BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

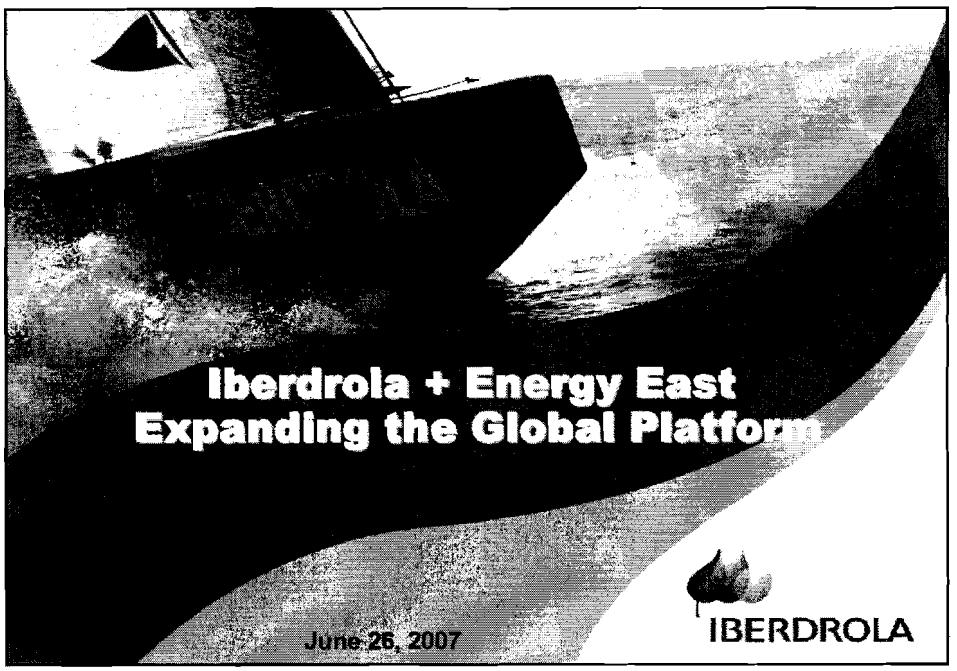
In the Matter of

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

Attachments 1 & 2 to DPS-11 - IBER-0011



Legal Note

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RULE 425 LEGEND
IMPORTANT INFORMATION IN THE US

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities or the solicitation of any vote or approval with respect to the proposed acquisition by Iberdrola S.A. of Energy East (the "Acquisition"), nor shall there be any purchase, sale or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction.

If and when Iberdrola S.A. issues any securities to finance all or any portion of the proposed Acquisition, Iberdrola S.A. will, to the extent that such securities are required to be registered in the United States, file a registration statement, which will include a prospectus, with the United States Securities and Exchange Commission ("SEC") pursuant to the U.S. Securities Act of 1933, as amended. Investors are strongly advised to read the documents that will be made available to them, including the registration statement and prospectus, if and when available, and any other relevant documents made available to them and/or the SEC or other applicable regulatory authorities, as well as any amendments or supplements to those documents, because they will contain important information regarding Iberdrola S.A., Energy East Corporation and the proposed Acquisition.

If and when filed, investors may obtain free copies of the registration statement, the prospectus as well as other relevant documents filed with the SEC, at the SEC's web site at www.sec.gov and will receive information at an appropriate time on how to obtain those transaction-related documents for free from the parties involved or a duly appointed agent.

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Any shares to be issued in connection with the financing for the proposed Acquisition may not be offered or sold in the United States except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

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FORWARD-LOOKING STATEMENTS
This communication contains forward-looking information and statements about Energy East and Iberdrola S.A. and their combined businesses after completion of the proposed transaction. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions. Although the managements of Energy East Corporation and Iberdrola, S.A. believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Energy East Corporation and Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Energy East Corporation and Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by Energy East and Iberdrola, S.A. to their regulators and under "Risk Factors" in their annual and quarterly reports filed with the SEC. Except as required by applicable law, neither Energy East nor Iberdrola, S.A. undertakes any obligation to update any forward-looking information or statements.
In addition to the risks and uncertainties set out in SEC reports or periodic reports, the proposed transaction described in this release could be affected by, among other things, the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, the outcome of any legal proceedings that may be instituted against Energy East Corporation and others related to the merger agreement; failure to obtain shareholder approval or any other failure to satisfy other conditions required to complete the merger, including required regulatory approvals; risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger; and the amount of the costs, fees, expenses and charges related to the merger.
About Iberdrola. Iberdrola is a global utility with activities in the full value chain of the electricity business from generation to distribution. The main markets where the company operates are Spain, the UK, the US, Mexico and Brazil. Globally the company has approximately 22 million electricity points of supply and almost 40,000 MW of generation capacity of which over 6,500 MW are from renewable energies, showing the strong commitment of the company to the environment.

About Energy East. Energy East Corporation is a respected super-regional energy services and delivery company serving about 3 million customers in the US throughout upstate New York and New England. By providing outstanding customer service and meeting customers' energy requirements in an environmentally-responsible manner, Energy East will continue to be a valuable asset to the communities it serves.

