reasonably be expected to result in a Company Material Adverse Effect:

(i) no settlement agreements, consents, orders, forbearances to sue or similar obligations to which the Company or any of its Subsidiaries is a party limit or restrict any rights of the Company or any of its Subsidiaries in and to any Intellectual Property Rights that are owned by the Company or any of its Subsidiaries; and

(ii) the consummation of the Transactions will not result in the loss or impairment of any rights of the Company or any of its Subsidiaries to own or use any Intellectual Property Rights or obligate the Company or any of its Subsidiaries to pay any royalties or other amounts to any third party in excess of the amounts that would have been payable by them absent the consummation of the Transactions.

SECTION 2.15 Insurance. Except for failures to maintain insurance or self-insurance that have not had and would not reasonably be expected to have a Company Material Adverse Effect, from January 1, 2004, each of the Company and its Subsidiaries has been continuously insured with financially responsible insurers or has self-insured, in each case in such amounts and with respect to such risks and losses as are customary for companies in the United States of America conducting the business conducted by the Company and its Subsidiaries from January 1, 2004 through the date hereof and, to the Knowledge of the Company, there is no condition specific to the Company or its Subsidiaries which would prevent the Company or its Subsidiaries from obtaining insurance policies for such risks and losses. All premiums due and payable through the date hereof under all such policies and Contracts have been paid and the Company and its Subsidiaries are otherwise in compliance in all respects with the terms of such policies and Contracts, except for such failures to be in compliance which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received any notice of cancellation or termination with respect to any such policy or Contract, except with respect to any cancellation or termination that, has not had and would not reasonably be expected to have a Material Adverse Effect on the Company.

SECTION 2.16 Certain Business Relationships with Affiliates. Except as disclosed in the Filed Company SEC Documents, from and after January 1, 2005 and prior to the date hereof, no event has occurred, and there has been no transaction, or series of similar transactions, agreements, arrangements or understandings to which the Company or any

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of its Subsidiaries is a party, that would be required to be reported pursuant to Statement of Financial Accounting Standards No. 57 or Item 404 of Regulation S-K promulgated by the SEC.

SECTION 2.17 Nuclear Generating Facilities.

(a) Other than the interests and stations described in Section 2.17 of the Company Disclosure Letter (collectively, the "Nuclear Facilities"), none of the Company, its Subsidiaries, or any of the Joint Ventures of the Company, currently owns, directly or indirectly, or operates or manages any nuclear generation station, decommissioned nuclear generation station, nuclear fuel, spent nuclear fuel or special nuclear material, either in whole or in part. The operation of each of the Nuclear Facilities is and has been in compliance with all applicable Laws and Permits, except for such failures to comply that, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect.

(b) Each of the Nuclear Facilities maintains, and is in compliance with, (i) emergency plans designed to respond to an unplanned release of a Hazardous Materials therefrom and (ii) plans for the storage and disposal of spent nuclear fuel, and each such plan enumerated in sub-clauses (i) and (ii) conforms with the requirements of applicable Law.

(c) The Company has funded to the extent required consistent with NRC regulations its portion of the decommissioning costs of each Nuclear Facility.

(d) Neither the Company nor any of its Subsidiaries has been given written notice of or been charged with an actual or potential violation of, or, to the Knowledge of the Company, is the subject of any ongoing proceeding, inquiry, special inspection, diagnostic evaluation or other NRC action of which the Company or any of its Subsidiaries has received notice under the Atomic Energy Act or the terms and conditions of any license granted to the Company or any of its Subsidiaries regarding the Nuclear Facilities that, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect.

SECTION 2.18 Hedging Activities.

(a) The Company has established risk parameters, limits and guidelines in compliance with the risk management policy approved by the Company Board (or committee thereof) (the "Company Hedging Guidelines") to (i) restrict the level of risk that the Company and its Subsidiaries are authorized to take with respect to, among other things, the net position resulting from all physical and financial electricity contracts, natural gas hedge contracts, gas adjustment clauses, exchange-traded futures and options transactions, over-the-counter transactions and derivatives thereof, interest rate swap agreements, and similar transactions (the "Company Net Position") and (ii) monitor compliance with the Company Hedging Guidelines by the Company and its Subsidiaries with such risk parameters. The Company has provided the Company Hedging Guidelines to Parent prior to the date hereof.

(b) As of the date hereof, (i) the Company Net Position is within the risk parameters that are set forth in the Company Hedging Guidelines and (ii) the exposure of the Company and its Subsidiaries with respect to the Company Net Position resulting from all transactions described in clause (a) above would not reasonably be expected to result in a material loss to the Company and its Subsidiaries, taken as a whole, based on market prices in



existence as of the date hereof. From the Balance Sheet Date through the date hereof, neither the Company nor any of its Subsidiaries has, in accordance with its mark-to-market accounting policies, experienced an aggregate net loss in its hedging and relating operations that would be material to the Company and its Subsidiaries taken as a whole taking into account the recognition of any underlying commodity sales and the regulatory treatment and allowances for hedge transactions.

SECTION 2.19 Foreign Corrupt Practices and International Trade Sanctions. Without limitation to any provision of Section 2.5, to the Knowledge of the Company, neither the Company nor any of its Subsidiaries, nor any of their respective directors, officers, agents, employees or any other Persons acting on their behalf has, in connection with the operation of their respective businesses, (a) used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to officials, candidates or members of any Government Authority or political party or organization, or established or maintained any unlawful or unrecorded funds in violation of Section 104 of the Foreign Corrupt Practices Act of 1977, as amended, or any other similar applicable foreign, federal or state Law, (b) paid, accepted or received any unlawful contributions, payments, expenditures or gifts, or (c) violated or operated in noncompliance with any export restrictions, anti-boycott regulations, embargo regulations or other applicable domestic or foreign Laws.

SECTION 2.20 Opinion of Financial Advisors. The Company Board has received the opinions of JPMorgan Securities Inc. and Greenhill & Co., LLC, dated the date hereof, to the effect that, as of such date, and subject to the various assumptions and qualifications set forth therein, the Merger Consideration is fair to the holders of Company Common Stock from a financial point of view, copies of which opinions will be made available to Parent promptly after the date hereof.

SECTION 2.21 Brokers and Other Advisors. Except for JPMorgan Securities Inc. and Greenhill & Co., LLC, the fees and expenses of which will be paid by the Company, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the Transactions based upon arrangements made by or on behalf of the Company or any of its Subsidiaries. The Company has provided Parent with true and complete information with respect to the fees payable to such advisors by the Company in connection with the Transactions.

SECTION 2.22 Section 912 of the NYBCL Not Applicable; State Takeover Statutes. Assuming the accuracy of Parent's representation and warranty contained in Section 3.10, the Company has taken all necessary actions so that the provisions of Section 912 of the NYBCL will not, before the termination of this Agreement, apply to this Agreement or any of the Transactions. To the Knowledge of the Company, no "fair price," "moratorium," "control share acquisition" or other similar federal or state antitakeover statute or regulation is applicable to the Merger or the other Transactions.

SECTION 2.23 Regulatory Proceedings. Other than fuel adjustment or purchase gas adjustment or similar adjusting rate mechanisms and except as

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disclosed in Section 2.23 of the Company Disclosure Letter or as otherwise permitted by the terms of this Agreement, none of the Company nor any of its Subsidiaries all or part of whose rates or services are regulated by a Governmental Authority (a) is a party to any rate proceeding before a Governmental Authority with respect to rates charged by the Company or any of its Subsidiaries, (b) has rates in any amounts that have been or are being collected subject to refund, pending final resolution of any rate proceeding pending before a Governmental Authority or on appeal to a court or (c) is a party to any Contract with any Governmental Authority entered into other than in the ordinary course of business consistent with past practice imposing conditions on rates or services in effect as of the date hereof or which, to the Knowledge of the Company, are as of the date hereof scheduled to go into effect at a later time, except in the cases of clauses (a) through (c) above that, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. No representation or warranty with respect to the Permits is made by this Section 2.23.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub jointly and severally represent and warrant to the Company that, except as set forth in the letter, dated as of the date hereof, delivered by the Parent to the Company simultaneously with the execution and delivery of this Agreement (the "Parent Disclosure Letter"), with specific reference to the particular Section or clause of this Agreement to which the information set forth in such letter relates (it being agreed that disclosure of any item in any section or subsection of the Parent Disclosure Letter shall be deemed disclosure with respect to any other section or subsection to which the relevance of such item is reasonably apparent):

SECTION 3.1 Organization and Standing. Parent is a corporation (*sociedad anónima*), duly organized, validly existing and in good standing under the Laws of the Kingdom of Spain and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the State of New York. Parent is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased or held under license by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not, individually or in the aggregate, reasonably be expected to impair in any material respect the ability of Parent to perform its obligations hereunder or prevent or materially delay consummation of the Transactions. Parent has previously made available to the Company complete and correct copies of a certificate in respect of the Parent issued by the Mercantile Registry of Vizcaya as to incorporation, existence, registration and absence of any filing for bankruptcy or liquidation and the certificate of incorporation and bylaws of Merger Sub, as amended to the date hereof.

SECTION 3.2 Authority: Noncontravention.

(a) Each of Parent and Merger Sub has all necessary power and authority to execute and deliver this Agreement, to perform its respective obligations hereunder and to



consummate the Transactions. The execution, delivery and performance by Parent and Merger Sub of this Agreement, and the consummation by Parent and Merger Sub of the Transactions, have been duly authorized and approved by their respective Boards of Directors or similar governing bodies (and not subsequently rescinded or modified in any way) and adopted by Parent as the sole shareholder of Merger Sub, and no other action on the part of Parent and Merger Sub is necessary to authorize the execution, delivery and performance by Parent and Merger Sub of this Agreement and the consummation by them of the Transactions. This Agreement has been duly executed and delivered by Parent and Merger Sub and, assuming due authorization, execution and delivery hereof by the Company, constitutes a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of them in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) Neither the execution and delivery of this Agreement by Parent and Merger Sub, nor the consummation by Parent or Merger Sub of the Transactions, nor compliance by Parent or Merger Sub with any of the terms or provisions hereof, will (i) result in a Violation of any provision of the certificate of incorporation or bylaws (or similar governing instruments) of Parent or Merger Sub or (ii) assuming that the Permits, orders, registrations and declarations referred to in Section 3.3 are obtained and the notices and filings referred to in Section 3.3 are made, (x) violate any Order or Law applicable to Parent, Merger Sub or any of their respective Subsidiaries, or (y) constitute or result in a Violation under any of the terms, conditions or provisions of any Contract to which Parent, Merger Sub or any of their respective Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or affected, except, in the case of sub-clause (ii), for such Violations as would not, individually or in the aggregate, reasonably be expected to impair the ability of Parent or Merger Sub to perform its respective obligations hereunder or prevent or materially delay consummation of the Transactions.

(c) No vote of the holders of any class or series of Parent's capital stock or other securities is necessary for the consummation by Parent of the Transactions.

