

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

IBERDROLA, S.A.,
ENERGY EAST CORPORATION
AND
NEW HAMPSHIRE GAS CORPORATION

JOINT PETITION
for
APPROVAL OF STOCK ACQUISITION

August 1, 2007

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STATE OF NEW HAMPSHIRE
Before the
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

In Re New Hampshire Gas Corporation;)
Energy East Corporation; and)
IBERDROLA, S.A)

Docket No. DG 07-____

JOINT PETITION TO APPROVE THE INDIRECT ACQUISITION
OF NEW HAMPSHIRE GAS CORPORATION
BY WAY OF THE ACQUISITION OF ENERGY EAST CORPORATION
BY IBERDROLA, S.A.

I. INTRODUCTION

By this Joint Petition, IBERDROLA, S.A. (“IBERDROLA”), Energy East Corporation (“Energy East”) and New Hampshire Gas Corporation (“NHGC”) (collectively referred to herein as the “Joint Petitioners”), respectfully request approval, pursuant to RSA 369:8 and RSA 374:33, without modification or condition, of the indirect acquisition of NHGC by IBERDROLA by way of IBERDROLA’s acquisition of 100 percent of the common stock of Energy East, NHGC’s parent holding company (the “Proposed Transaction”). The Proposed Transaction is structured as a merger of Green Acquisition Capital, Inc. (“Green Acquisition”)¹ with and into Energy East, with Energy East as the surviving corporation that will be wholly-owned by IBERDROLA. NHGC will remain a wholly-owned subsidiary of Energy East and, therefore, will become a

¹ Green Acquisition is a New York corporation and a wholly-owned subsidiary of IBERDROLA, formed by IBERDROLA in June 2007 solely for the purpose of merging with and into Energy East.

subsidiary of IBERDROLA. As explained below and in the attached testimony, the Proposed Transaction meets the statutory standard for the Commission’s approval in that it “will not have an adverse effect on rates, terms, service or operation of the public utility within the state” (RSA 369:8, (II)(b)(1)), and is “lawful, proper, and in the public interest” as required by RSA 374:33. Accordingly, the Joint Petitioners respectfully request that the Commission issue an order finding that the Proposed Transaction will have no adverse effect, and approving the Proposed Transaction, within sixty (60) days of the date of this filing, to permit New Hampshire to begin to obtain the benefits of the Proposed Transaction as soon as possible.

The Joint Petition is supported by the testimony of Karen L. Zink, Treasurer of NHGC and President, Chief Operating Officer and Treasurer of The Berkshire Gas Company (“Berkshire Gas”)²; Robert E. Rude, Senior Vice President and Chief Regulatory Officer of Energy East, and Pedro Azagra Blazquez, Director of Corporate Development of IBERDROLA. On behalf of NHGC, Ms. Zink will address issues relating to service reliability, infrastructure capital investment, as well as community issues. Mr. Rude will respond to questions relating to comparisons between the Proposed Transaction and prior Energy East mergers, ongoing regulatory proceedings, rates and tariffs, and cost allocation and accounting questions. Mr. Azagra will describe IBERDROLA’s experience and global operations, its strategic plans, its business focus and philosophy, and the commitments IBERDROLA has made with respect to New Hampshire. In addition, this Petition includes the following exhibits/appendices:

² Berkshire Gas, Energy East’s Massachusetts gas utility subsidiary, provides affiliate services on rate and regulatory matters to NHGC, pursuant to a Shared Services Agreement.

- Exhibit 1 Agreement and Plan of Merger, dated as of June 25, 2007
- Exhibit 2 IBERDROLA, S.A. Certificate of Formation
- Exhibit 3 Green Acquisition Capital, Inc. Certificate of Formation
- Exhibit 4 Description of Key Officer and Management Personnel of IBERDROLA, S.A.
- Exhibit 5 Service Agreement Between The Berkshire Gas Company and New Hampshire Gas Corporation, dated March 19, 2007
- Exhibit 6 Pre-Transactional Chart for Energy East Corporation
- Exhibit 7 Pre- and Post-Transactional Charts for IBERDROLA, S.A.