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Strategic rationale

Overview of Energy East

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Financial impact and credit analysis

Transaction timetable

Conclusion

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Introduction

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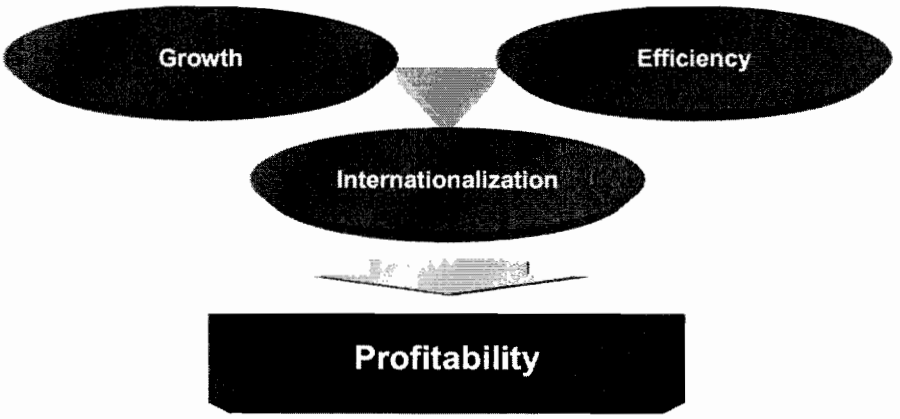
A further step based on the principles of the 2007-2009 Strategic Plan...



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Introduction

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... especially on internationalization

Renewables organic

Renewables U.S.

ScottishPower

Requirements to achieve Production Tax Credits ("PTCs")

- Acquisition of taxable income
- Creating taxable income ✓

The acquisition of a utility in the U.S. fits strategically and may enable tax optimization of Iberdrola's renewable business in the U.S.

Introduction

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The transaction meets the targets established for non-organic growth

More internationalization	✓
Liberalized markets, growing and stable	✓
Accretive to EPS and CPS	✓
Maintaining financial solidity	✓
Maintaining DPS	✓
Through a friendly agreement	✓

Introduction

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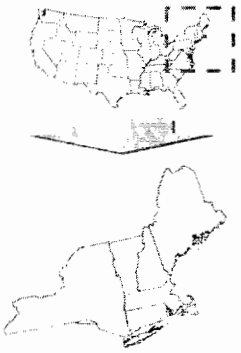
Energy East will enhance Iberdrola's position in electricity and gas



	Energy East
Electricity points of supply (M)	1.8
Gas points of supply (M)[1]	0.9
Installed capacity (MW)	555
EBITDA 2006	729
Net income 2006	192

Presence in New York, Maine, Connecticut, Massachusetts and New Hampshire

1) Includes the number of gas customers for Iberdrola (0.2 million in Spain and 1.9 million in the UK)
2) Iberdrola + ScottishPower + Energy East pro forma and based on exchange rate of 1.3519 USD / EUR

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Introduction

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The transaction values Energy East at EUR 6.4 bn EV

Total amount	Cash payment of 3.4 EUR bn to Energy East's shareholders plus assumed net debt of 3.0 EUR bn
Way of financing	Alternatives are being considered, including financing via capital increase to maintain its "A" rating and financial strength, and the assumption of existing debt in Energy East
Timetable	Transaction closing expected in 2H 2008

...with the favorable recommendation of Energy East's Board

Based on exchange rate of 1.2[illegible] USD / EUR

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Strategic fit

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Energy East is a very attractive opportunity in the US

Iberdrola expects to benefit from Energy East's taxable income to optimize its current position in renewable energies in the US

Regulated, stable and predictable business profile with low risk

Critical mass and platform to pursue further growth in the US

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Potential tax optimization of Iberdrola's US renewable business

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Strong regulatory and fiscal support in the US for wind energy

PTC Extension

- Granted for the production of electricity from qualified wind energy facilities and other sources of renewable energy
- EUR 15/MWh[1] for 10 years; indexed to inflation; locked-in at plant completion
- Current legislation expires 31/12/08 although there is strong expectation by the market of its extension

Modified Accelerated Cost Recovery System ("MACRS")

- Allows investment to be depreciated over five years
- Available continuously since 1987

Renewables Portfolio Standard ("RPS")

- State level policy mandating certain states to generate a percentage of its electricity from renewable sources
- The exact details of the policy vary depending on the state. Basic structure involves setting renewable energy source targets for suppliers, with fines imposed in some cases if targets are not met

1) Based on exchange rate of 1.3519 USD / EUR

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Regulatory framework in the US

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Stable and predictable regulatory framework

US electricity companies: regulatory framework

- States are responsible for the establishment of electricity tariffs to be paid by final consumers (retail sales) in their own territory. Each state has a specific regulatory body ("State Commission")
- The U.S. Federal Government is entitled to regulate wholesale electricity markets, transmission and interstate sales; FERC ("Federal Energy Regulatory Commission") is responsible for such activities

Base rate mechanism

- Rates provide an allowed return (normally ROE) for the utility, taking into account the asset base (rate-based regulation) plus operational costs, taxes and capital costs
- Revenue requirements are typically calculated as follows:
  - Net Income = Rate Base x Capital Structure x ROE
  - Revenue Requirements = Net Income + Interest + Taxes + D&A + O&M Costs + Fuel Costs (pass-through)

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Energy East's business model