SECTION 3.3 Governmental Approvals. Except for (i) the filing with the SEC of any filings required under, and compliance with other applicable requirements of, the Exchange Act and the rules and regulations of the NYSE and Blue Sky Laws, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of New York pursuant to the NYBCL, (iii) the Required Consents and (iv) the consents, approvals, waivers, filings, notices, declarations and registrations set forth in Section 3.3 of the Parent Disclosure Letter (the consents, approvals, waivers, filings, notices, declarations and registrations set forth in sub-clauses (iii) and (iv) above being hereinafter referred to as the "Parent Consents"), no consents, approvals or waivers of, or filings, notices, declarations or registrations with, any Governmental Authority are necessary for the execution, delivery and performance of this Agreement by Parent and Merger Sub or the consummation by Parent and Merger Sub of the Transactions, other than such other consents, approvals, waivers, filings, notices, declarations or registrations that, (i) if not obtained, made or given, would not, individually or in the aggregate, reasonably be expected to impair in any material respect the ability of Parent or Merger Sub to perform its respective obligations hereunder or prevent or materially delay consummation of the Transactions; or (ii) would reasonably be expected to be obtained from the relevant Governmental Authority at or prior to the Outside Date.

SECTION 3.4 Compliance. None of Parent, Merger Sub or their Affiliates are in Violation of any Law or Order of any Governmental Authority, except for such Violations that would not, individually or in the aggregate, reasonably be expected to impair in any material respect the ability of Parent or Merger Sub to perform its respective obligations hereunder or prevent or materially delay consummation of the Transactions.

SECTION 3.5 Information Supplied. The information supplied in writing by Parent for inclusion or incorporation by reference in the Proxy Statement will not, on the date it is first mailed to the holders of Company Common Stock, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and will not, at the time of the Company Shareholders Meeting, omit to state any material fact necessary to correct any statement in any earlier communication with respect to the Company Shareholders Meeting which shall have become false or misleading in any material respect.

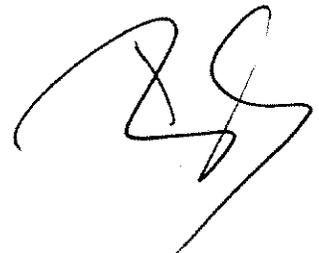
SECTION 3.6 Ownership and Operations of Merger Sub. Parent owns beneficially and of record all of the outstanding capital stock of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the Transactions, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

SECTION 3.7 Capital Resources. Parent and Merger Sub will have at the Effective Time sufficient immediately available funds to pay the Merger Consideration, consummate the Merger and the other Transactions and to pay all related fees and expenses contemplated hereby as being paid by Parent or Merger Sub.

SECTION 3.8 Legal Proceedings. As of the date hereof, there is no pending or, to the Knowledge of Parent, threatened, legal or administrative proceeding, claim, suit, action or investigation against or relating to Parent or any of its Subsidiaries, nor is there any injunction, order, judgment, ruling, writ or decree imposed upon Parent or any of its Subsidiaries, in each case, by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to impair in any material respect the ability of Parent to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

SECTION 3.9 Brokers and Other Advisors. The Company shall have no liability for any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, of any broker, investment banker, financial advisor or other Person in connection with the Transactions based upon arrangements made by or on behalf of Parent or any of its Subsidiaries.

SECTION 3.10 Ownership of Company Common Stock. Neither Parent nor any of its Affiliates beneficially owns (as defined in Rule 13d-3 of the Exchange Act) any Shares.



ARTICLE IV

ADDITIONAL COVENANTS AND AGREEMENTS

SECTION 4.1 Conduct of Business.

(a) Except as contemplated or permitted by this Agreement or as required by applicable Law or as contemplated by Section 4.1(a) of the Company Disclosure Letter, during the period from the date of this Agreement until the Effective Time, unless Parent otherwise consents in writing (which consent shall not be unreasonably withheld or delayed), the Company shall, and shall cause each of its Subsidiaries to, conduct its business in the usual, regular and ordinary course consistent with past practice and good utility practice and (i) use its reasonable best efforts to preserve intact in all material respects (w) its business organization, (x) its relationships with customers, suppliers and other Persons having material business dealings with it, and (y) its goodwill, and (ii) subject to prudent management of its workforce and business needs, use its reasonable best efforts to keep available in all material respects the services of its officers and employees, in each case as of the date hereof, and, without limiting the generality of the foregoing, the Company shall not, and shall not permit any Subsidiary of the Company to:

(i) issue, sell, pledge, grant, transfer, encumber, dispose of, or authorize the issuance, sale, pledge, grant, transfer, encumbrance or disposition of any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for any shares of its capital stock, or any Options; provided that the Company may issue shares of Company Common Stock in the ordinary course of business consistent with past practice in connection with (A) the issuance of Company Common Stock pursuant to the terms of the Company ESPPs, (B) the issuance of Company Common Stock upon exercise or settlement of the Company Employee Stock Options, (C) the granting of awards of restricted shares, stock options, stock appreciation or similar rights, as the case may be, pursuant to Company Plans in the ordinary course of the operation of such Company Plans, provided that the aggregate number of shares of Company Common Stock issuable upon the exercise or settlement, as the case may be, of any such awards granted after the date hereof shall not exceed (x) in the case of restricted shares, 500,000 shares, and (y) in the case of Company Employee Stock Options, stock appreciation or similar rights, 1,100,000 shares, or (D) subject to the restrictions in Section 4.18, the issuance of securities by the Company pursuant to the Company Investor Services Program;

(ii) (A) issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock, (B) split, combine, subdivide or reclassify any shares of its capital stock, or (C) enter into any agreement with respect to the voting of its capital stock;

(iii) declare, set aside for payment or pay any dividend on, or make any other distribution in respect of, any shares of its capital stock other than (A) by a Subsidiary of the Company (provided that the Company or a Subsidiary of the Company receives its proportionate share of such dividend or distribution), (B) dividends required to be paid on preferred stock of any Subsidiaries in accordance with their terms, (C) regular dividends on the Company Common Stock with usual record and payment dates at a rate not in excess of \$0.30

per share per quarter and, beginning in the fourth quarter of 2007, at a rate not in excess of \$0.31 per share per quarter, or (D) with respect to any quarter in which the Effective Time occurs, a special dividend with respect to Company Common Stock in an amount consisting of the pro rata portion of the dividend permitted under sub-clause (C), for the period from and including the ex-dividend date (as referred to in Rule 235 of the New York Stock Exchange Constitution and Rules) through, but not including, the day of the Effective Time;

(iv) directly or indirectly redeem, purchase or otherwise acquire any of its outstanding shares of capital stock or any Options, except in the ordinary course of business consistent with past practice and pursuant to written commitments in effect as of the date hereof, including Company Plans in the ordinary course of the operation of such plans and the terms of any series of preferred stock of any Subsidiary;

(v) (A) incur any new indebtedness for borrowed money or guarantee any such indebtedness, other than amounts not in excess of \$300,000,000 in the aggregate outstanding at any time, (B) enter into any "keep well" or other agreement to maintain the financial condition of any Person other than the Company or any of its Subsidiaries, (C) make any loans, advances or capital contributions to, or investments in, any Person other than the Company or any of its Subsidiaries in excess of \$50,000,000 in the aggregate, (D) repurchase or prepay any indebtedness for borrowed money in excess of \$100,000,000 in the aggregate, except as required by the terms of such indebtedness or for payments of amounts outstanding under the Company's existing credit facility in the ordinary course of business, or (E) enter into any Contract having the economic effect of any of the foregoing (including any capital leases, "synthetic" leases or conditional sale or other title retention agreements) other than (i) refinancing and new indebtedness in the amounts set forth in Section 4.1(a)(v) of the Company Disclosure Letter, (ii) short-term borrowings up to the current limit of any revolving credit facility set forth on Section 2.12 of the Company Disclosure Letter and for new short-term facilities in an aggregate principal amount not to exceed \$50,000,000 outstanding at any time for working capital in the ordinary course of business consistent with past practice, (iii) letters of credit obtained in the ordinary course of business consistent with past practice; (iv) indebtedness for borrowed money in connection with the refinancing of existing indebtedness (including any pre-funding, repurchase or exchange) at its stated maturity or a lower cost of funds (calculating such cost on an aggregate present-value after-Tax basis), in each case, in an amount equal to or less than the amount of indebtedness to be refinanced;

(vi) sell, lease, transfer, pledge, grant any security interest in or otherwise dispose of or encumber any of its properties or assets that are, individually or in the aggregate, material to the Company and its Subsidiaries, except (A) dispositions of obsolete or worthless equipment or assets, (B) dispositions of assets being replaced, (C) dispositions of assets in accordance with the terms of restructuring and divestiture plans required by Governmental Authorities prior to the date hereof and disclosed in Section 4.1(a)(vi)(C) of the Company Disclosure Letter, (D) pursuant to Contracts in force at the date hereof and disclosed in Section 4.1(a)(vi)(D) of the Company Disclosure Letter, or (E) dispositions of properties or assets set forth in Section 4.1(a)(vi)(E) of the Company Disclosure Letter;

(vii) make capital expenditures that in the aggregate, exceed one hundred ten per cent (110%) of the amount to be expended (taking into account the anticipated

timing of such expenditures) in any fiscal year as reflected in the Company's 2007 – 2008 forecasts of capital expenditures (copies of which have been provided to Parent prior to the date of this Agreement), except (A) capital expenditures required by applicable Law or Governmental Authorities, (B) capital expenditures in connection with the repair or replacement of facilities destroyed or damaged due to casualty or accident (whether or not covered by insurance) necessary to provide or maintain safe, adequate and reliable electric and natural gas service (after prior consultation with Parent), or (C) capital expenditures relating to matters identified in Section 4.1(a)(vii) of the Company Disclosure Letter;

(viii) make or agree to make any acquisition of or investment in (including by merger, consolidation, acquisition of stock or otherwise) the capital stock of any Person other than the Company or any of its Subsidiaries or (except in the ordinary course of business consistent with past practice) a material portion of the assets of any Person other than the Company or any of its Subsidiaries for consideration in excess of \$50,000,000 in the aggregate, other than acquisitions or investments identified in Section 4.1(a)(viii) of the Company Disclosure Letter;

(ix) (A) increase in any respect the compensation, bonus or fringe benefits of any director, officer, employee or consultant, other than (x) as required by Contract or pursuant to applicable Law, and (y) increases in salaries, wages and benefits of employees (other than executive officers) made in the ordinary course of business consistent with past practice, or (B) enter into or renew any Contract (other than a renewal occurring in accordance with the terms thereof) providing for the payment to any director, officer, employee or consultant compensation or benefits contingent, or the terms of which are materially altered, upon the occurrence of any of the transactions contemplated by this Agreement;