As described more fully below, the Proposed Transaction will further the public interest and the interests of NHGC's customers by combining the expertise and resources of two major energy companies with strong records of reliable, safe and efficient service to customers. The Proposed Transaction will not affect the Commission's ability to regulate the operations of NHGC. Neither the locations of NHGC's operations and service center or the present arrangement pursuant to which Berkshire Gas provides affiliate services to NHGC will change in connection with the Proposed Transaction.

To implement the Proposed Transaction, IBERDROLA, Green Acquisition and Energy East executed an Agreement and Plan of Merger (the "Merger Agreement"), dated June 25, 2007, a copy of which is attached as Exhibit 1 and described in more detail in Section IV. The Proposed Transaction will be consummated in accordance with all applicable federal and state laws and regulations, including, but not limited to, Section 203 of the Federal Power Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the Communications

Act of 1934³, and the New York Business Corporation Law as both Energy East and Green Acquisition are New York corporations. The Proposed Transaction also must be approved by Energy East's shareholders and the Commission.⁴

Section II of this Petition provides an Executive Summary of the Proposed Transaction, and the reasons for approving the change of control of Energy East to IBERDROLA. Section III provides information regarding IBERDROLA, including background information about its global utility operations, its interests in the U.S. and the financial and managerial capabilities of IBERDROLA. Section IV sets forth a description of the proposal to effect the Proposed Transaction. Section V of the Petition sets forth the statutory standards of review. Sections VI and VII provide the reasons for the Proposed Transaction, and demonstrate that the Proposed Transaction meets the statutory standards for approval pursuant to RSA §§369:8 and 374:33, in that it will not have an adverse effect on rates, terms, service or operation of NHGC (RSA 369:8) and "is lawful, proper and in the public interest" as required by RSA 374:33. Section VIII provides the specific approvals sought by the Joint Petitioners.

The Proposed Transaction is scheduled to close promptly upon receipt of the necessary consents and regulatory approvals. For the reasons described herein and in the accompanying testimony, the Joint Petitioners respectfully request that the Commission find that the Proposed Transaction meets the statutory standards in New Hampshire and approve the Proposed Transaction within sixty (60) days of the date of this filing, in order

³ NHGC holds radio station licenses from the Federal Communications Commission ("FCC") pursuant to the Communications Act of 1934 with respect to its dispatch center and certain of its communications equipment and devices. NHGC will be applying to the FCC to approve transfer of the indirect holder of the licenses pursuant to 47 U.S.C. § 310(d) as a result of the Proposed Transaction.

⁴ The Proposed Transaction is also subject to review and/or approval by the public utility commissions in Maine, New York and Connecticut.

to permit the closing of the Proposed Transaction to occur, and New Hampshire to begin to obtain the benefits of the Proposed Transaction, as soon as possible thereafter.

II. EXECUTIVE SUMMARY

IBERDROLA, an international utility and energy company with a market capitalization of almost \$70 billion⁵, has the requisite financial strength and the managerial capability to acquire 100 percent of the common stock of Energy East and ensure that NHGC will continue to provide safe and reliable propane air service. The Proposed Transaction represents an acquisition of Energy East by IBERDROLA at the Energy East holding company level, rather than a combination of the operations of individual operating companies. While the Proposed Transaction will not result in the synergistic savings that sometimes accompany mergers where the operations of individual operating utilities are combined, New Hampshire customers will experience no adverse effect from NHGC becoming part of IBERDROLA because:

- No Recovery of Acquisition Premium in Rates – the Joint Petitioners commit not to seek recovery in the rates of NHGC for any acquisition premium associated with the Proposed Transaction.
- No Recovery of Transaction Costs in Rates – The Joint Petitioners commit not to seek recovery in the rates of NHGC for any costs incurred to consummate the Proposed Transaction.
- No Change in Services to Customers – There will be no changes in the rates, terms or conditions of service provided to NHGC customers in connection with the Proposed Transaction.