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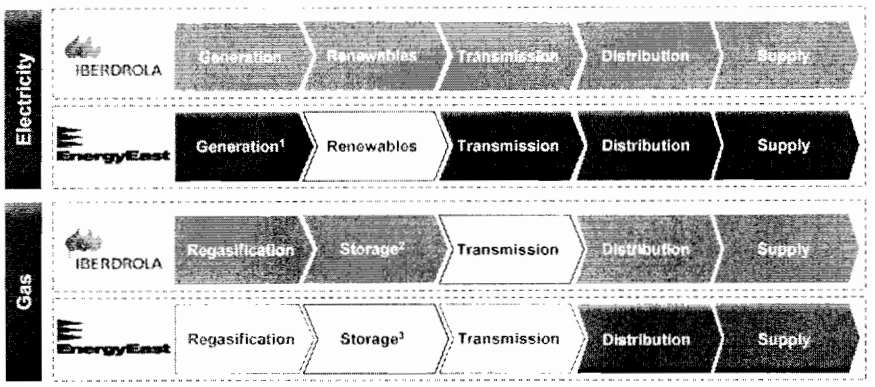
A business model that complements Iberdrola's

Electricity	IBERDROLA	Generation	Renewables	Transmission	Distribution	Supply
	EnergyEast	Generation[1]	Renewables	Transmission	Distribution	Supply
Gas	IBERDROLA	Regasification	Storage[2]	Transmission	Distribution	Supply
	EnergyEast	Regasification	Storage[3]	Transmission	Distribution	Supply



1) Energy East has an installed capacity of 1,655MW
2) Iberdrola has a gas storage capacity of 2.7 bcm
3) Energy East has limited gas storage capacity

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Energy East as a platform

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Energy East becomes the appropriate platform

...to benefit from the U.S. market

Market size

- >1,000 GW of installed capacity
- >3,600 TWh of electric sales
- >135 million of electricity customers

Consolidation potential

- Fragmented market
- Different degree of deregulation and liberalization within the market

...and profit from growth opportunities

New generation capacity

- Re-powering of existing plants
- State regulators examining the need for additional generation in their jurisdictions
- New capacity required in Energy East's market
- Acquisition of power generation assets

Increased investments in T&D

- Opportunities to improve the transmission infrastructure for new generation projects, wind parks and increased demand

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Operational growth

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Strengthens Iberdrola's position in electric and gas operations

	2006 Iberdrola	Today Iberdrola	Today Iberdrola + Energy East	
Points of supply Electricity (M)	18.4	21.9	23.7	+8.2%
Points of supply Gas (M)[2]	0.2	2.1	3.0	+42.9%
Installed capacity (MW)	30,384	39,086	39,641	+1.4%
Energy distributed (TWh)	127.2	166.7	207.2	+24.3%

1) Excludes customers from non-regulated businesses
2) Includes the number of gas customers for Iberdrola (0.2 million in Spain and 1.3 million in the United Kingdom)

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Financial growth

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Increases the critical mass of Iberdrola

	Iberdrola[1]	Energy East	Iberdrola[1] + Energy East	
Revenue '06 (EUR M)	20,232	3,869	24,101	+19.1%
EBITDA '06 (EUR M)	5,841	729	6,570	+12.5%
EBIT '06 (EUR M)	3,851	520	4,371	+13.5%
Net income '06 (EUR M)	1,969	192	2,161	+9.8%

1) [illegible] 2 months ending December 31, 2006 [illegible] Appendix 1 (Section B) of the Scheme Document
Based on exchange rate of [illegible] EUR

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Based on regulated energy business

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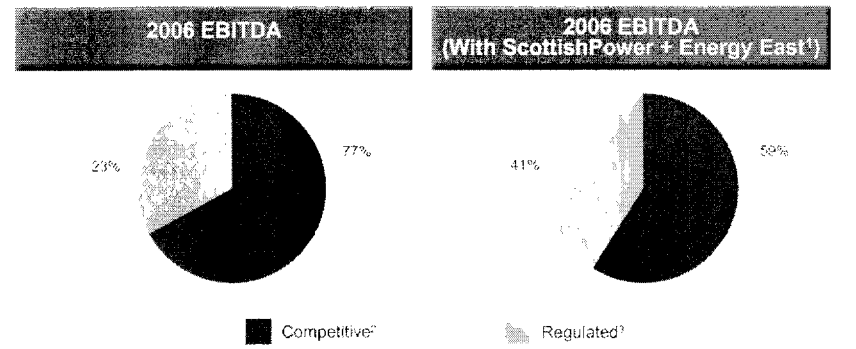
Iberdrola's mix of regulated business improves



Increased contribution from regulated operations gives Iberdrola a higher degree of predictability of its cash flows

1) EBITDA figures are pro forma
2) Includes non energy businesses
3) Includes Latin America

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More internationalization

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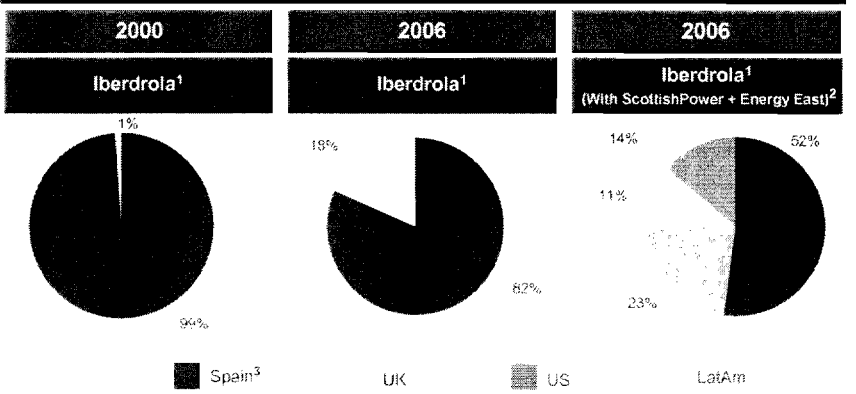
Improves Iberdrola's geographical diversification



With less risk

1) Based on EBITDA contribution
2) Pro forma
3) Including non energy business units

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Description of Energy East

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Energy East is an integrated gas and electricity utility in the US….