(x) other than in the ordinary course of business consistent with past practice or pursuant to any Contract or any Company Plan in existence on the date hereof or entered into after the date hereof to the extent permitted by the terms of this Agreement, (A) pay any benefit not provided for under any Contract or Company Plan (other than the payment of cash compensation in the ordinary course of business consistent with past practice), (B) take any action to fund or in any other way secure the payment of compensation or benefits under any Contract or Company Plan (C) exercise any discretion to accelerate the vesting or payment of any compensation or benefit under any Contract or Company Plan, other than as provided in the Employment Agreement, (D) enter into or adopt any new employee benefit plan or arrangement or amend, modify or terminate (except as may be required (i) by applicable Law, (ii) to avoid the imposition of any tax or penalty under Section 409A of the Code or (iii) applicable Tax qualification requirements) any existing Company Plan, other than as provided in the Employment Agreement, (E) grant the right to receive any severance, termination or retention pay, or increases therein, or (F) pay any benefit or grant to or amend or modify any award, including in respect of stock options or other equity-related award, in each case described in sub-clauses (A) through (F) above for the benefit of any current or former director, officer, employee or consultant of the Company or any Subsidiary of the Company;

(xi) other than in the ordinary course of business consistent with past practice (A) make, revoke, amend or change any material election concerning Taxes, (B) settle or compromise any material Tax liability that has not been accrued or otherwise reflected on the



Company Financial Statements, (C) file any amended Tax Return to the extent such amendment could negatively affect the Company's Financial Statements in a material manner, (D) enter into any closing agreement to the extent any such agreement would negatively affect the Company's Financial Statements in a material manner, or (E) extend or waive the application of any statute of limitations regarding the assessment or collection of any material Tax (except with respect to regular and routine extensions of Tax Returns), provided, however, that Parent shall be deemed to have consented to any request with respect to sub-clauses (A) and (C) above to the extent that Parent does not notify the Company or any of its Subsidiaries of its consent or withholding of consent within ten (10) business days of receipt of the request made by the Company or any of its Subsidiaries;

(xii) make any material changes in financial or Tax accounting methods, policies, principles or practices (or change an annual accounting period), except insofar as may be required by GAAP (or a change in GAAP) or applicable Law or regulation;

(xiii) amend or propose to amend any of the Company Charter

Documents;

(xiv) adopt a plan or agreement of complete or partial liquidation or dissolution;

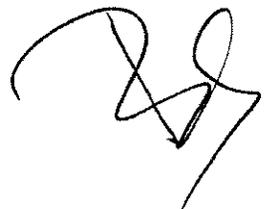
(xv) adopt, enter into, renew or extend any collective bargaining agreement or other labor union Contract applicable to the employees of the Company or any Subsidiary of the Company, except (x) as may be required to comply with Section 1.9(d), (y) in connection with any collective bargaining agreement or other labor union Contract currently being renewed or extended, or (z) as is necessary to prevent the expiration of any such agreement or Contract;

(xvi) fail to maintain with financially responsible insurance companies (or through self-insurance not inconsistent with past practice) insurance in such amounts and against such risks and losses consistent with the insurance policies presently maintained by the Company;

(xvii) notwithstanding anything to the contrary contained herein, make any acquisition or investment in or enter into any line of business that is not conducted by the Company or any of its Subsidiaries as of the date hereof;

(xviii) except to the extent permitted under any other clause of this Section 4.1(a), enter into, amend or modify any Contract which (A) is reasonably expected to remain in effect after the Effective Time, and (B) could reasonably be expected to involve payments to or by the Company or any of its Subsidiaries that exceed \$10,000,000 in the aggregate.

(xix) settle any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, except (A) in the ordinary course of business consistent with past practice, (B) settlements to the extent subject to reserves existing as of the date hereof in accordance with GAAP, or (C) the settlement of any claim, action, suit,



proceeding or investigation that would not reasonably be expected to have a Company Material Adverse Effect;

(xx) enter into any Contracts that materially limit or otherwise materially restrict the Company or any of its Subsidiaries or any of their respective Affiliates or any successor thereto or that could, after the Effective Time, materially limit or restrict Parent or any of its Affiliates (including the Surviving Corporation) or any successor thereto, from engaging or competing in any line of business or product line or in any geographic area;

(xxi) (x) enter into any Contract for the purchase and/or sale of capacity or energy (a "Power Agreement") other than any Power Agreement entered into in the ordinary course of business consistent with past practice or any Power Agreement that is fully compliant with the Company Hedging Guidelines or (y) change the Company Hedging Guidelines in any material respect;

(xxii) except as disclosed in Section 4.1(a)(xxii) of the Company Disclosure Letter, retire, commit to retire or otherwise indicate an intention to retire any generation facility of the Company or any of its Subsidiaries;

(xxiii) take any action that is intended or is reasonably likely to result in any of the conditions to the Merger set forth in Article V not being satisfied; or

(xxiv) enter into any Contract with respect to, or otherwise commit or agree to take, any of the foregoing actions in this Section 4.1(a).

(b) Except as contemplated or permitted by this Agreement, required by applicable Law or as otherwise indicated in Section 4.1(b) of the Parent Disclosure Letter, during the period from the date of this Agreement until the Effective Time, unless the Company otherwise consents in writing (which consent shall not be unreasonably withheld or delayed), Parent shall not, and shall not permit any of its Subsidiaries to take, or agree or commit to take, any action that would reasonably be expected to (i) impose any material delay in the obtaining of any Company PUC Consent, or significantly increase the risk of not obtaining, any authorizations, consents, orders, waivers, declarations, registrations or approvals of any Governmental Authority necessary to consummate the Transactions or for the expiration or termination of any applicable waiting period, (ii) significantly increase the risk of any Governmental Authority entering an order prohibiting the consummation of the Transactions or (iii) otherwise prevent or materially delay the consummation of the Transactions.

SECTION 4.2 Other Offers; Etc.

(a) The Company shall, and shall use its reasonable best efforts to cause its and its Subsidiaries' respective directors, officers, employees, agents, investment bankers and other representatives (collectively, "Representatives") to, immediately cease any negotiations that may be ongoing as of the date hereof with any Person with respect to a Takeover Proposal and shall request the prompt return or destruction of all confidential information furnished in connection therewith. During the period from the date of this Agreement until the Effective Time, or such earlier date as this Agreement may be terminated in accordance with its terms, the Company and its Subsidiaries shall not, and the Company shall direct and use its reasonable best



efforts to cause its and its Subsidiaries' Representatives not to, (i) solicit, initiate, facilitate or knowingly encourage any inquiries, proposals or offers with respect to, or the making or completion of a Takeover Proposal or any inquiry, proposal or offer that is reasonably likely to lead to a Takeover Proposal or (ii) except to inform Persons of the existence of the provisions contained in this Section 4.2, participate in any discussions or negotiations with, or furnish any non-public information to, any Person regarding, or that is reasonably likely to lead to, any written Takeover Proposal. Notwithstanding the foregoing, at any time prior to, but not after, obtaining the Company Shareholder Approval, (x) the Company and its Representatives may have discussions with any Person that has made an unsolicited written Takeover Proposal after the date hereof in order to clarify and understand the terms and conditions of such proposal and (y) if the Company Board (A) receives an unsolicited written Takeover Proposal after the date hereof that it determines in good faith (after consultation with outside legal counsel and a financial advisor of nationally recognized reputation) constitutes or could reasonably be expected to lead to a Superior Proposal and (B) determines in good faith (after consultation with outside legal counsel) that the failure to take any of the following actions could be inconsistent with the fiduciary duties of the Company Board under applicable Law, the Company may furnish information with respect to the Company and its Subsidiaries to the Person making such Takeover Proposal (provided that the Company shall only provide non-public information pursuant to a confidentiality and standstill agreement not less restrictive to the recipient thereof in the aggregate than the Confidentiality Agreement, provided that such confidentiality agreement may allow such Person to submit to the Company a proposal or offer relating to such Takeover Proposal), and participate in discussions and negotiations with such Person regarding such Takeover Proposal and, to the extent reasonably required to evaluate a Takeover Proposal that includes the issuance of securities by the Person making such Takeover Proposal, may enter into a customary confidentiality agreement in order to obtain non-public information with respect to such Person. The Company shall not, and shall cause each of its Subsidiaries not to, terminate, waive, amend or modify any provision of, or grant permission or request under, any standstill or confidentiality agreement to which it or any of its Subsidiaries is a party, and the Company shall, and shall cause its Subsidiaries to, use reasonable best efforts to enforce the provisions of any such agreement; provided, however, that the Company may allow submission to the Company of a proposal or offer relating to a Takeover Proposal. Any violation of the restrictions set forth in this Section 4.2 by any Representative of the Company or its Subsidiaries, whether or not such Representative is purporting to act on behalf of the Company or otherwise, shall be deemed to be a breach of this Section 4.2 by the Company. To the extent that the Company provides any material non-public information concerning the Company or any of its Subsidiaries to any person making a Takeover Proposal which was not previously provided or made available to Parent, the Company shall make such information available to Parent as soon as practicable after making such information available to the person making the Takeover Proposal.

(b) Except as expressly permitted by this Section 4.2(b), (i) the Company Board shall not (A) withdraw or modify, in a manner adverse to Parent, or publicly propose to withdraw or modify in any manner adverse to the Parent, its recommendation that the holders of Company Common Stock adopt this Agreement (the "Company Recommendation") or (B) publicly approve or recommend or publicly propose to approve or recommend to the holders of Company Common Stock a Takeover Proposal (any action described in this sub-clause (i) being referred to as a "Company Adverse Recommendation Change") and (ii) neither the Company nor



any of its Subsidiaries shall enter into any letter of intent or merger, acquisition or similar agreement with respect to any Takeover Proposal (each, a “Company Acquisition Agreement”), other than a confidentiality agreement subject to the requirements of Section 4.2(a). Notwithstanding the foregoing, prior to the Company Shareholder Approval, subject to Section 4.2(c), if the Company Board (A) receives an unsolicited written Takeover Proposal after the date hereof that it determines in good faith (after consultation with outside legal counsel and a financial advisor of nationally recognized reputation) constitutes a Superior Proposal and did not result from a breach of this Section 4.2 and (B) determines in good faith (after consultation with outside legal counsel) that the failure to take any of the following actions would be inconsistent with the fiduciary duties of the Company Board under applicable Law, the Company Board may (1) make a Company Adverse Recommendation Change and/or (2) cause the Company to enter into a Company Acquisition Agreement with respect to such Superior Proposal, but only if the Company shall have concurrently with entering into such Company Acquisition Agreement terminated this Agreement pursuant to Section 6.1(c)(i).

(c) If the Company Board determines to effect a Company Adverse Recommendation Change as provided in sub-clause (1) of the second sentence of Section 4.2(b) or to authorize the Company to enter into a Company Acquisition Agreement as provided in sub-clause (2) of the second sentence of Section 4.2(b), such Company Adverse Recommendation Change or Company Acquisition Agreement (as applicable) may only become effective after the end of the fourth (4th) calendar day following Parent’s receipt of written notice from the Company (an “Adverse Recommendation Notice”) advising Parent that the Company Board intends to effect such Company Adverse Recommendation Change or to authorize the Company to enter into such Company Acquisition Agreement, which notice shall contain the identity of the Person making the Superior Proposal and the material terms and conditions of such Superior Proposal to the extent such information has not previously been provided to Parent; provided that any material amendment to the terms of such Superior Proposal after the initial Adverse Recommendation Notice shall require a new Adverse Recommendation Notice and restart the notice period referred to above, but such notice period shall then be two (2) business days. In determining whether to permit the Company to effect a Company Adverse Recommendation Change or to enter into a Company Acquisition Agreement in response to a Superior Proposal, the Company Board shall take into account in good faith any changes to the terms of this Agreement proposed by Parent.

