

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Case 07-M-0906

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

January 2008

Exhibit____(Policy Panel - 23)

**Energy East
Capital Structure**

	Energy East Capital Structure	Ratios	Goodwill	Adjusted Capital Structure	
Embedded Long Term Debt	\$3,689,747	53.76%	381,512	3,308,235	61.98%
Common Stock	3,173,922	46.24%	1,144,536	2,029,386	38.02%
	\$6,863,669		\$1,526,048		\$5,337,621

**New York State Electric & Gas
Weighted Average Cost of Capital**

	Rate Year Balance (\$000)	Ratios	Cost Rate	WACC	Pre-Tax WACC
Embedded Long Term Debt	\$1,412,898	60.82%	4.58%	2.79%	2.79%
Customer Deposits	17,203	0.74%	3.76%	0.03%	0.03%
Preferred Stock	10,159	0.44%	3.90%	0.02%	0.03%
Common Stock	882,740	38.00%	9.00%	3.42%	6.00%
	\$2,323,000			6.25%	8.84%

**Rochester Gas & Electric
Weighted Average Cost of Capital**

	Rate Year Balance (\$000)	Ratios	Cost Rate	WACC	Pre-Tax WACC
Embedded Long Term Debt	\$829,122	61.74%	6.20%	3.83%	3.83%
Customer Deposits	3,538	0.26%	3.76%	0.01%	0.01%
Common Stock	510,340	38.00%	9.00%	3.42%	6.00%
	\$1,343,000			7.26%	9.84%

Proxy Group Statistics

Company	Parent Company Rating		S&P Business Profile ¹	Regulated Utility Revenue (%) ³	Equity Ratio ⁴
	S&P ¹	Moody's ²			
1. Allegheny Energy Inc.	BBB-	Baa3	7	87.8%	44.50%
2. ALLETE	BBB+	Baa2	6	83.3%	57.50%
3. Alliant Energy Corp.	BBB+	A3	5	93.9%	54.50%
4. Ameren Corp.	BBB-	Baa2	7	90.0%	53.50%
5. American Electric Power	BBB	Baa2	5	95.6%	42.00%
6. Cleco Corp.	BBB	Baa3	6	96.3%	48.00%
7. Consolidated Edison	A	A2	2	83.3%	51.00%
8. DPL Inc.	BBB	Baa3	5	99.4%	40.50%
9. DTE Energy Co.	BBB	Baa2	5	73.0%	45.50%
10. Duke Energy Corp.	A-	Baa2	5	79.2%	62.50%
11. Edison International	BBB-	Baa2	6	81.7%	46.50%
12. Empire District Electric	BBB-	Baa2	6	99.1%	47.50%
13. Entergy Corp.	BBB	Baa3	6	83.7%	47.00%
14. Exelon Corp.	BBB+	Baa1	7	72.0%	46.00%
15. FPL Group, Inc.	A	A2	5	99.0%	51.00%
16. Hawaiian Electric Industries Inc.	BBB	Baa2	5	83.5%	46.50%
17. IDACORP, Inc.	BBB+	Baa2	5	99.4%	52.50%
18. MGE Energy Inc.	AA-	Aa3	4	99.3%	61.00%
19. NiSource Inc.	BBB	Baa2	4	87.1%	48.50%
20. Northeast Utilities	BBB	Baa2	4	87.2%	43.00%
21. NSTAR	A+	A2	1	95.9%	41.00%
22. PG&E Corp.	BBB+	Baa1	5	100.0%	52.50%
23. Pinnacle West Capital	BBB-	Baa3	6	77.5%	51.50%
24. Portland General Electric	BBB+	Baa2	5	90.9%	47.00%
25. Progress Energy	BBB+	Baa2	5	91.1%	48.50%
26. Southern Co.	A	A3	4	98.1%	45.50%
27. Vectren Corp.	A-	Baa1	4	81.1%	52.00%
28. Westar Energy	BBB-	Baa3	5	72.2%	49.50%
29. Wisconsin Energy	BBB+	A3	4	99.6%	44.00%
30. Xcel Energy, Inc.	BBB	Baa1	5	99.2%	47.50%
Proxy Group Average:	BBB+	Baa1	5.0	89.3%	48.9%

¹Source: S&P RatingsDirect, *U.S. Integrated Utility and Merchant Power Companies, Strongest To Weakest September 28, 2007*.