ELECTRICITY

Regulated points of supply	1,825,000[1]
Electricity sold (GWh)	40,450
Transmission network (km)	13,243
Distribution network (km)	125,613
Installed capacity (MW)	555

GAS

Regulated points of supply	920,300[2]
Transmission network (km)	295
Distribution network (km)	39,657
Gas sold (bcm)	5.2

FINANCIAL DATA

Sales '06 (EUR M)	3,869	Equity market value[3] (22/06/07) (EUR M)	2,648
EBITDA '06 (EUR M)	729	Enterprise value[3] (22/06/07) (EUR M)	5,612
EBIT '06 (EUR M)	520	Dividend yield[4] (%)	5.4%
Net income '06 (EUR M)	192	Leverage[5] (Dec '06) (%)	58.3%

Source: Energy East figures as reported in SEC filings, based on a change rate of 1 EUR USD / EUR
1) Does not include 1,5,000 unregulated electricity customers
2) Does not include 25,000 unregulated gas customers
3) Assuming 500 million shares as the maximum estimated amount of [illegible] and net debt as of December 2006 (2,000 EUR M)
4) Annual dividend / Trading price
5) Net debt / (Net debt + Book equity)

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Energy East operations

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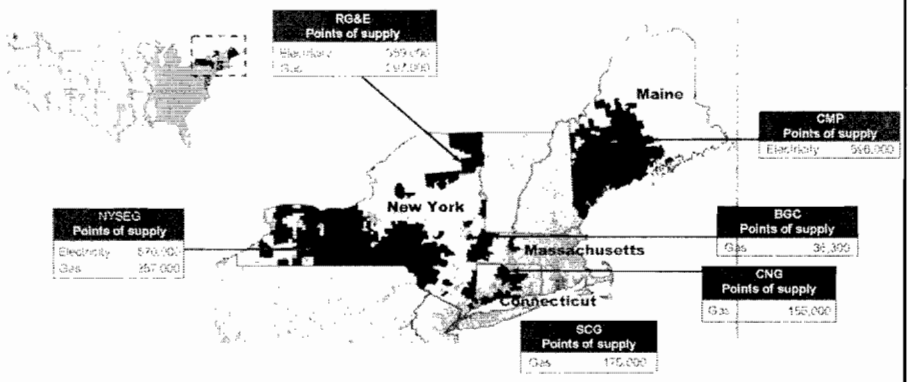
...which operates in key states...



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2006 contribution by operating company

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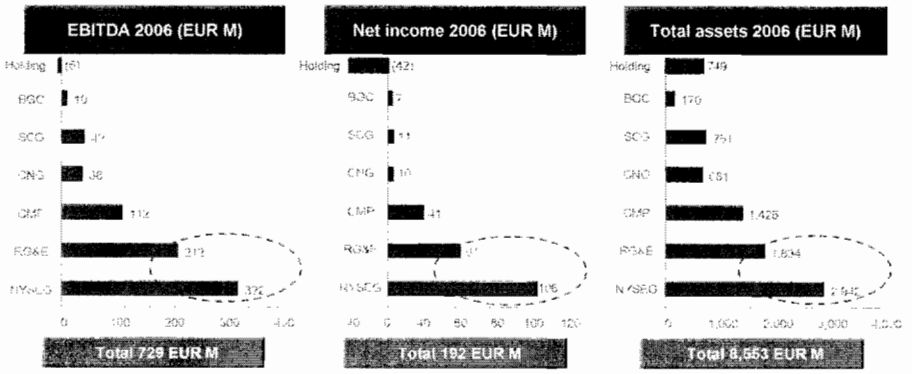
...with the two New York utilities contributing a majority of the total...



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Financial summary

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... backed by stable historical metrics...

EUR M	FY 2005	FY 2006
EBITDA	718	729
EBIT	513	520
Net profit	190	192
Total assets	8,497	8,553
CAPEX	245	302

... and predictable cash flows (98% of Energy East assets are regulated)[1]

Note: Figures as reported at SEC Range. Based on exchange rate of 1.2018 USD / EUR
Source: Energy East
1: Percentage excludes negative results from the Holding Company and non regulated businesses

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Transaction overview

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Iberdrola offers 28.50 USD per share of Energy East…

- Proposal values Energy East at 6.4 EUR bn enterprise value[1]
- Cash payment to Energy East's shareholders at closing of 3.4 EUR bn and assumed net debt of 3.0 EUR bn
- Alternative ways of financing being considered, including a capital increase, to maintain financial solidity
- Valuation does not consider:
  - Tax optimization of Iberdrola's renewable business in the US
  - Financial goodwill tax deductibility or
  - Operational benchmarking optimization

…through a friendly transaction recommended by Energy East's board

1) Based on per share price of 28.50 USD, assuming 160 million shares as maximum estimated amount at closing date, net debt as of December 2006, and exchange rate of 1.3518 USD / EUR

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Attractive valuation

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28.50 USD per share is an attractive valuation…