(d) The Company shall promptly (and in any event within twenty-four (24) hours) advise Parent orally and in writing of (i) any inquiries, proposals or offers regarding any Takeover Proposal, (ii) any request for information relating to the Company or its Subsidiaries, other than requests for information not reasonably expected to be related or lead to a Takeover Proposal, and (iii) any inquiry or request for discussion or negotiation regarding or that would reasonably be expected to result in a Takeover Proposal, including in each case the identity of the person making any such Takeover Proposal or indication or inquiry or offer or request and the material terms and conditions of any such Takeover Proposal or indication or inquiry or offer. Without limiting the foregoing, the Company shall promptly (and in any event within twenty-four (24) hours) notify Parent in writing if it determines to provide non-public information to a Person contemplating making, or to engage in discussions or negotiations concerning, a Takeover Proposal pursuant to this Section 4.2. The Company shall keep Parent reasonably informed on a current basis of the occurrence of any significant changes regarding



any such Takeover Proposal or indication or inquiry or offer or any material developments relating thereto.

(e) Nothing in this Section 4.2 shall prohibit the Company Board from taking and disclosing to the Company's shareholders a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation MA promulgated under the Exchange Act, or other applicable Law, if the Company Board determines, after consultation with outside legal counsel, that failure to so disclose such position could constitute a violation of applicable Law and any such disclosure which would otherwise constitute a Company Adverse Recommendation Change, shall be deemed to be a Company Adverse Recommendation Change unless the Company Board expressly publicly reaffirms its Company Recommendation within five (5) business days after such communication. In addition, it is understood and agreed that, for purposes of this Section 4.2, a factually accurate public statement by the Company that describes the Company's receipt of a Takeover Proposal and the operation of this Agreement with respect thereto and contains a "stop-look-and-listen communication" shall not be deemed a Company Adverse Recommendation Change.

SECTION 4.3 Proxy Statement.

(a) As promptly as practicable after the date hereof, the Company shall prepare and file with the SEC a preliminary proxy statement relating to the Company Shareholders Meeting (together with any amendments thereof or supplements thereto, the "Proxy Statement") in compliance with the applicable provisions of the Exchange Act. The Company will use all commercially reasonable efforts to respond to any comments made by the SEC with respect to the Proxy Statement. Parent shall cooperate with the Company in connection with the preparation of the Proxy Statement, and shall furnish all information concerning Parent and Merger Sub as the Company may reasonably request in connection with the preparation of the Proxy Statement. The Company will provide Parent with a reasonable opportunity to review and comment on the Proxy Statement, any amendment or supplement to the Proxy Statement and any written response to any comments or inquiry from the SEC prior to filing or providing such with or to the SEC, shall include in such document or response any comments reasonably proposed by Parent and will provide Parent with a copy of all such filings made with the SEC. Subject to Section 4.2(b), the Proxy Statement shall include the Company Recommendation.

(b) The Company will advise Parent as promptly as practicable after it receives notice of any request by the SEC for amendment of the Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information.

(c) The Company agrees that none of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the Proxy Statement or any supplemental proxy, at the time of mailing thereof and at the time of the Company Shareholders Meeting, will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Parent agrees that none of the information supplied or to be supplied by Parent for inclusion or incorporation by reference in the Proxy Statement or any supplemental proxy, at the time of mailing thereof and at the time of

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the Company Shareholders Meeting, will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.4 Company Shareholders Meeting. The Company shall duly call, give notice of, convene and hold an annual or special meeting of the Company's shareholders (the "Company Shareholders Meeting") as promptly as reasonably practicable following the date hereof (it being understood that the Company's current intention is to use its reasonable efforts to hold such meeting prior to December 31, 2007) for the purpose of voting upon the adoption of this Agreement and approval of the Merger and the other Transactions and, in connection therewith, the Company shall mail the Proxy Statement to the holders of Company Common Stock in advance of such meeting. Subject to Section 4.2, the Company shall take all lawful action to (i) solicit from the holders of Company Common Stock proxies in favor of the adoption of this Agreement and approval of the Merger and the other Transactions and (ii) take all other actions necessary or advisable to secure the vote or consent of the holders of Company Common Stock required by applicable Law to obtain such approval; provided that the Company may (and at the request of the Parent shall) extend the date of the Company Shareholders Meeting to the extent (A) necessary in order to obtain a quorum of its shareholders or (B) the Company reasonably determines that such delay is required by applicable Law. At the Company Shareholders Meeting, Parent and its Affiliates will vote all Shares owned by them, if any, in favor of adoption of this Agreement and approval of the Merger. The Company shall not be required to hold the Company Shareholders Meeting if this Agreement is terminated before that meeting is held.

SECTION 4.5 Reasonable Best Efforts.

(a) Subject to the terms and conditions of this Agreement, each of the Parties shall cooperate with the other Parties and use (and shall cause their respective Subsidiaries to use) their respective reasonable best efforts to promptly (i) take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the conditions to Closing to be satisfied as promptly as practicable and to consummate and make effective, in the most expeditious manner practicable, the Transactions, including preparing and filing promptly and fully all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents (including any required or recommended filings under applicable federal and state securities Laws, Antitrust Laws or the Required Consents), (ii) obtain all approvals, consents, registrations, permits, authorizations and other confirmations from, and make all appropriate filings and submissions with, any Governmental Authority or other Person necessary, proper or advisable to consummate the Transactions and obtain the Required Consents and (iii) ensure that all proceedings to be taken on its part in connection with the Transactions at the Closing shall be reasonably satisfactory in form and substance to the other Party, and that the other Party shall receive copies of all such documents and other evidences as such Party shall reasonably request in order to establish the consummation of the Transactions and the taking of all proceedings in connection therewith.

(b) In furtherance and not in limitation of the foregoing, (i) each Party agrees to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with

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respect to the Transactions and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and to take, or cause to be taken, all other actions consistent with this Section 4.5 necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act as soon as practicable and (ii) the Company and Parent shall each use its reasonable best efforts to (x) take all action necessary to ensure that no state takeover statute or similar Law is or becomes applicable to any of the Transactions and (y) if any state takeover statute or similar Law becomes applicable to any of the Transactions, take all action necessary to ensure that the Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise minimize the effect of such Law on the Transactions.

(c) In furtherance and not in limitation of the covenants of the Parties contained in this Section 4.5, each of the Parties shall use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing, submission or other communication with a Governmental Authority in connection with the Transactions (including obtaining the Required Consents or the Parent Consents, as applicable) and in connection with any action, proceeding, investigation or other inquiry instituted (or threatened to be instituted) by or before a Governmental Authority or other Person relating to the Transactions, including any action or proceeding initiated by a private party and (ii) keep the other Parties informed in all material respects and on a reasonably timely basis of any material communication received by such Party from, or given by such Party to, the Federal Trade Commission, the Antitrust Division of the Department of Justice, or any other Governmental Authority and of any material communication received or given in connection with any proceeding by any other Person, in each case regarding any of the Transactions. Subject to applicable Laws relating to the exchange of information, each of the Parties shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to the other Parties and their respective Subsidiaries, as the case may be, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Authority in connection with the Transactions (including obtaining the Required Consents or the Parent Consents, as applicable).

(d) Each of the Parties shall use its reasonable best efforts to resolve such objections or suits, if any, as may be asserted or instituted (or threatened to be asserted or instituted) by a Governmental Authority or other Person with respect to the Transactions. Without limiting any other provision hereof, each of the Parties shall each (i) use its reasonable best efforts to avoid the entry of, or to have vacated or terminated, any Order that would restrain, prevent or delay the consummation of the Transactions on or before the Outside Date, including by defending through litigation on the merits any claim asserted in any court by any Person and (ii) avoid or eliminate each and every impediment under any Antitrust Law that may be asserted by any Governmental Authority with respect to the Transactions so as to enable the consummation of the Transactions to occur as soon as reasonably possible (and in any event no later than the Outside Date) including, in order to resolve such objections or suits, by taking all such actions, including (x) proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of such assets or businesses of the Company or its Subsidiaries and (y) otherwise taking or committing to take actions with respect to, or its ability to retain, one or more of its, or its Subsidiaries', businesses, product lines or assets, in each case, as may be required in order to resolve such objections or

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suits or to avoid the entry of, or to effect the dissolution of, any Order in any suit or proceeding, which would otherwise have the effect of preventing or materially delaying the consummation of the Transactions.

SECTION 4.6 Public Announcements. The initial press release with respect to the execution of this Agreement shall be a joint press release to be reasonably agreed upon by Parent and the Company. Thereafter, the Company and Parent shall cooperate to develop a joint communications plan and cooperate (i) to ensure that all press releases and other public statements with respect to the Transactions shall be consistent with such joint communications plan, and (ii) unless otherwise required by Law, applicable fiduciary duties or by any listing standard of the NYSE, to consult with each other before issuing any press release or otherwise making any public statement with respect to this Agreement or the Transactions.

SECTION 4.7 Access to Information; Confidentiality. Subject to applicable Laws relating to the exchange of information and upon reasonable notice, the Company shall afford to Parent and Parent's Representatives reasonable access during normal business hours to the officers, employees, accountants, properties, books, Contracts and records of the Company and its Subsidiaries (including any Tax Returns) and the Company shall (and shall cause its Subsidiaries to) furnish promptly to Parent (i) a copy of each report, schedule and other document filed, published, announced or received by it prior to the Effective Time pursuant to the requirements of applicable federal or state securities Laws and rules and regulations promulgated thereunder and (ii) other information concerning the business, properties, assets and personnel of the Company and its Subsidiaries as Parent may reasonably request; provided, however, that the Company shall not be obligated to provide such access or information if the Company determines, in its reasonable judgment, that doing so would violate applicable Law or a Contract or obligation of confidentiality owing to a third Person or jeopardize the protection of an attorney-client privilege. Until the Effective Time, the information provided pursuant to this Agreement will be subject to the terms of the letter, dated as of October 11, 2006, between Parent and the Company (as it may be amended from time to time, the "Confidentiality Agreement"), which shall survive the termination of this Agreement in accordance with the terms of the Confidentiality Agreement.

SECTION 4.8 Notification of Certain Matters.

(a) The Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (i) any notice or other communication received by such Party from any Governmental Authority in connection with the Transactions or from any other Person alleging that the consent of such Person is or may be required in connection with the Transactions and (ii) any actions, suits, claims, investigations or proceedings commenced or, to such Party's Knowledge, threatened against, relating to or involving or otherwise affecting such Party or any of its Subsidiaries which, in the case of either sub-clause (i) or (ii) above, would reasonably be likely to have a Company Material Adverse Effect or prevent or materially delay consummation of the Transactions.