²Source: Moody's, *Credit Opinion or Rating Action*, accessed November 1, 2007.

³Source: Accessed 10-K report and annual reports for the period at December 31, 2006.

⁴Source: Value Line Investment Survey's 2008 estimate from September and November 2007 publications.

Calculation of Electric ROE - DCF Method

(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
Company ¹	% Utility Revenue	Beta ²	6/07 - 11/07 Price ³	EPS 2010-12	DPS 2007	DPS 2008	DPS 2010-12	BPS 2007	BPS 2008	BPS 2010-12	# of Shares 2007	# of Shares 2010-12
1. Allegheny Energy Inc.	87.8%	1.40	\$54.31	\$3.75	\$0.15	\$0.64	\$1.70	\$14.15	\$15.95	\$20.60	170.00	170.00
2. ALLETE	83.3%	0.95	44.14	\$4.00	1.64	1.76	2.10	23.35	24.80	29.50	30.85	32.50
3. Alliant Energy Corp.	93.9%	0.90	39.00	2.75	1.27	1.37	1.49	22.55	23.85	27.85	107.20	111.00
4. Ameren Corp.	90.0%	0.80	51.53	3.35	2.54	2.54	2.54	32.65	33.55	36.30	208.80	216.80
5. American Electric Power	95.6%	1.15	45.95	4.00	1.59	1.72	2.20	24.95	26.50	31.75	400.00	407.00
6. Cleco Corp.	96.3%	1.35	25.17	1.75	0.90	0.90	1.20	16.15	16.65	18.25	60.00	64.00
7. Consolidated Edison	83.3%	0.75	46.26	3.50	2.32	2.34	2.40	34.25	35.90	40.60	272.00	278.00
8. DPL Inc.	99.4%	0.90	28.04	2.05	1.04	1.08	1.20	7.05	7.65	10.10	112.40	111.20
9. DTE Energy Co.	73.0%	0.80	48.87	3.75	2.14	2.20	2.40	35.55	36.75	40.50	159.00	159.00
10. Duke Energy Corp.	79.2%	NMF	18.66	1.50	0.86	0.90	1.02	16.50	16.85	18.25	1,260.00	1,278.00
11. Edison International	81.7%	1.05	55.50	3.60	1.18	1.26	1.50	25.65	27.70	34.10	326.00	326.00
12. Empire District Electric	99.1%	0.85	22.91	2.00	1.28	1.28	1.40	15.80	16.60	18.00	31.25	33.00
13. Entergy Corp.	83.7%	0.85	108.74	7.80	2.58	3.10	3.70	42.50	43.70	57.70	194.00	194.00
14. Exelon Corp.	72.0%	0.90	75.94	5.75	1.78	1.86	2.10	15.70	17.05	24.25	660.00	630.00
15. FPL Group, Inc.	99.0%	0.75	61.88	5.00	1.64	1.78	2.50	26.65	28.85	36.35	410.00	426.00
16. Hawaiian Electric	83.5%	0.70	22.48	1.50	1.24	1.24	1.24	13.15	13.30	13.75	83.50	87.00
17. IDACORP, Inc.	99.4%	1.00	33.08	2.25	1.20	1.20	1.20	26.50	27.75	30.95	44.30	47.50
18. MGE Energy Inc.	99.3%	0.85	33.02	2.60	1.41	1.43	1.50	17.00	17.90	18.70	21.80	21.80
19. NiSource Inc.	87.1%	0.95	19.82	1.50	0.92	0.92	1.00	18.75	19.10	20.50	274.75	277.00
20. Northeast Utilities	87.2%	0.80	28.98	2.30	0.78	0.83	0.98	19.00	20.15	22.20	156.20	182.00
21. NSTAR	95.9%	0.75	33.45	3.00	1.35	1.43	1.75	15.60	16.45	19.75	106.81	106.81
22. PG&E Corp.	100.0%	0.95	46.11	3.10	1.44	1.56	1.92	22.45	24.00	28.45	378.30	389.00
23. Pinnacle West Capital	77.5%	1.00	40.68	3.30	2.13	2.21	2.45	35.30	36.15	38.65	100.40	100.80
24. Portland General Electric	90.9%	NMF	27.50	2.25	0.93	0.99	1.30	20.90	21.75	24.75	62.50	67.00
25. Progress Energy	91.1%	0.85	46.66	3.30	2.45	2.47	2.53	32.75	33.15	35.05	260.00	274.00
26. Southern Co.	98.1%	0.70	35.68	2.50	1.60	1.66	1.85	16.30	17.35	19.50	765.00	805.00
27. Vectren Corp.	81.1%	0.90	27.35	2.00	1.27	1.31	1.43	16.75	17.40	19.25	80.80	81.60
28. Westar Energy	72.2%	0.90	25.01	2.00	1.08	1.16	1.28	18.65	19.40	21.65	91.80	94.20
29. Wisconsin Energy	99.6%	0.80	45.36	3.75	1.00	1.08	1.60	26.20	27.70	32.75	117.00	117.00
30. Xcel Energy, Inc.	99.2%	1.05	21.33	1.75	0.91	0.95	1.10	14.70	15.30	17.25	427.00	435.00
		0.91										