	Iberdrola	US Comparable Transactions[1]	Energy East[2]
EV/EBITDA 2007E[3]	12.3x	8.5-9.5x	9.2x
P/E 2007E[3]	19.7x	17-19x	18.9x
Equity / Book Value	2.4x		1.6x

…compared to Iberdrola and precedent transactions

1) Comparable transactions include HDU Resources - Cascade, WPS Resources - Peoples Energy, National Grid / Keyspan, Energy East - RGS Energy, National Grid / Niagara Mohawk, Energy East - Central Maine Power
2) At 28.50 USD per Energy East share
3) Iberdrola and Energy East forecasts are based on analyst consensus

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Attractive valuation

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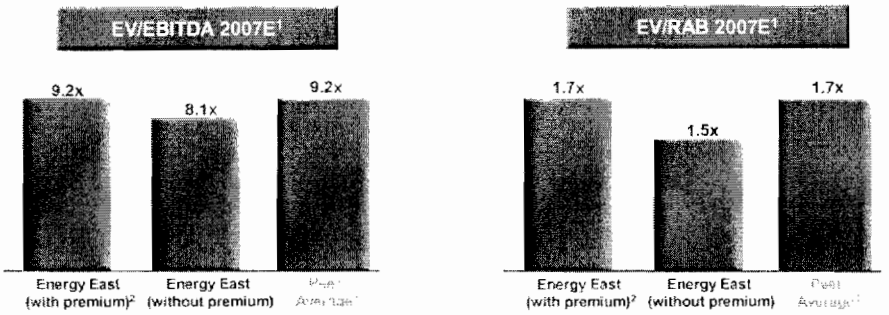
28.50 USD per share is an attractive valuation…



…in terms of EV/EBITDA and EV/RAB

Source: Wall Street Research and company presentations
1) Forecasts are based on street consensus. Enterprise Value as of June [illegible], 2006
2) Energy East multiple at 28.50 USD per share
3) Peers include DQE, ITC Holdings, ConEd, Pepco, NstarEast Utilities, CenterPoint and NStar. Average includes Energy East

Attractive valuation

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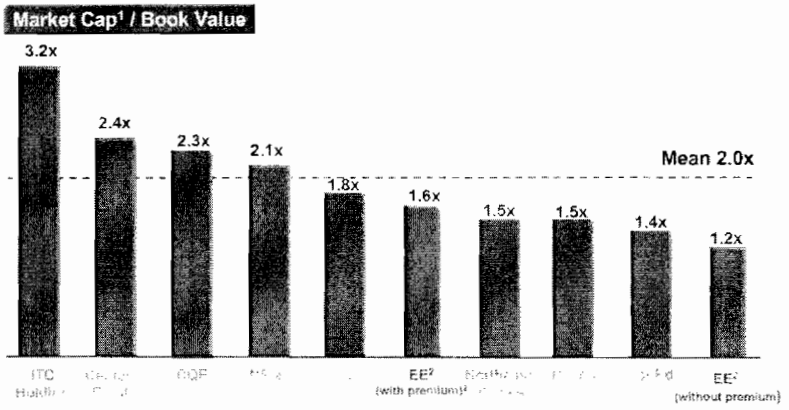
28.50 USD per share is an attractive valuation…



… with a Market Cap/Book Value below its peers

1) Market Capitalization as of July [illegible]
2) Average share at 28.50 USD per share

Conservative valuation

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The valuation has not taken into account the analysis of companies' best practices, given that it is a "change of control" transaction without assets in the same geographical area

Best practices	• Operational and customer service • Cost control
Others	• Corporate structure • Capital structure and ratings • Information technology and externalization

Energy East's subsidiaries show low/medium best practice levels compared to U.S. peers

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Transaction structure maintains financial solidity

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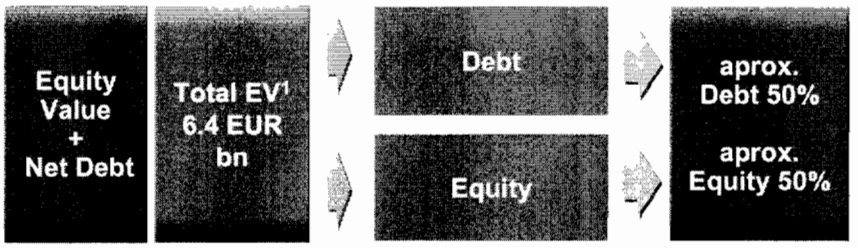
Equity Value + Net Debt	Total EV[1] 6.4 EUR bn		Debt	aprox. Debt 50%
			Equity	aprox. Equity 50%



- Existing debt will either remain in place or will be refinanced during the course of business
- If the equity issuance takes place, it will be executed between announcement date and closing, depending on market conditions

1) Based on per share price of 25.50 USD, assuming 160 million shares as maximum estimated amount at closing date, net debt as of December 2008 and exchange rate of 1.3619 USD / EUR

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Transaction meets financial criteria

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Fulfilment of the financial criteria established in the 2007-2009 Strategic Plan …

Positive impact to EPS from first year	0.4% - 1.0%	✓
Positive impact to cash flow per share	1.0% - 2.0%	✓
Maintaining solid financial position	50% - 55%[1]	✓

… honoring the commitment to shareholders

1) Leverage: Debt/Equity+Debt

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Prudent financing structure

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The transaction meets the targets established for non-organic growth...