In addition to the avoidance of any adverse effect upon NHGC customers, the Proposed Transaction will provide positive benefits to New Hampshire. For example:

- Global Energy Experience – IBERDROLA is an innovative and diversified holder and manager of utility and other energy assets with a demonstrated

⁵ The market capitalization was calculated using a currency exchange rate of \$1.35/Euro.

commitment to infrastructure investment, service quality and sustainable development. Energy East and NHGC will benefit from IBERDROLA's global utility expertise.

- Focus on Efficiency and the Environment – IBERDROLA brings to New Hampshire a significant focus on clean technology and the environment. IBERDROLA strives to achieve its business objectives while meeting customer needs and addressing climate change, and New Hampshire will benefit from this corporate philosophy.
- Financial Stability – NHGC will obtain the financial stability and other benefits of becoming a subsidiary of a multi-national, widely diversified utility holding company with a long-term Standard & Poor's "A" level credit rating.
- Commitment to Customer Service and Reliability – NHGC's customers will benefit from IBERDROLA's proven commitment to excellence in customer service and reliability.
- No Change in Headquarters or Service Centers – There will be no change to NHGC's headquarters or local service centers in connection with the Proposed Transaction.

IBERDROLA will pay Energy East shareholders approximately \$4.5 billion to acquire 100 percent of the common stock of Energy East, based upon the approximately 158 million Energy East shares outstanding as of June 25, 2007. Because IBERDROLA has already raised the equity needed to close the Proposed Transaction in the capital markets, the Proposed Transaction will not result in any increase in the debt of Energy East or IBERDROLA, or any of their affiliates, and there is no financing contingency that must be satisfied prior to the closing of the Proposed Transaction.

Accordingly, the Proposed Transaction fully satisfies the statutory criteria under R.S.A. §§ 374:33 and 369:8 for Commission approval.

III. THE JOINT PETITIONERS

A. IBERDROLA

1. IBERDROLA is a corporation (*Sociedad Anónima*) organized under the Laws of the Kingdom of Spain. IBERDROLA's shares are publicly traded on the Madrid Stock Exchange. IBERDROLA's principal place of business is Calle Cardenal Gardoqui, 8, 48008, Bilbao, Spain. A copy of IBERDROLA's certificate of formation is attached hereto as Exhibit 2. A description of IBERDROLA's key officers and management personnel is set forth in Exhibit 4.

(i.) IBERDROLA Utility's and Energy Expertise

2. IBERDROLA is a global utility company and one of the largest energy companies in the world with a market capitalization of almost \$70 billion. IBERDROLA provides services to approximately 22 million electric points of supply and 2 million gas points of supply and in Europe and the Americas, including 10 million points of supply in Spain, 7.7 million in Brazil, 3.4 million in the United Kingdom and approximately 1 million in Guatemala and Bolivia.

3. IBERDROLA has over 100 years of experience as an electric utility, including extensive experience as a provider of electric transmission and distribution services, with a focus on increasing and maintaining the distribution infrastructure and maximizing service quality. Between 2005 and the end of 2007, IBERDROLA will have invested approximately \$4 billion in improvements for its transmission and distribution systems globally.

4. IBERDROLA is also engaged in the natural gas business in Europe and the Americas, as a gas supplier and developer of gas infrastructure. In Spain, IBERDROLA supplied 150 bcf of natural gas in 2006, including 20 percent of Spain's

liquefied natural gas supplies. IBERDROLA also has significant investments in two Spanish regasification plants and in the MEDGAZ pipeline, which transports supplies from Algeria to Spain. IBERDROLA is also the third largest independent operator of natural gas storage in North America, with almost 95 bcf of storage capacity in the western U.S. and Canada.

5. IBERDROLA has made a long-term commitment to global investment while relying upon local management, as demonstrated by IBERDROLA's activities in Portugal, Brazil, Mexico, Bolivia, Guatemala, the United Kingdom, Spain and Greece where it relies fully or substantially on local management to lead its operations. Similarly, IBERDROLA highly values the skills and experience of the management teams and the employees of Energy East and NHCG, who will be vital to the success of the Proposed Transaction.