Sources:

¹Value Line Investment Survey, Electric Industry Central, September 28, 2007.
Value Line Investment Survey, Electric Industry East, November 30, 2007.
Value Line Investment Survey, Electric Industry West, November 9, 2007

²Beta data is from Value Line Investment Survey.

³Historical price data is from Yahoo.com

Calculation of Electric ROE - DCF Method

(B)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	(W)	(X)	
Company ¹	DPS Growth 2010-12	Retention Rate 2011	Return on Equity 2011	B x R	Increase in Shares	MBR 2007	S Factor	V Factor	S x V	Sustainable Growth	Long-Form ROE	
1. Allegheny Energy Inc.	38.49	0.55	18.98	10.38	0.00	3.84	0.00	0.74	0.00	10.38	12.61%	
2. ALLETE	6.06	0.48	13.95	6.63	1.31	1.89	2.48	0.47	1.17	7.79	11.60%	
3. Alliant Energy Corp.	2.84	0.46	10.13	4.64	0.87	1.73	1.51	0.42	0.64	5.28	8.56%	
4. Ameren Corp.	0.00	0.24	9.35	2.26	0.94	1.58	1.49	0.37	0.55	2.81	7.37%	
5. American Electric Power	8.55	0.45	12.98	5.84	0.43	1.84	0.80	0.46	0.37	6.21	10.18%	
6. Cleco Corp.	10.06	0.31	9.74	3.06	1.63	1.56	2.54	0.36	0.91	3.97	8.16%	
7. Consolidated Edison	0.85	0.31	8.80	2.76	0.55	1.35	0.74	0.26	0.19	2.96	7.74%	
8. DPL Inc.	3.57	0.41	21.24	8.81	(0.27)	3.98	(1.07)	0.75	(0.80)	8.01	11.42%	
9. DTE Energy Co.	2.94	0.36	9.41	3.39	0.00	1.37	0.00	0.27	0.00	3.39	7.83%	
10. Duke Energy Corp.	4.26	0.32	8.33	2.67	0.36	1.13	0.40	0.12	0.05	2.71	7.74%	
11. Edison International	5.98	0.58	10.92	6.37	0.00	2.16	0.00	0.54	0.00	6.37	8.58%	
12. Empire District Electric	3.03	0.30	11.26	3.38	1.37	1.45	1.99	0.31	0.62	4.00	9.44%	
13. Entergy Corp.	6.08	0.53	14.14	7.43	0.00	2.56	0.00	0.61	0.00	7.43	10.17%	
14. Exelon Corp.	4.13	0.63	25.10	15.93	(1.16)	4.84	(5.59)	0.79	(4.44)	11.50	13.44%	
15. FPL Group, Inc.	11.99	0.50	14.28	7.14	0.96	2.32	2.23	0.57	1.27	8.41	11.56%	
16. Hawaiian Electric	0.00	0.17	10.97	1.90	1.03	1.71	1.76	0.42	0.73	2.63	7.77%	
17. IDACORP, Inc.	0.00	0.47	7.40	3.45	1.76	1.25	2.20	0.20	0.44	3.89	7.14%	
18. MGE Energy Inc.	1.61	0.42	14.01	5.93	0.00	1.94	0.00	0.49	0.00	5.93	9.78%	
19. NiSource Inc.	2.82	0.33	7.40	2.47	0.20	1.06	0.22	0.05	0.01	2.48	7.16%	
20. Northeast Utilities	5.69	0.57	10.53	6.04	3.90	1.53	5.94	0.34	2.05	8.09	10.75%	
21. NSTAR	6.96	0.42	15.65	6.52	0.00	2.14	0.00	0.53	0.00	6.52	10.85%	
22. PG&E Corp.	7.17	0.38	11.21	4.27	0.70	2.05	1.44	0.51	0.74	5.00	8.58%	
23. Pinnacle West Capital	3.50	0.26	8.63	2.22	0.10	1.15	0.11	0.13	0.02	2.24	7.85%	
24. Portland General Electric	9.51	0.42	9.29	3.92	1.75	1.32	2.31	0.24	0.55	4.47	8.58%	
25. Progress Energy	0.80	0.23	9.50	2.22	1.32	1.42	1.88	0.30	0.56	2.78	7.80%	
26. Southern Co.	3.68	0.26	13.07	3.40	1.28	2.19	2.81	0.54	1.52	4.92	9.42%	
27. Vectren Corp.	2.96	0.29	10.56	3.01	0.25	1.63	0.40	0.39	0.16	3.17	7.93%	
28. Westar Energy	3.34	0.36	9.41	3.39	0.65	1.34	0.87	0.25	0.22	3.61	8.21%	
29. Wisconsin Energy	14.00	0.57	11.77	6.75	0.00	1.73	0.00	0.42	0.00	6.75	9.61%	
30. Xcel Energy, Inc.	5.01	0.37	10.35	3.84	0.47	1.45	0.67	0.31	0.21	4.05	8.62%	
										Median Result:	4.70	8.58%
										Mean:		9.22%
										Geometric Mean		9.08%