Iberdrola + Energy East

- Proposed capital structure of the acquisition is aimed at maintaining balance sheet strength and a solid credit rating
- Energy East existing debt will either remain in place or be refinanced during the course of business
- Stable cash flows from the target will have a positive impact on credit ratios
- Structural subordination will be minimized in the new company

... via a conservative financing policy and a target capital structure that maintains Iberdrola's solid credit profile

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Pre-closing approvals required

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Transaction subject to a number of regulatory approvals

Federal	State
Hart-Scott-Rodino ("HSR")	New York Public Service Commission ("PSC")
Exon-Florio ("CFIUS")	Connecticut Department of Public Utility Control ("DPUC")
Nuclear Regulatory Commission ("NRC")	Maine Public Utilities Commission ("PUC")
Federal Communications Commission ("FCC")	New Hampshire Public Utilities Commission ("PUC")
Federal Energy Regulatory Commission ("FERC")	

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Expected timetable

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Closing of the transaction expected for 2H 2008

Estimated date	Key step
Aug. 2007	Filing of Federal and State applications / notices
Sep. 2007	End of HSR waiting period
Sep. 2007	End of CFIUS review
Sep. 2007	FCC approval
Dec. 2007	Connecticut DPUC order
Dec. 2007	New Hampshire PUC order
Feb. 2008	Maine PUC order
Feb. 2008	FERC order
Apr. 2008	NRC approval
Jun. 2008	New York PSC order[1]

1) It is expected that the order will be granted between April 30th and August 2nd

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- **Conclusion**

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Conclusion

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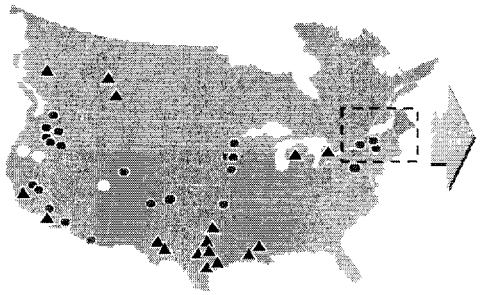
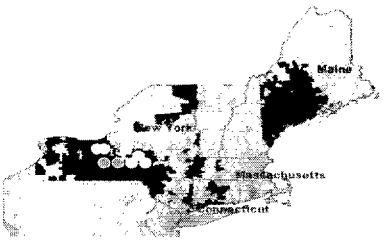
Increasing presence in the U.S.

IBERDROLA	ENERGY EAST





Wind projects
Gas storage
Thermal generation

Thermal generation
Transmission & Distribution
Hydroelectric generation

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Conclusion

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In a scarce opportunities environment, the transaction fulfils all the criteria set...

- Strengthens position in electric and gas operations
- Increases the critical mass
- Balances mix of regulated/unregulated businesses
- Improves geographical diversification

...while improving Iberdrola's positioning

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Conclusion

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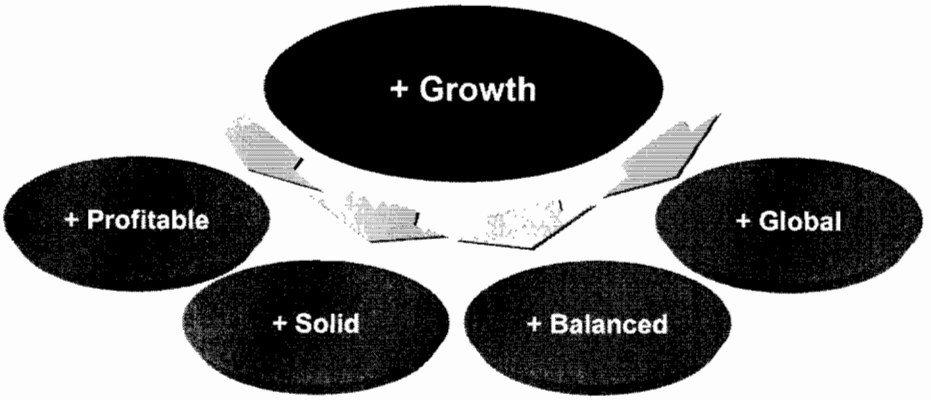
Iberdrola + Energy East



Optimizing and expanding the Global Platform

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[*Significant event relating to Project Cable*]

[ON MISTER JULIÁN MARTÍNEZ-SIMANCAS SÁNCHEZ'S PAPER WITH IBERDROLA LETTERHEAD]

COMISIÓN NACIONAL DEL MERCADO DE VALORES
Paseo de la Castellana, 19
28046 Madrid

Bilbao, June 25, 2007

NATIONAL SECURITIES MARKET COMMISSION – Significant Event

Dear Sirs:

Pursuant to the provisions of Section 82 of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby advise you that on June 25, 2007, the Boards of Directors of IBERDROLA, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") and of ENERGY EAST CORPORATION ("**Energy East**") reached an agreement on the terms of an offer whereby Energy East will be combined with the Iberdrola group and Iberdrola will become the holder of all of the shares of Energy East (the "**Transaction**"). Pursuant to such agreement, the Board of Directors of Energy East will recommend the Transaction to its shareholders in accordance with the terms of the agreement.

I. Description of the Transaction

Energy East is a U.S. company the shares of which are listed on the New York Stock Exchange (NYSE) (ticker: EAS), and that is the parent of a group of companies dedicated to the production, distribution and supply of electric power and natural gas.