(ii.) IBERDROLA's Emphasis on Sustainable Development

6. Sustainable development is the cornerstone of IBERDROLA's strategic plan, which is premised on using technologies that are cleaner, more efficient and environmentally friendly. IBERDROLA owns a diversified portfolio of approximately 40,000 MWs of electric generation worldwide, comprised primarily of low emissions assets (*e.g.* hydro, nuclear and gas combined-cycle) and is the largest producer of wind energy in the world, with over 6,800 MW of wind capacity. In 2006, IBERDROLA invested over \$1.32 billion in renewable technologies and has over 40,000 MW of new renewable resources in the pipeline, including over 20,000 MW in the United States. IBERDROLA's commitment to the environment is evidenced by its

leadership in the renewable energy field and its demonstrated support for the Kyoto Protocol and the European Union Emissions Trading Directive.

(iii.) IBERDROLA's Current U.S. Operations

7. In April, 2007 IBERDROLA completed its acquisition of ScottishPower, expanding its electric and gas business in Europe and the Americas. ScottishPower is involved in the generation, transmission, distribution and supply of electricity, as well as the storage and supply of natural gas, in the United Kingdom. IBERDROLA does not currently own any regulated electric or natural gas delivery systems in the United States, but through ScottishPower's subsidiary, PPM Energy, Inc., IBERDROLA is now engaged in renewable generation, gas storage and associated energy management activities in the United States and western Canada. Additionally, since May, 2006, IBERDROLA has acquired three renewable energy companies in the United States that operate wind generation facilities in New York: Community Energy Company in May, 2006; MREC Partners in October, 2006; and CPV Wind Ventures, LLC in April, 2007.

(iv.) IBERDROLA as a Worldwide Leader

8. In addition to its environmental commitments, IBERDROLA's strategic objectives have focused on increased efficiency, service quality and infrastructure development, to the benefit of both its shareholders and its customers. IBERDROLA was recognized for its leadership and achievement in 2006 when it was named the Energy Company of the Year by Platts Global Energy Awards. IBERDROLA has also been named a leader in the Worldwide Utilities Category of the Dow Jones Sustainability Index, identified as one of the 50 best companies in climate strategy and listed as a Global 100 Most Sustainable Corporations in the World.

IBERDROLA's Chairman and CEO, Ignacio Sanchez Galán, was named CEO of the Year by Platts Global and has been recognized as best executive among European utilities for five consecutive years. IBERDROLA's CFO, Jose Sainz Armada, has repeatedly been named one of Europe's Best CFO's, and Ignacio Cuenca has been recognized as Best Investor Relations Professional by Institutional Investor Research group.

B. Energy East and New Hampshire Gas Corporation

9. Energy East is a United States public utility holding company with operations in New Hampshire, Connecticut, New York, Massachusetts, and Maine, serving approximately 1.8 million electricity customers and 900,000 natural gas customers (1,000 of which are NHGC's propane customers in Keene, New Hampshire). Energy East's principal business subsidiaries are engaged in regulated natural gas transportation, storage and distribution operations in Connecticut, upstate New York, Maine, Massachusetts and New Hampshire, and in regulated electricity transmission, distribution and generation operations in upstate New York and Maine. Energy East has two service company affiliates, Utility Shared Services Corporation ("Shared Services") and Energy East Management Corporation ("EEMC"), that provide corporate and back office services to their affiliates.

10. Energy East also has a 100 percent indirect ownership interest in several subsidiaries that are not regulated public utilities. These companies are identified on Exhibit 6.