(b) Each of Parent, Merger Sub and the Company will notify the other of, and will use its reasonable best efforts to cure before the Closing, any event, transaction or circumstance, as soon as practical after it becomes known to such party, that causes or will cause

any covenant or agreement of Parent, Merger Sub or the Company under this Agreement to be breached or that renders or will render untrue any representation or warranty of Parent, Merger Sub or the Company contained in this Agreement. Each of Parent, Merger Sub and the Company also will notify the other in writing of, and will use its reasonable best efforts to cure, before the Closing, any violation or breach, as soon as practical after it becomes known to such party, of any representation, warranty, covenant or agreement made by Parent, Merger Sub or the Company. No notice given pursuant to this Section 4.8 shall have any effect on the representations, warranties, covenants or agreements contained in this Agreement for purposes of determining satisfaction of any condition contained herein.

SECTION 4.9 Indemnification and Insurance.

(a) From and after the Effective Time, Parent shall, and shall cause the Company and the Surviving Corporation to, (i) indemnify and hold harmless each individual who at the Effective Time is, or at any time prior to the Effective Time was, a director, officer, employee or agent of the Company or of a Subsidiary of the Company (each, an “Indemnitee” and, collectively, the “Indemnitees”) with respect to all claims, liabilities, losses, damages, judgments, fines, penalties, costs (including amounts paid in settlement or compromise) and expenses (including reasonable fees and expenses of legal counsel) in connection with any claim, suit, action, proceeding or investigation (whether civil, criminal, administrative or investigative), whenever asserted, based on or arising out of, in whole or in part, acts or omissions by an Indemnitee in the Indemnitee’s capacity as a director, officer, employee or agent of the Company or such Subsidiary or taken at the request of the Company or such Subsidiary (including in connection with serving at the request of the Company or such Subsidiary as a director, officer, employee or agent of another Person (including any employee benefit plan)), at, or at any time prior to, the Effective Time (including in connection with the Transactions), to the fullest extent permitted under applicable Law, and (ii) assume all obligations of the Company and such Subsidiaries to the Indemnitees in respect of indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time as provided in (x) the Company Charter Documents as currently in effect and (y) the indemnification agreements with any of the Indemnitees in effect as of the date hereof, which shall survive the Transactions and continue in full force and effect in accordance with their respective terms. Without limiting the foregoing, Parent, from and after the Effective Time until the applicable statute of limitation period shall have expired, shall cause the certificate of incorporation and bylaws of the Surviving Corporation to contain provisions no less favorable to the Indemnitees with respect to limitation of liabilities of directors and officers and indemnification than are set forth as of the date of this Agreement in the Company Charter Documents, which provisions shall not be amended, repealed or otherwise modified in a manner that would adversely affect the rights thereunder of the Indemnitees. In addition, from and after the Effective Time, Parent shall, and shall cause the Company and the Surviving Corporation to, pay any expenses (including reasonable fees and expenses of legal counsel) of any Indemnitee under this Section 4.9 (including in connection with enforcing the indemnity and other obligations provided for in this Section 4.9) as incurred to the fullest extent permitted under applicable Law; provided that the individual to whom expenses are advanced provides an undertaking to repay such advances to the extent required by applicable Law.

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(b) Any Indemnitee wishing to claim indemnification under this Section 4.9, upon learning of any such claim, action, suit, proceeding or investigation, shall notify Parent, the Company and the Surviving Corporation, but the failure to so notify Parent, the Company and the Surviving Corporation shall not relieve such party from any liability which it may have under this paragraph except to the extent such failure materially prejudices Parent, the Company and/or the Surviving Corporation. An Indemnitee shall have the right, but not the obligation, to assume and control the defense of any litigation, claim or proceeding relating to any acts or omissions covered under this Section 4.9 (each, a "Claim") with counsel selected by the Indemnitee, which counsel shall be reasonably acceptable to Parent; provided, however, that (i) Parent (A) shall be permitted to participate in the defense of such Claim at its own expense and (B) shall not be liable for any settlement effected without Parent's written consent, which consent shall not be unreasonably withheld, conditioned or delayed and (ii) the Indemnitees as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Indemnitees, in which case, the Indemnitees may retain more than one law firm but Parent shall only be required to pay the reasonable and documented fees and expenses of one additional law firm as determined by Parent. Each of Parent, the Company, the Surviving Corporation and the Indemnitees shall cooperate in the defense of any Claim and shall provide access to properties and individuals as reasonably requested and furnish or cause to be furnished records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

(c) For the six-year period commencing immediately after the Effective Time (and for so long thereafter as any Claims thereunder are being adjudicated), Parent shall maintain in effect the Company's current directors' and officers' liability insurance covering acts or omissions occurring at or prior to the Effective Time with respect to those individuals who are as of the date hereof (and any additional individuals who prior to the Effective Time become) covered by the Company's directors' and officers' liability insurance policy on terms with respect to such coverage, and in amount, not less favorable to such individuals than those of such policy in effect on the date hereof (or Parent may substitute therefor policies, issued by reputable insurers, of at least the same coverage with respect to matters occurring prior to the Effective Time); provided, however, that, if the aggregate annual premiums for such insurance shall exceed two hundred per cent (200%) of the aggregate annual premiums paid by the Company as of the date hereof, then Parent shall provide or cause to be provided a policy for the applicable individuals with the best coverage as shall then be available at an annual premium of two hundred per cent (200%) of the current aggregate annual premium.

(d) The provisions of this Section 4.9 are (i) intended to be for the benefit of, and shall be enforceable by, each Indemnitee, his heirs and his representatives and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such individual may have by Contract or otherwise. The obligations of Parent and the Surviving Corporation under this Section 4.9 shall not be terminated or modified in such a manner as to adversely affect the rights of any Indemnitee to whom this Section 4.9 applies unless (x) such termination or modification is required by applicable Law or (y) the affected Indemnitee shall have consented in writing to such termination or modification (it being expressly agreed that the Indemnitees to whom this Section 4.9 applies shall be third-party beneficiaries of this Section 4.9).

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(e) In the event that Parent, the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Parent and the Surviving Corporation shall assume all of the obligations thereof set forth in this Section 4.9.

SECTION 4.10 Fees and Expenses. Except as provided in this Section 4.10 and Section 6.4, all fees and expenses incurred in connection with this Agreement and the Transactions shall be paid by the Party incurring such fees or expenses, whether or not the Transactions are consummated.

SECTION 4.11 Rule 16b-3. Prior to the Effective Time, the Company and Parent shall take such steps as may be reasonably requested by any Party to cause dispositions of Company equity securities (including derivative securities) pursuant to the Transactions by each individual who is a director or officer of the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act in accordance with that certain No-Action Letter dated January 12, 1999 issued by the SEC regarding such matters.

SECTION 4.12 Employee Matters.

(a) Without limiting any of the obligations of Parent set forth in this Section 4.12, effective as of the Effective Time, Parent shall continue or establish, or cause to be continued or established, employee compensation and benefit plans, programs, policies and arrangements (including fringe benefits and severance pay) that will provide benefits and compensation to each of the employees of the Company and its Subsidiaries (the "Continued Employees") (and, if applicable, their eligible beneficiaries) for a period of at least 18 months after the Effective Time (or such longer period as may be required by applicable Law) that are substantially comparable in the aggregate to those provided by the Company and its Subsidiaries to each of the Continued Employees (and, if applicable, their eligible beneficiaries) immediately prior to the Effective Time. Without limiting the foregoing, Parent and its Affiliates shall (i) honor all employment, severance and change-in-control agreements by and between the Company or its Subsidiaries and any current or former employee and (ii) for the longer of 18 months following the Effective Time and the period during which such benefits are required to be provided by the terms of the applicable Company Plan, continue to maintain for each Continued Employee the severance arrangements maintained by the Company or any of its Subsidiaries for each such Continued Employee immediately prior to the Effective Time.

(b) For purposes of vesting, eligibility to participate and level of benefits (but not benefit accrual under pension or similar plans) under the employee benefit plans of Parent and its Affiliates which provide benefits to any Continued Employees after the Effective Time (the "New Plans"), each Continued Employee shall be credited with his years of service with the Company and its Subsidiaries before the Effective Time, to the same extent as such Continued Employee was entitled, before the Effective Time, to credit for such service under any similar Continued Employee benefit plan in which such Continued Employee participated or was eligible to participate immediately prior to the Effective Time, provided that the foregoing shall not apply to the extent that its application would result in a duplication of benefits. In addition,

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and without limiting the generality of the foregoing: (i) each Continued Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan is comparable to a benefit plan or compensation arrangement or agreement in which such Continued Employee participated immediately before the consummation of the Merger (such plans, collectively, the “Old Plans”) and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical and/or vision benefits to any Continued Employee, Parent or its Affiliates shall cause (x) all pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such employee and his covered dependents, unless such conditions would not have been waived under the comparable plans of the Company or its Subsidiaries in which such employee participated immediately prior to the Effective Time and (y) any eligible expenses incurred by such employee and his covered dependents during the portion of the plan year of the Old Plan ending on the date such employee’s participation in the corresponding New Plan begins to be taken into account under such New Plan only to the extent taken into account by the Old Plan, for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(c) Parent shall cause the Surviving Corporation and each of its Subsidiaries to honor all written employment-related obligations and agreements with respect to any Continued Employees, including (i) recognizing and, as required by applicable Law, bargaining with, or continuing to recognize and, as required by applicable Law, bargain with, any current, as of the Effective Time, exclusive collective bargaining representatives of Continued Employees and (ii) honoring, or continuing to honor, all current, as of the Effective Time, collective bargaining agreements. As of the Effective Time, each Continued Employee covered by a collective bargaining agreement listed on Section 2.11(d) of the Company Disclosure Letter shall remain covered by such collective bargaining agreement to the extent required thereby.

(d) Notwithstanding the foregoing, nothing herein shall require the continuation of any particular Company Plan or prevent the amendment or termination thereof (subject to the maintenance of the benefits as provided in clause (a) above and subject to satisfaction of any legal duty to bargain with the collective bargaining representatives of Continued Employees with respect to such matters). No provision of this Agreement is intended to be, and shall not be construed as, any amendment of an employee benefit plan, program, policy or arrangement or of a collective bargaining agreement or any agreement to make any such amendment nor shall any provision of this Agreement be interpreted to modify, waive or supplement the provisions of any employee benefit plan, program, policy or arrangement or any collective bargaining agreement. It is understood and agreed among the Parties that all provisions contained in this Agreement with respect to employee benefit plans, employee compensation or other employment-related obligations or agreements are included for the sole benefit of the respective Parties and do not and shall not create, directly or indirectly, any right in any other Person, including any Continued Employee, any collective bargaining representative, any participant in any benefit or compensation plan or any beneficiary thereof.