As provided in the agreement reached with Energy East, Iberdrola will acquire 100% of the shares of Energy East and Energy East shareholders will receive, in consideration for their shares, a cash amount to be determined in accordance with the following equation:

For each share of Energy East: 28.50 U.S. dollars (21.08 euros[1])

[1] At an exchange rate of 1 U.S. dollar: 0.7397 euro cents. Such exchange rate (prevailing on May 29, 2007) has been used to convert amounts in euros and U.S. dollars in this notice of significant event.

Under the Transaction, each share of Energy East is valued at twenty-eight U.S. dollars with fifty cents 28.50 U.S. dollars (twenty-one euros with eight cents (21.08 euros)) and the common stock of Energy East is valued at, approximately, four thousand five hundred and sixty (4,560) million U.S. dollars (three thousand three hundred and seventy-three (3,373) million euros). Thus, these terms represent a premium:

(i) of twenty-seven point four (27.4) per cent. over the closing price of twenty-two U.S. dollars with thirty-seven cents (22.37 U.S. dollars) (sixteen euros with fifty-five cents (16.55 euros)) per share of Energy East as of June 22, 2007 (the last business day prior to the date of this notice of significant event); and

(ii) of twenty point two (20.2) per cent. over the average price per share of Energy East during the thirty days preceding June 22, 2007, which was twenty-three U.S. dollars with seventy cents (23.70 U.S. dollars) (seventeen euros with fifty-three cents (17.53 euros)) per share of Energy East.

Iberdrola believes that the combination with Energy East is strategically attractive. The Transaction will contribute to Iberdrola's development in the North American market. In particular, the combination of Energy East and Iberdrola will:

- reinforce Iberdrola's leadership position in the electricity market in terms of enterprise value;
- increase Iberdrola's presence in the American market, with an additional 1,825,000 electricity supply points and 920,300 gas supply points;
- increase total installed generating capacity by 555 MW; and
- have a positive effect on earnings per share and cash flow per share before any possible savings or optimization stemming from the Transaction.

II. Rationale and reasons for the Transaction

The Transaction, which is in line with Iberdrola's focus on international expansion and its interest in increasing its presence in the U.S. market, will accelerate the achievement of the objectives outlined in the Company's 2007-2009 Strategic Plan, and will allow the tax optimization of Iberdrola's current position in renewable energies in the U.S.

The combination of Energy East with the Iberdrola Group will:

- reaffirm Iberdrola's position in the global energy market and in the U.S. market, where Iberdrola has operations in the areas of wind power, thermal generation and the gas trading and storage business;
- strengthen Iberdrola's position in the supply and acquisition of gas;
- increase the number of electricity supply points by 1,825,000 (up to 23.7 million electricity supply points) and of gas supply points by 920,300; and

- increase the generating capacity of the Iberdrola Group up to circa 40,000 MW, of which more than 6,500 will be from renewable energies.

The proposed combination provides Iberdrola with an exceptional opportunity to acquire a vertically-integrated company, with complementary capabilities in the U.S. market and with significant opportunities for future investment in generating capacity and in new networks. The combination of Energy East with Iberdrola will allow the Iberdrola Group to increase its diversification in terms of:

- geographic scope (Spain, the United Kingdom, Central America, North America and South America);
- generation's technologies mix (nuclear, coal, wind, water and gas); and
- business mix (regulated and non-regulated).

Iberdrola will be able to draw upon the considerable experience of Energy East in regulated markets as well as upon its strong capabilities in retail sales and supply. Likewise, Energy East will benefit from Iberdrola's highest-quality standards in the generation and supply business.

III. Structure of the Transaction

Iberdrola and Energy East have executed a merger agreement (the "**Merger Agreement**") setting forth the terms and conditions of the agreement reached by both companies and pursuant to which the Transaction will be carried out.

In order to carry out the combination of Energy East with the Iberdrola group, Iberdrola has incorporated a subsidiary in the United States (GREEN ACQUISITION CAPITAL, INC., "**Green**") and will provide it with the financial resources needed to implement the Transaction. The acquisition of the shares of Energy East by Iberdrola will be carried out in accordance with the provisions of the Merger Agreement, by means of a merger of Green (merged company) into Energy East (merging company).

The above-mentioned merger, which will be governed by the laws of the State of New York (United States), will have the following effects, among others:

(i) it will extinguish the legal existence of Green;

(ii) the assets of Green will be transferred *en bloc* to Energy East;

(iii) the shares of Energy East that are outstanding at the time immediately prior to the merger will be cancelled, and will give their holders the right to receive twenty-eight U.S. dollars with fifty cents (28.50 U.S. dollars) (twenty-one euros with eight cents (21.08 euros)) in cash per share of Energy East so cancelled; and

(iv) the shares of Green outstanding at the time immediately prior to the merger will be converted into shares of Energy East, such that Iberdrola will become the holder of one hundred (100) per cent. of the capital stock of Energy East.

The Transaction, in which ABN AMRO CORPORATE FINANCE LIMITED and BANC OF AMERICA SECURITIES LLC act as Iberdrola's advisors, is subject to approval by the General Shareholders' Meeting of Energy East. Additionally, and given that Energy East and the companies within its group carry out their activities within an industry that is highly regulated and supervised by the federal authorities, the state authorities in each of the states in which the group operates (Maine, New York, Massachusetts, New Hampshire and Connecticut) and local authorities, it will be necessary to obtain the required authorizations from the competent authorities in order to complete the Transaction. In this regard, it is expected that such authorizations from the relevant authorities will be obtained during 2008.