11. In 1998, Energy East's subsidiary, New York State Electric and Gas ("NYSEG"), merged with Keene Gas Corporation, and created NHGC.⁶ Upon consummation of that merger, NHGC was the surviving corporation and Keene Gas was relieved of its public utility duties.⁷ NHGC provides propane air services to approximately 1,000 customers in Keene, New Hampshire. NHGC is a public utility regulated by the Commission. Berkshire Gas, Energy East's Massachusetts gas utility subsidiary, provides a range of affiliate services to NHGC pursuant to a Shared Services Agreement, a copy of which is attached as Exhibit 5.

C. Communications/Correspondence

12. All communications and correspondence with respect to this Petition should be addressed or directed to the attorneys for IBERDROLA:

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⁶ Re Keene Gas Corporation, DE 98-123 Order No. 23,017 (N.H.P.U.C. 1998)

⁷ Keene Gas transferred to NYSEG/NHGC all of its distribution properties, trucks and equipment required to operate and maintain the system, but did not transfer the production plant. Although Keene Gas was relieved of its public utility duties upon consummation of the merger, it remains subject to the Commission's safety regulations and any environmental remediation obligations by virtue of its continued ownership of the plant. Re Keene Gas, Order No. 23,017 at 5-6.

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IV. THE PROPOSED TRANSACTION

A. The Merger Agreement

13. The Merger Agreement provides that Green Acquisition, a wholly-owned subsidiary of IBERDROLA that was formed solely for the purpose of accomplishing the Proposed Transaction, will merge with and into Energy East. Energy East will be the surviving corporation and a wholly-owned subsidiary of IBERDROLA. NHGC will continue to be a wholly-owned subsidiary of Energy East, and will become a wholly-owned subsidiary of IBERDROLA as a result of the Proposed Transaction.

14. The Proposed Transaction is subject to the receipt of all shareholder consents and federal and state regulatory approvals prior to its effectiveness. The Proposed Transaction is expected to become effective when the parties to the Merger Agreement, subsequent to obtaining such consents and approvals, file a certificate of merger with the Secretary of the State of New York in accordance with the New York Business Corporation Law.

15. Upon the effectiveness of the Proposed Transaction, each outstanding share of Energy East common stock (other than shares owned by Energy East or an Energy East subsidiary, or by IBERDROLA or a subsidiary of IBERDROLA) will be converted into the right to receive \$28.50 in cash, without interest. The shares of Green Acquisition outstanding immediately prior to the closing of the Proposed Transaction will be converted into shares of Energy East, and IBERDROLA will thereby become the owner of 100 percent of the common stock of Energy East. The total consideration to be paid by IBERDROLA to Energy East shareholders as part of the Proposed Transaction, based upon the number of Energy East

shares outstanding of approximately 158 million as of June 25, 2007, is approximately \$4.5 billion.

16. The current corporate organizational chart for Energy East, including NHGC, is attached hereto as Exhibit 6. The corporate organizational charts of IBERDROLA both prior to and after the Proposed Transaction are attached hereto as Exhibit 7.

B. Financing For the Proposed Transaction

17. Underscoring its financial strength, on June 27, 2007, IBERDROLA issued 85 million new shares of common stock through an accelerated private placement which was fully subscribed. Thus, the capital markets have already provided IBERDROLA with the approximately \$4.5 billion necessary for it to acquire Energy East's common shares pursuant to the Merger Agreement, thereby demonstrating IBERDROLA's capacity and ability to raise capital. Thus, the Proposed Transaction will not result in any increase in the debt of Energy East, IBERDROLA or any of their affiliates and there is no financing contingency that must be satisfied prior to the closing of the Proposed Transaction.

V. JURISDICTION AND STANDARD OF REVIEW

18. Commission authority to approve the indirect acquisition of NHGC stems primarily from two statutory provisions. RSA 374:33 provides in relevant part:

No public utility or public utility holding company as defined in section 2(a)(7)(A) of the Public Utility Holding Company Act of 1935 shall directly or indirectly acquire more than 10 percent, or more than the ownership level which triggers reporting requirements under 15 U.S.C., section 78-P, which is less, of the stocks or bonds of any other public utility or public utility holding company incorporated in or doing business in this state, unless the

commission finds that such acquisition is lawful, proper and in the public interest. . . .⁸

RSA369:8, II (b)(1) provides an alternative procedure for the approval of a merger involving the parent companies of a public utility:

To the extent that the approval of the commission is required by any other statute for any corporate merger or acquisition involving parent companies of a public utility whose rates, terms, and conditions of service are regulated by the commission, the approval of the commission shall not be required if the public utility files with the commission a detailed written representation no less than 60 days prior to the anticipated completion of the transaction that the transaction will not have an adverse effect on rates, terms, service, or operation of the public utility within the state.