Sources:

¹Value Line Investment Survey, Electric Industry Central, September 28, 2007.

Value Line Investment Survey, Electric Industry East, November 30, 2007.

Value Line Investment Survey, Electric Industry West, November 9, 2007

²Beta data is from Value Line Investment Survey.

³Historical price data is from Yahoo.com

Calculation of GFC Cost of Equity - Staff Proxy Group

Merrill Lynch Cost of Market¹: 10.65%

Treasury Rates²

10 year 30 year

Jun-07	5.10%	5.20%
Jul-07	5.00%	5.11%
Aug-07	4.67%	4.93%
Sep-07	4.52%	4.79%
Oct-07	4.53%	4.77%
Nov-07	4.15%	4.52%

Risk Free Rate (6/07 - 11/07) 4.77%

Proxy Group Beta 0.91

Proxy Group DCF ROE 8.58%

Traditional CAPM ROE 10.12%

Zero Beta CAPM ROE 10.25%

Generic CAPM ROE 10.19%

2/3 DCF 1/3 CAPM Weighting
ROE 9.12%

RDM Adjustment 0.10%

NYSEG RG&E 9.02% = 9.00%

Sources:

¹Merrill Lynch, *Quantitative Profiles*, November 8, 2007.

²Federal Reserve Statistical Release, [FRB: Federal Reserve Statistical Release H.15](#)