IV. Information regarding Energy East

Energy East is a company incorporated under the laws of the State of New York (United States), the shares of which are listed on the New York Stock Exchange (*ticker*: EAS). Energy East is the parent of a group of companies dedicated to the production, distribution and supply of electric power and natural gas. The Energy East group carries out its activities in the following states of the northeastern region of the United States: New York, Maine, Massachusetts, New Hampshire and Connecticut.

As regards the operating data on the electricity business of Energy East, it has 1,825,000 supply points, a transmission network of 13,243 km. and a supply network of 125,613 km. In 2006, the electricity supplied by Energy East came to 40,450 GWh. In addition, Energy East has a generating capacity of 555 MW.

Energy East also carries out gas supply activities, now having 920,300 supply points. It has a supply network of 39,657 km., and in 2006, the volume of gas supplied came to 5.20 bcm. In addition, it has a gas transmission network of 295 km.

The table below shows the supply points of Energy East by subsidiary:

Supply points	Electricity	Gas
NYSEG	870,000	257,000
RG&E	359,000	297,000
SCG	-	175,000
CMP	596,000	-
Berkshire	-	36,300
CNG	-	155,000
TOTAL	**1,825,000**	**920,300**

Legend:

"**NYSEG**": New York State Electric & Gas Corporation
"**RG&E**": Rochester Gas and Electric Corporation
"**SCG**": The Southern Connecticut Gas Company
"**CMP**": Central Maine Power Company
"**Berkshire**": Berkshire Energy Resources
"**CNG**": Connecticut Natural Gas Corporation

The contribution of the electricity business to the EBITDA, Net Income and Total Assets of Energy East is equal to approximately sixty-five (65) per cent. Below are the figures for each indicator by type of business (exclusive of the figures for the holding company and other non-regulated businesses):

Million euros	Electricity		Gas		Total
EBITDA	486	66%	250	34%	**735**
Net Income	167	71%	68	29%	**234**
Total Assets	4,952	63%	2,851	37%	**7,804**

V. Financing of the Transaction

The total consideration that must be paid to the shareholders of Energy East in order for Iberdrola to acquire one hundred (100) per cent. of the capital stock of Energy East is four thousand five hundred and sixty (4,560) million U.S. dollars (three thousand three hundred and seventy-three (3,373) million euros).

The proceeds required to finance the Transaction will be obtained by means of the structure that best suits the needs of Iberdrola. In this regard, Iberdrola is currently analyzing different structures, including issues of debt, credit facilities, a capital increase or a combination of any of the foregoing.

VI. Terms and conditions of the Transaction

The Merger Agreement contains the customary terms and conditions in this type of transaction.

In particular, Energy East has agreed to pay Iberdrola a termination fee of forty-five (45) million U.S. dollars (approximately thirty-three point twenty-nine (33.29) million euros) in the following events (among others):

(a) if, after the date of this notice, a proposed acquisition of Energy East by a third party is announced and after such announcement (provided that such proposed acquisition has not been withdrawn), Iberdrola and/or Energy East decide(s) to terminate the Merger Agreement because:

- the merger of Energy East with Green has not been consummated within twelve months following the date of this notice (provided that all of the conditions required for the closing of the Transaction other than obtaining the required authorizations have been met, neither party has extended the aforementioned twelve-month period for an additional period of six months for purposes of obtaining such authorizations and the party terminating the Merger Agreement has not breached its obligations thereunder); or

- the Transaction is not approved by the General Shareholders' Meeting of Energy East,

and during the twelve months following the termination of the Merger Agreement, Energy East reaches an agreement with the third party in question with respect to the proposed acquisition or during the three months following such termination, Energy East reaches an agreement related to a takeover proposal with any other person; or

(b) if, after the date of this notice, a proposed acquisition of Energy East by a third party is announced and while such proposed acquisition has not been withdrawn, Iberdrola terminates the Merger Agreement as a result of (i) the lack of veracity of the representations and warranties of Energy East under the Merger Agreement; (ii) the breach by Energy East of its obligations under the Merger Agreement which may not be cured before the execution of the merger;

(c) if Energy East does not recommend or does not confirm its recommendation to the shareholders regarding the offer made by Iberdrola, or recommends an offer made by a third party, pursuant to the terms and subject to the conditions of the Merger Agreement; or

(d) if Energy East terminates the Merger Agreement as a result of the signing of an acquisition agreement with respect to an offer made by a third party that is higher than that of Iberdrola.

Yours truly,

[*Seal of IBERDROLA's Secretary*]

IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of IBERDROLA, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

This communication contains forward-looking information and statements about IBERDROLA, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

Although IBERDROLA, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by IBERDROLA, S.A. to the *COMISIÓN NACIONAL DEL MERCADO DE VALORES.*

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of IBERDROLA, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to IBERDROLA, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to IBERDROLA, S.A. on the date hereof. Except as required by applicable law, IBERDROLA, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In connection with a potential transaction involving ENERGY EAST CORPORATION, IBERDROLA, S.A. may be required to file relevant documents with the SEC. Such documents, however, are not currently available. **INVESTORS ARE URGED TO READ ANY DOCUMENTS REGARDING THE POTENTIAL TRANSACTION IF AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors will be able to obtain a free copy of such documents without charge, at the SEC's website (http://www.sec.gov) once such documents are filed with the SEC. Copies of such documents may also be obtained from IBERDROLA, S.A., without charge, once they are filed with the SEC.