(e) Upon execution of this Agreement, Parent, the Company and the Chief Executive Officer of the Company shall enter into an employment agreement that shall become

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effective as of the Closing Date in substantially the form attached as Exhibit A hereto (the "Employment Agreement").

SECTION 4.13 Delisting. Parent shall cause the Company's securities to be de-listed from the NYSE and de-registered under the Exchange Act as soon as practicable following the Effective Time.

SECTION 4.14 Transfer Taxes. Parent, Merger Sub and the Company shall cooperate in the preparation, execution and filing of Tax Returns relating to any stock transfer, state real estate transfer, documentary, stamp, recording and other similar Taxes (including interest, penalties and additions to any such Taxes) ("Transfer Taxes") incurred in connection with the Merger that are required or permitted to be paid prior to the Effective Time. Except as set forth in Section 1.8(b), without deduction or withholding of any amount from the Merger Consideration required to be paid pursuant to this Agreement with respect to each Share, (i) the Company shall pay the amount of any Transfer Taxes imposed on the Company, any Subsidiary of the Company, any holder of Shares, or Merger Sub, as a result of the Merger and (ii) Parent shall pay, any Transfer Taxes imposed on Parent as a result of the Merger.

SECTION 4.15 Governance; Support.

(a) In addition to the Company's current Chief Executive Officer, at least three of the Company's directors immediately prior to the Effective Time shall be requested to serve on an advisory board to the Surviving Corporation to be established by Parent from and after the Effective Time for a period of at least two (2) years.

(b) During the four-year period immediately following the Effective Time, the Surviving Corporation shall provide, directly or indirectly, charitable contributions and traditional local community support within the service areas of the Company and each of its Subsidiaries that are utilities at levels substantially comparable to and no less than the levels of charitable contributions and community support provided by the Company and such Subsidiaries within their service areas within the four-year period immediately prior to the date of this Agreement, as set forth on Section 4.15 of the Company Disclosure Letter. Without limitation to the foregoing, the Surviving Corporation will for such period continue to support the Company Foundation in a manner substantially comparable to the manner in which the Company supported the Company Foundation within the four-year period immediately prior to the date of this Agreement, as set forth on Section 4.15 of the Company Disclosure Letter.

SECTION 4.16 Company Nuclear Assets. Without limiting any of the obligations of any Party set forth in this Article IV, Parent and the Company shall take all actions required to be taken with respect to the Nuclear Facilities, together with all related assets and liabilities, including decommissioning funds (collectively, the "Company Nuclear Assets") as may be required in connection with obtaining the approval and consent of, and the issuances of licenses and license amendments by, the NRC under the Atomic Energy Act necessary to consummate the Merger and the other Transactions.

SECTION 4.17 Rate Matters. To the extent permitted by applicable Law, during the period commencing on the date hereof and ending on the Closing

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Date, the Company shall, and shall cause each of its Subsidiaries to, (a) obtain Parent's approval, not to be unreasonably withheld or delayed, prior to initiating any general rate case, other than any such proceeding open on the date of this Agreement or as is necessary to prevent the expiration of any rate in effect on such date, (b) notify Parent in writing as soon as practicable and in any event no later than five (5) business days prior to making any material changes to the Company's or any of its Subsidiaries' generally applicable rates, charges, standards of service, accounting or regulatory policy from those in effect as of the date hereof so that Parent may comment thereon, and (c) deliver to Parent a copy of each principal filing (or any amendment thereto), Contract or consent related to any of the foregoing as soon as practicable and in any event no later than three (3) business days prior to the filing, execution or application thereof so that Parent may comment thereon.

SECTION 4.18 Company Investor Services Program. The Company shall take all necessary action to either, in its sole discretion, (i) terminate the Company Investor Services Program effective on or as soon as possible after the date of this Agreement (taking into account any Company dividends that have been declared but not yet paid as of the date hereof) or (ii) provide that all shares to be issued to the participants in such program be purchased solely on the open market. In addition, in the event of the effective termination of the Company Investor Services Program, the Company shall distribute all shares of Company Common Stock and the value of all cash held in each participant's plan accounts in accordance with the terms of the Company Investor Services Program.

SECTION 4.19 Restructuring Transactions. Parent hereby declares that it is its intention, for purposes of eliminating certain intermediate holding companies, to cause one or more of the Company's primary operating Subsidiaries to become direct Subsidiaries of the Parent (the "Restructuring") and the Parties agree that they shall reasonably cooperate with each other in order to request and obtain from all applicable Governmental Authorities all requisite consents, approvals and waivers for the consummation of the Restructuring. It is contemplated that the Restructuring would take place at or following the Effective Time, subject to legal, regulatory and other applicable conditions. The timing of, and the manner in which, the Restructuring is to be effected shall be based on the Parties' analysis of all legal, financial and regulatory implications of the Restructuring; provided, however, that no Party shall take any action hereunder that could reasonably be expected to prevent or materially delay the consummation of the Transactions.

ARTICLE V

CONDITIONS TO THE MERGER

SECTION 5.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each Party to effect the Transactions shall be subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

- (a) The Company Shareholder Approval shall have been obtained.



(b) No Law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any Governmental Authority (collectively, the "Restraints") shall be in effect enjoining, restraining, preventing or prohibiting consummation of the Transactions or making the consummation of the Transactions illegal.

(c) All of the Required Consents and the Parent Consents shall have been obtained (including any applicable waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired) at or prior to the Effective Time, such consents shall have become Final Orders and such Final Orders shall not, individually or in the aggregate, impose terms or conditions that would reasonably be expected to have a Company Material Adverse Effect or an adverse effect on the ability of Parent, Merger Sub and the Company to consummate the Transactions.

SECTION 5.2 Conditions to the Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Transactions shall be subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following additional conditions:

(a) (i) The representations and warranties of the Company set forth in this Agreement shall be true and correct at and as of the Effective Time as if made on such date (other than those representations and warranties that address matters only as of a particular date, which shall be true and correct as of such date), except where the failure of any such representation or warranty to be so true and correct (without giving effect to any "materiality" or "Company Material Adverse Effect" qualification set forth therein) would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (ii) the representations and warranties of the Company set forth in Sections 2.2(a) and 2.3(a) shall be true and correct at and as of the Effective Time as if made on such date (other than those representations and warranties that address matters as of a particular date, which shall be true and correct as of such date) in all material respects, and (iii) the representations and warranties of the Company set forth in Section 2.6(ii) shall be true and correct without disregarding the "Company Material Adverse Effect" qualification contained therein; and Parent shall have received a certificate of an executive officer of the Company, dated as of the Closing Date, to that effect.

(b) The Company shall have performed or complied with in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time; and Parent shall have received a certificate of an executive officer of the Company, dated as of the Closing Date, to that effect.

SECTION 5.3 Conditions to the Obligations of the Company. The obligations of the Company to effect the Transactions shall be subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following additional conditions:

(a) Each of the representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct at and as of the Effective Time as if made on such date, except where the failure of any such representation or warranty to be true and correct would not, individually or in the aggregate, reasonably be expected to materially impair the

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ability of Parent or Merger Sub to perform its obligations hereunder or prevent or materially delay consummation of the Transactions; and the Company shall have received a certificate of an executive officer of Parent, dated as of the Closing Date, to that effect.

(b) Parent and Merger Sub shall each have performed or complied with in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time; and the Company shall have received a certificate of an executive officer of Parent, dated as of the Closing Date, to that effect.

SECTION 5.4 Frustration of Closing Conditions. Neither the Company nor Parent or Merger Sub may rely on the failure of any condition set forth in Sections 5.1, 5.2 or 5.3, as the case may be, to be satisfied if such failure was caused by such Party's failure to use reasonable best efforts to consummate the Transactions, to the extent required by and subject to Section 4.5 and the other applicable provisions of Article IV.

ARTICLE VI

TERMINATION

SECTION 6.1 Termination. This Agreement may be terminated and the Transactions abandoned at any time prior to the Effective Time, whether before or after receipt of the Company Shareholder Approval:

(a) by the mutual written consent of the Company and Parent duly authorized by the Company Board and the Board of Directors (or similar governing body) of Parent; or

(b) by either the Company or Parent:

(i) if any Restraint having any of the effects set forth in Section 5.1(b) shall be in effect and shall have become final and non-appealable; provided that the right to terminate this Agreement under this Section 6.1(b)(i) shall not be available to a Party if the issuance of such final, non-appealable Restraint was primarily due to the failure of such Party to perform any of its obligations under this Agreement;

(ii) if the Merger shall not have been consummated on or before the Outside Date; provided; however, that if all other conditions set forth in Article V (other than conditions which by their nature are to be satisfied on the Closing Date) are satisfied other than the condition to the Closing set forth in Section 5.1(c) and such condition remains capable of being fulfilled, then either Parent or the Company by written notice delivered prior to the Outside Date, may extend such period by six (6) months after the Outside Date; provided; further, that the right to terminate this Agreement under this Section 6.1(b)(ii) shall not be available to any Party whose failure to perform any of its obligations under this Agreement resulted in the failure of the Merger to be so consummated by the Outside Date; or

(iii) if the Company Shareholder Approval shall not have been obtained at the Company Shareholders Meeting (or at any adjournment or postponement thereof) by reason of the failure to obtain the required vote; or

(c) by the Company:

(i) if concurrently it enters into a definitive Company Acquisition Agreement providing for a Superior Proposal; provided, however, that the Company may only exercise this termination right if the Company has complied with its obligations under Section 4.2, including Section 4.2(c); and provided, further, that such termination shall not be effective unless concurrently therewith the Company fulfills its obligations under Section 6.3; or

(ii) if (A) the representations and warranties of Parent or Merger Sub set forth in this Agreement shall not be true and correct on and as of the date of such determination as if made on such date (other than those representations and warranties that address matters only as of a particular date which shall be true and correct as of such date), but only to the extent that such failure would cause the condition contained in Section 5.3(a) not to be satisfied as of such date or (B) Parent or Merger Sub shall have breached or failed to perform or comply with any obligation, agreement or covenant required by this Agreement to be performed or complied with by them, but only to the extent that such breach or failure would cause the condition contained in Section 5.3(b) not to be satisfied as of such date and such condition is, as a result of any such breach or failure (in each case under sub-clauses (A) and (B)), incapable of being satisfied by the Outside Date; or

(d) by Parent, if

(i) the representations and warranties of the Company set forth in this Agreement shall not be true and correct on and as of the date of such determination as if made on such date (other than those representations and warranties that address matters only as of a particular date, which shall be true and correct as of such date), but only to the extent that such failure would cause the condition contained in Section 5.2(a) not to be satisfied as of such date;

(ii) the Company shall have breached or failed to perform or comply with any obligation, agreement or covenant required by this Agreement to be performed or complied with by it, but only to the extent that such breach or failure would cause the condition contained in Section 5.2(b) not to be satisfied as of such date and such condition is, as a result of such breach or failure (in each case under sub-clauses (i) and (ii)), incapable of being satisfied by the Outside Date;

(iii) the Company effects a Company Adverse Recommendation
Change;

(iv) if the Company Board shall fail to reaffirm the Company Recommendation within twenty (20) business days of receipt of Parent's written request at any time when an unsolicited Takeover Proposal shall have been made and not rejected by the Company Board;

(v) the Company fails to include in the Proxy Statement the Company Recommendation; or

(vi) the Company willfully and materially breaches Section 4.2.