6-Month Average Price Data

Source: Yahoo finance

	Symbol	Six-month	Jun-07		Jul-07		Aug-07		Sep-07		Oct-07		Nov-07	
		Price	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Allegheny Energy Inc.	AYE	\$54.31	53.84	48.67	57.30	50.70	57.23	48.18	53.80	51.07	60.95	52.37	60.94	56.65
ALLETE	ALE	\$44.14	48.31	45.39	50.05	41.11	46.59	38.42	45.87	41.71	46.48	42.37	43.37	40.00
Alliant Energy Corp.	LNT	\$39.00	43.48	37.86	40.80	36.84	39.62	34.95	39.03	36.61	40.57	37.32	42.00	38.88
Ameren Corp.	AEE	\$51.53	53.25	48.23	52.92	47.98	52.31	47.10	53.89	50.25	54.40	51.81	54.20	51.96
American Electric Power	AEP	\$45.95	47.99	43.39	47.56	42.75	48.83	42.46	46.97	44.06	48.70	45.05	48.23	45.36
Cleco Corp.	CNL	\$25.17	27.23	24.01	25.22	22.44	26.42	22.14	26.03	22.41	26.76	24.50	29.84	25.09
Consolidated Edison	ED	\$46.26	49.09	44.68	46.26	43.10	48.57	43.68	47.53	44.75	47.83	44.57	49.15	45.95
DPL Inc.	DPL	\$28.04	30.85	27.85	29.75	26.38	29.49	25.41	26.82	25.98	29.04	25.71	30.48	28.70
DTE Energy Co.	DTE	\$48.87	53.43	47.22	51.74	46.01	50.53	45.26	49.98	47.10	51.19	47.05	50.00	46.95
Duke Energy Corp.	DUK	\$18.66	19.65	18.06	18.61	17.00	19.90	16.91	19.17	18.13	19.54	18.25	20.09	18.61
Edison International	EIX	\$55.50	58.75	53.51	59.57	51.79	57.18	50.64	58.02	52.35	58.31	53.58	58.55	53.75
Empire District Electric	EDE	\$22.91	23.83	21.99	23.67	21.09	24.29	21.49	23.27	22.00	24.07	22.22	24.34	22.69
Entergy Corp.	ETR	\$108.74	113.57	104.00	111.40	96.05	105.70	91.94	111.95	102.12	120.89	108.21	125.00	114.04
Exelon Corp.	EXC	\$75.94	78.78	69.73	82.60	67.85	77.36	64.73	79.38	71.66	83.00	73.76	84.92	77.56
FPL Group, Inc.	FPL	\$61.88	64.13	56.18	60.63	54.61	64.20	56.63	63.49	58.23	68.48	60.26	70.14	65.53
Hawaiian Electric	HE	\$22.48	24.56	22.81	23.91	22.60	23.90	20.25	21.87	20.62	23.20	21.68	23.49	20.92
IDACORP, Inc.	IDA	\$33.08	33.67	31.30	32.38	30.07	36.57	30.28	33.90	31.20	36.45	32.36	35.74	33.00
MGE Energy Inc.	MGEE	\$33.02	34.56	31.46	33.38	29.71	35.50	29.40	34.58	31.54	35.59	32.50	35.95	32.06
NiSource Inc.	NI	\$19.82	22.31	19.90	21.68	19.06	21.16	17.58	19.73	18.63	20.82	19.10	20.35	17.49
Northeast Utilities	NU	\$28.98	30.80	27.15	29.60	26.83	29.80	26.21	29.00	26.72	30.85	27.83	32.95	30.05
NSTAR	NST	\$33.45	35.00	31.70	33.20	30.75	33.73	31.39	35.05	32.45	35.44	33.45	35.62	33.59
PG&E Corp.	PCG	\$46.11	49.52	44.70	46.77	42.70	47.00	42.58	48.78	43.54	49.52	45.08	49.39	43.70
Pinnacle West Capital	PNW	\$40.68	46.66	39.38	41.30	37.23	41.76	36.79	40.70	39.48	42.62	39.50	43.64	39.04
Portland General Electric	POR	\$27.50	29.72	26.40	28.59	26.59	29.13	25.50	28.59	26.30	28.83	26.55	28.01	25.74
Progress Energy	PGN	\$46.66	50.30	45.15	46.96	43.66	49.48	43.12	48.16	44.96	48.00	44.75	49.06	46.31
Southern Co.	SO	\$35.68	36.20	33.50	35.30	33.51	37.70	33.16	37.48	35.04	37.23	35.16	38.75	35.15
Vectren Corp.	VVC	\$27.35	29.16	26.42	27.87	24.85	28.50	24.90	27.93	26.13	28.81	26.51	29.53	27.56
Westar Energy	WR	\$25.01	26.91	23.81	25.73	22.84	26.44	22.85	25.43	23.50	26.75	24.29	26.76	24.77
Wisconsin Energy	WEC	\$45.36	48.74	43.50	45.78	42.25	45.56	41.06	45.81	43.53	48.20	44.35	49.33	46.20
Xcel Energy, Inc.	XEL	\$21.33	23.19	19.97	21.35	19.96	21.40	19.59	22.41	20.30	22.62	20.70	23.13	21.35