SECTION 6.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 6.1, written notice thereof shall be given to the other Party or Parties, specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void (other than Sections 2.21 (Brokers and Other Advisors), 3.9 (Brokers and Other Advisors), 4.10 (Fees and Expenses), (Effect of Termination) and 6.3 (Termination Fee), Article VII (Miscellaneous) and the Confidentiality Agreement in accordance with its terms, all of which shall survive termination of this Agreement at any time) and there shall be no liability as a result thereof on the part of Parent or the Company or their respective directors, officers and Affiliates, except (i) the Company may have liability as provided in Section 6.3, and (ii) nothing shall relieve any Party from liability for fraud or any willful breach of this Agreement.

SECTION 6.3 Termination Fee.

In the event that:

(a) (i) after the date hereof a Takeover Proposal has been publicly announced, (ii) after the date of such announcement and at a time that such Takeover Proposal has not been withdrawn, this Agreement is terminated by either Parent or the Company pursuant to Section 6.1(b)(ii) or (iii), and (iii) the Company shall have entered into an agreement with respect to any Takeover Proposal (x) on or prior to the first anniversary of such termination, if such Takeover Proposal is received from a Person that, pursuant to Section 4.2(d), was required to be identified by the Company to Parent as having made a Takeover Proposal, or (y) on or prior to the date that is three (3) months after such termination, if such Takeover Proposal is received from any other Person;

(b) after the date hereof a Takeover Proposal has been publicly announced and at a time that such Takeover Proposal has not been withdrawn, this Agreement is terminated by Parent pursuant to Section 6.1(d)(i) or (ii) as a result of a willful breach by the Company that is not cured in accordance with Section 4.8(b);

(c) this Agreement is terminated by Parent pursuant to Section 6.1(d)(iii), (iv), (v) or (vi); or

(d) this Agreement is terminated by the Company pursuant to Section 6.1(c)(i);

then the Company shall (i) in the case of a termination described in clause (a) above, upon entry into a definitive agreement for such Takeover Proposal, or (ii) in the case of a termination described in clauses (b), (c) or (d) above, on the date of such termination, pay to Parent a fee equal to \$45,000,000 (the "Termination Fee") by wire transfer of immediately available funds to an account designated by Parent.

SECTION 6.4 Acknowledgment. The Company acknowledges and agrees that the agreements contained in Section 6.3 are an integral part of the Transactions and that, without these agreements, Parent would not enter into this Agreement. If the Company fails promptly to pay the Termination Fee and, in order to obtain such payment, Parent commences a suit that results in a judgment against the Company for the Termination Fee, the

Company shall pay to Parent its reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such suit, together with interest on the amount of the Termination Fee at the prime rate of JPMorgan Chase Bank, N.A. in effect on the date such payment was required to be made.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1 Nonsurvival of Representations, Warranties and Agreements. None of the representations and warranties contained herein or in any other writing delivered pursuant hereto, nor any covenant or agreement of the Parties, that by its terms contemplates performance exclusively prior to the Effective Time, shall survive the Effective Time except this Article VII. Nothing in this Section 7.1 shall limit any covenant or agreement of the Parties that by its terms contemplates performance in whole or in part after the Effective Time.

SECTION 7.2 Amendment or Supplement. At any time prior to the Effective Time, this Agreement may be amended or supplemented in any and all respects, whether before or after approval of the Transactions by the holders of Company Common Stock, by written agreement of the Parties; provided, however, that following the Company Shareholder Approval, there shall be no amendment or change to the provisions hereof which by applicable Law or in accordance with the rules of any relevant self regulatory organization would require further approval by the holders of Company Common Stock without such further approval.

SECTION 7.3 Extension of Time, Waiver, Etc. At any time prior to the Effective Time, any Party may, subject to applicable Law, (a) waive any inaccuracies in the representations and warranties of any other Party, (b) extend the time for the performance of any of the obligations or acts of any other Party or (c) waive compliance by any other Party with any of the agreements contained herein or, except as otherwise provided herein, waive any of such Party's conditions; provided that after the Company Shareholder Approval is obtained, there may not be any extension or waiver of this Agreement or any portion thereof which, by applicable Law or in accordance with the rules of any relevant self regulatory organization, requires further approval by the holders of Company Common Stock without such further approval. Notwithstanding the foregoing, no failure or delay by the Company, Parent or Merger Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party.

SECTION 7.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise, by any of the Parties without the prior written consent of the other Parties. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and permitted assigns. Any purported assignment not permitted under this Section 7.4 shall be null and void.

SECTION 7.5 Counterparts. This Agreement may be executed in counterparts (each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement) and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

SECTION 7.6 Entire Agreement; Third-Party Beneficiaries.
This Agreement, together with the Company Disclosure Letter, the Parent Disclosure Letter and the Confidentiality Agreement, (a) constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof and thereof and (b) except for (i) the provisions of Section 4.9 and (ii) the right of the Company, on behalf of its shareholders, to pursue damages in the event of Parent's or Merger Sub's willful or knowing breach of this Agreement, are not intended to and shall not confer upon any Person other than the Parties any rights or remedies hereunder.

SECTION 7.7 Governing Law; Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF.

(b) All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in any Federal Court sitting in the State of New York, and the Parties hereby irrevocably submit to the exclusive personal jurisdiction of such court (and, in the case of appeals, appropriate appellate courts therefrom) in any such action or proceeding for any reason other than the failure to serve process in accordance with this Section 7.7 and irrevocably waive the defense of an inconvenient forum or an improper venue to the maintenance of any such action or proceeding. Any service of process to be made in such action or proceeding may be made by delivery of process in accordance with the notice provisions contained in Section 7.9. In addition, Parent consents to service of process upon Parent by mailing or delivering such service to its agent, National Registered Agents, Inc., 875 Avenue of the Americas, Suite 501, New York, New York, 10001 (the "Service Agent"), authorizes and directs the Service Agent to accept such service, and shall take all such action as may be necessary to continue such appointment in full force and effect or to appoint another agent so that it will at all times have an agent for service of process for the foregoing purposes in the State of New York. The consents to jurisdiction set forth in this Section 7.7 shall not constitute general consents to service of process in the State of New York and shall have no effect for any purpose except as provided in this Section 7.7 and shall not be deemed to confer rights on any Person other than the Parties. The Parties agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

(c) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS

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(WHETHER BASED IN CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.7(C).

(d) This Agreement does not involve less than \$1,000,000, and the Parties intend that Sections 5-1401 and 5-1402 of the New York General Obligations Law shall apply to this Agreement.

SECTION 7.8 Specific Enforcement. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal Court sitting in the State of New York, without bond or other security being required, this being in addition to any other remedy to which they are entitled at law or in equity.

SECTION 7.9 Notices. All notices, requests and other communications to any Party hereunder shall be in writing and shall be deemed given if delivered personally, facsimiled (which is confirmed) or sent by overnight courier (providing proof of delivery) to the Parties at the following addresses:

If to Parent or Merger Sub, to:

Iberdrola, S.A.
Calle Cardenal Gardoqui, 8
48008 Bilbao
Spain
Attention: Secretaria General
Facsimile: +34 94 466 47 35

with a copy (which shall not constitute notice) to:

Milbank, Tweed, Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, NY 10005
Attention: M. Douglas Dunn and Crayton L. Bell
Facsimile: +1 (212) 822-5062 and +1 (212) 822-5338

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If to the Company, to:

Energy East Corporation
52 Farm View Drive
New Gloucester, ME 04260-5116
Attention: Paul K. Connolly, Vice President - General Counsel and
Robert D. Kump, Senior Vice President and Chief Financial Officer
Facsimile: +1 (617) 897-9068 and +1 (207) 688-4331

with a copy (which shall not constitute notice) to:

LeBoeuf, Lamb, Greene & MacRae LLP
125 West 55th Street
New York, NY 10019
Attention: William S. Lamb and Sheri E. Bloomberg
Facsimile: +1 (212) 649-9425 and +1 (212) 649-9340

or such other address or facsimile number as such Party may hereafter specify for the purpose by notice to the other Parties. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 P.M. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

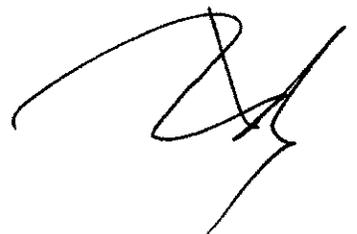
SECTION 7.10 Severability. If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible to the fullest extent permitted by applicable Law in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

SECTION 7.11 Definitions.

(a) As used in this Agreement, the following terms have the meanings ascribed thereto below:

"Affiliate" shall mean, as to any Person, any other Person that directly or indirectly controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by Contract or otherwise.

"Antitrust Laws" shall mean, together, and each as amended, (i) the Sherman Act, (ii) the Clayton Act, (iii) the HSR Act, (iv) the Federal Trade Commission Act, (v) Council Regulation (EC) 139/2004, and (vi) all other applicable Laws or Orders issued by a



Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

“business day” shall mean a day except a Saturday, a Sunday or other day on which the SEC or banks in the City of New York or the City of Madrid are authorized or required by Law to be closed.

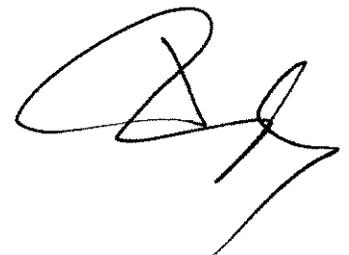
“Company Board” shall mean the Company Board or any duly constituted committee thereof which has been given the authority to act in the name, place and stead of the Company Board with respect to this Agreement, the Merger and the other Transactions.

“Company Foundation” shall mean the Energy East Foundation.

“Company Investor Services Program” means the Company’s dividend reinvestment and stock purchase plan as amended through the date of this Agreement.

“Company Material Adverse Effect” shall mean any change, event, occurrence or development which has a material adverse effect on the assets, liabilities, business, results of operations or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole, other than changes, events, occurrences or developments arising out of, resulting from or attributable to: (i) changes in conditions in the United States of America or global economy or capital or financial markets generally, including changes in interest or exchange rates, provided, that such changes do not adversely affect the Company and its Subsidiaries in a disproportionate manner as compared to comparable participants in the utility industry; (ii) changes in general legal, regulatory, political, economic or business conditions or changes in generally accepted accounting principles that, in each case, generally affect the electric or gas utility industry, provided, that such changes do not adversely affect the Company and its Subsidiaries in a disproportionate manner as compared to comparable participants in the utility industry; (iii) the execution or announcement of this Agreement or the consummation of the Transactions, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees; (iv) acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date hereof; (v) the initiation of any litigation by any shareholder of the Company relating to this Agreement or the Merger; (vi) the Restructuring or any action taken pursuant to Section 4.19; or (vii) any decline in the market price or trading volume of the Company’s Common Stock on the NYSE; provided that the exception in this sub-clause (vii) shall not prevent or otherwise affect a determination that any change, effect, circumstance or development underlying such decline has resulted in or contributed to a Company Material Adverse Effect.

“Company Plan” shall mean any bonus, incentive compensation, profit participation, deferred compensation, pension, profit sharing, retirement, equity-related, leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, accident, disability, workmen’s compensation or other insurance, change in control, retention, severance, separation or other employee benefit plan, practice, policy or arrangement of any kind, whether written or oral, including any “employee benefit plan” within the meaning of Section 3(3) of ERISA, in each case, that is (i) sponsored or maintained by the Company or any Subsidiary or

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(ii) with respect to which the Company or any Subsidiary has any actual or contingent obligations or liabilities.

"Company Stock Plans" shall mean, together, and each as amended, (i) the Company 1997 Stock Option Plan, (ii) the Company 2000 Stock Option Plan, and (iii) the tax-deferred savings plans maintained by the Company and its Subsidiaries.

"Company Voting Debt" shall mean bonds, debentures, notes and other indebtedness of the Company or any of its Subsidiaries which give the holder or the beneficiary thereof the right to vote on any matters on which holders of Company Capital Stock or other equity interests of the Company or its Subsidiaries may vote.

"Contract" shall mean any contract, commitment, arrangement, note, bond, mortgage, loan or credit agreement, debenture, security agreement, indenture, deed of trust, lease or other instrument, obligation or agreement of any kind.

"Defined Benefit Plan" means each Company Plan which is subject to Part 3 of Title I of ERISA, Section 412 of the Code or Title IV of ERISA.

"Director Share Plan" shall mean the Company's Director Share Plan, as amended and restated effective September 6, 2000, as amended.

"Environmental Laws" shall mean all applicable federal, state, local and foreign Laws (including common law) concerning pollution or protection of health, safety, natural resources or the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any Hazardous Materials including the federal Comprehensive Environmental Response, Compensation and Liability Act and the federal Clean Air Act, Clean Water Act, Toxic Substances Control Act, Resource Conservation and Recovery Act and any analogous state and local Laws and regulations.

"Environmental Permits" shall mean all permits, approvals, licenses, authorizations or consents required under Environmental Laws for the Company and its Subsidiaries to conduct their operations.

"Final Order" shall mean action by the relevant Governmental Authority that has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by Law before the Transactions may be consummated has expired (but without the requirement for expiration of any applicable rehearing or appeal period), and as to which all conditions to the consummation of the Transactions prescribed by Law or Order have been satisfied.

"GAAP" shall mean generally accepted accounting principles in the United States of America consistently applied.

"Governmental Authority" shall mean any government, court, regulatory or administrative agency, commission or authority or other governmental instrumentality, federal, state or local, domestic, foreign or multinational, in each case of competent jurisdiction.

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“Hazardous Materials” shall mean any hazardous, dangerous, radioactive, acutely hazardous, or toxic substance or waste defined, characterized, regulated or as to which liability or standards of conduct are imposed under Environmental Laws.

“HSR Act” shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Joint Venture” shall mean, with respect to any Person, any corporation or other entity (including partnerships and other business associations and joint ventures) in which such Person or one or more of its Subsidiaries owns an equity interest that is less than a majority of any class of the outstanding voting securities or equity, other than equity interests held for investment purposes, that (i) are less than ten per cent (10%) of any class of the outstanding voting securities or equity or (ii) with respect to which the net book value as of December 31, 2006 of such person’s interest does not exceed \$20,000,000.

“Knowledge” shall mean, in the case of either the Company or Parent, the actual knowledge, as of the date of this Agreement, of the executive officers of such Party listed on Section 7.11 of such Party’s Disclosure Letter.

“Multiemployer Plan” shall mean a plan defined in Section 3(37) of ERISA.

“ordinary course of business consistent with past practice” shall mean the ordinary course of business consistent with past practice, as such past practice may be reasonably affected by, or change in reasonable response to, (i) the growth of the applicable Person’s business (or applicable segment thereof) and/or (ii) changes in commodities prices.

“Outside Date” shall mean the date which is twelve (12) months following the date hereof.

“Person” shall mean an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity, including a Governmental Authority.

“Phantom Shares” shall mean awards under the Company’s Director Share Plan, the value of which are determined by the value of the Company Common Stock and which are settled in cash.

“Subsidiary” when used with respect to any Person, shall mean any corporation, limited liability company, partnership, association, trust or other entity of which securities or other ownership interests representing more than fifty per cent (50%) of the equity and more than fifty per cent (50%) of the ordinary voting power (or, in the case of a partnership, more than fifty per cent (50%) of the general partnership interests) are, as of such date, owned by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

“Superior Proposal” shall mean a Takeover Proposal that the Company Board determines in good faith, after consultation with the Company’s outside legal counsel and financial advisors, is more favorable to the Company than the Merger and the other Transactions (taking into account (1) all legal, financial, regulatory and other aspects of such Takeover

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Proposal and the Merger and the other Transactions deemed relevant by the Company Board, (2) the identity of the third party making such Takeover Proposal, (3) the conditions and prospects for completion of such Takeover Proposal and (4) all other factors that the Company Board is permitted to consider pursuant to Section 717 of the NYBCL); provided, that for purposes of this definition of "Superior Proposal" the references to "20%" in the definition of Takeover Proposal shall be deemed to be references to 50%.

"Takeover Proposal" shall mean a bona fide proposal or offer from any Person (other than Parent and its Subsidiaries) relating to any (i) direct or indirect acquisition of assets of the Company and its Subsidiaries (including securities of Subsidiaries, but excluding sales of assets in the ordinary course of business consistent with past practice) equal to twenty per cent (20%) or more of the Company's consolidated assets or to which twenty per cent (20%) or more of the Company's revenues or earnings on a consolidated basis are attributable, (ii) direct or indirect acquisition of 20% or more of the outstanding Company Common Stock, (iii) tender offer or exchange offer that if consummated would result in any Person beneficially owning twenty per cent (20%) or more of the outstanding Company Common Stock or (iv) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company; other than, in each case, the Transactions.

"Taxes" shall mean (i) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, and (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Governmental Authority in connection with any item described in sub-clause (i).

"Tax Returns" shall mean any return, report, claim for refund, estimate, information return or statement or other similar document required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Transactions" refers collectively to this Agreement and the transactions contemplated hereby (but specifically excluding the Restructuring) to take place on the Closing Date, including the Merger.

The following terms are defined on the page of this Agreement set forth opposite such term below:

Adverse Recommendation Notice	37	Certificates	4
Agreement.....	1	Claim.....	43
Atomic Energy Act	12	Closing	1
Balance Sheet Date	13	Closing Date.....	1
Bankruptcy and Equity Exception	11	Code	5
Blue Sky Laws	12	Company	1
Book-Entry Shares	4	Company Acquisition Agreement.....	37
Certificate of Merger.....	2		

Company Adverse Recommendation		Merger.....	1
Change	36	Merger Consideration	3
Company Charter Documents.....	9	Merger Sub.....	1
Company Common Stock.....	1	MPUC	12
Company Contracts.....	22	New Plans	44
Company Disclosure Letter	7	NHPUC	12
Company Employee Stock Options.....	6	NLRB	20
Company Financial Statements.....	13	NRC	12
Company Hedging Guidelines.....	26	Nuclear Facilities	26
Company License Consents.....	12	NYBCL	1
Company Net Position	26	NYPSC.....	12
Company Nuclear Assets.....	46	NYSE	12
Company Pension Plan	19	Old Plans.....	45
Company Preferred Stock.....	9	Option Consideration.....	6
Company PUC Consents.....	12	Options.....	10
Company Recommendation.....	36	Order	11
Company Reporting Utility.....	13	Parent	1
Company SEC Documents	12	Parent Consents.....	29
Company Shareholder Approval.....	11	Parent Disclosure Letter.....	28
Company Shareholders Meeting.....	39	Parties.....	1
Confidentiality Agreement.....	41	Paying Agent.....	3
Continued Employees	44	PBGC	19
CTDPUC.....	12	Permits	16
Effective Time	2	Power Agreement.....	35
Emission Allowances.....	24	Proxy Statement	38
Employment Agreement	46	Representatives	35
ERISA	19	Required Consents	12
ESPP	7	Restraints.....	48
Exchange Act.....	12	Restricted Stock	7
FCC	12	Restructuring.....	47
Federal Power Act.....	12	Sarbanes-Oxley Act	13
FERC.....	12	SEC	8
Filed Company SEC Documents	8	Securities Act	8
Indemnatee.....	42	Service Agent.....	53
Indemnitees	42	Share	1
Intellectual Property Rights	25	Shares.....	1
IP Licenses.....	23	Surviving Corporation	1
IRS	19	Termination Fee.....	51
Laws.....	16	Title IV Plan.....	20
Lien	8	Transfer Taxes	46
MDPU.....	12	Violation	11
Measurement Date	9	WARN Act.....	21

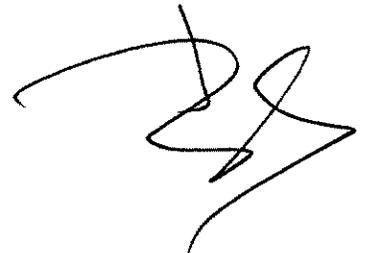
SECTION 7.12 Interpretation.

(a) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

(b) The Parties have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

SECTION 7.13 No Limitation on Other Representation. Except as otherwise expressly provided in this Agreement, nothing in any representation or warranty in this Agreement shall in any way limit or restrict the scope, applicability or meaning of any other representation or warranty made by the Company herein. It is the intention of the Parties that, to the extent possible, unless provisions are mutually exclusive and effect cannot be given to both or all such provisions, the representations, warranties, covenants and conditions in this Agreement shall be construed to be cumulative and that each representation, warranty, covenant and condition in this Agreement shall be given full separate and independent effect.

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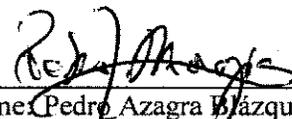
A large, stylized handwritten signature in black ink, located in the bottom right corner of the page. The signature is cursive and appears to consist of several loops and flourishes.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

IBERDROLA, S.A.

By: 
Name: Julián Martínez-Simancas
Title: General Secretary and
Secretary to the Board

GREEN ACQUISITION CAPITAL, INC.

By: 
Name: Pedro Azagra Blázquez
Title: President

ENERGY EAST CORPORATION

By: _____
Name: Robert D. Kump
Title: Senior Vice President and
Chief Financial Officer



IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

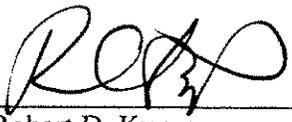
IBERDROLA, S.A.

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