19. Under the alternative procedure in RSA 369.8, II(b)(2) – (5), a series of timelines are set forth that are designed to allow the merger to go forward if it meets the “no adverse effect” test set forth in RSA 369:8, II(b)(1). Specifically, a merger is deemed to be approved if the Commission does not issue an order within sixty (60) days of the filing under RSA 369:8, II(b)(2), subject to various extensions and findings set forth in RSA 369:8, II(b)(3)-(5). If the Commission finds an adverse effect, the Commission is then required under RSA 369:8, section II (b)(5) to review the filing “under the statute that would have otherwise applied but for this section” within 150 days of the filing of the initial Petition.⁹

⁸ The Public Utility Holding Company Act of 1935 (“PUHCA”) was repealed by the Energy Policy Act of 2005. However, the Proposed Transaction would have triggered the reporting requirements of 15 U.S.C. section 78-P, and therefore, approval is required under RSA 374:33. The repeal of PUHCA would not affect the operative provisions of state law that may have referenced PUHCA for convenience.

⁹ Subsection (b)(2) provides that a transaction is deemed approved if the Commission does not act within sixty (60) days. Subsection (b)(3) allows the Commission to make a preliminary finding of an adverse effect within thirty (30) days allowing the utility to amend its filing to address the issue in the remaining thirty (30) days, and as a result does affect the sixty (60) day period established in

20. In Order No. 23,470, dated May 8, 2000, Docket No. DG 99-193 approving the acquisition of EnergyNorth by Eastern Enterprise and KeySpan, the Commission described its responsibilities under RSA 369:8, II in conjunction with RSA 374:33 as follows:

Under the public interest standard of RSA 374:33 and the ‘no adverse effect’ standard of RSA 369:8 to be applied by the Commission where a utility or public utility holding company seeks to acquire, directly or indirectly, a jurisdictional utility, the Commission must determine that the proposed transaction will not harm ratepayers.¹⁰

In this Petition and the accompanying testimony, the Joint Petitioners demonstrate that the Proposed Transaction meets the statutory standards under both RSA 369:8 and RSA 374:33. In so doing, the Joint Petitioners request that the Commission evaluate the Proposed Transaction under the statutory standards set forth in both RSA 369:8 and RSA 374:33 from the outset and issue a preliminary determination of “no adverse effects” under RSA 369:8, II(b) within sixty (60) days. The benefits of the Proposed Transaction that form the basis for the evaluations required under the statutory standards are set forth in the following section.

VI. BENEFITS OF THE PROPOSED TRANSACTION

A. Support for the Proposed Transaction

21. The Proposed Transaction fully satisfies the “public interest” and “not adverse effect” standards necessary for Commission approval pursuant to RSA 374:33 and RSA 369:8. As described below, and in the attached Testimony,

subsection (b)(1). Subsection (b)(4) allows the Commission to extend the sixty (60) day period by thirty (30) days to ninety (90) days. Subsection (b)(5) authorizes a further sixty (60) day review period under “the statute that would otherwise have applied but for this section” after the Commission has found an adverse effect, producing a total time line of 150 days for action either under RSA 369:8 II(b) or under RSA 374:33.

¹⁰ Order No. 23,470, DG 99-193, page 15.

IBERDROLA has the technological expertise, human resources and financial strength necessary to succeed (and enable NHGC to continue to succeed) in a rapidly changing utility environment. The Proposed Transaction will provide Energy East and its New Hampshire utility subsidiary with the financial support and managerial experience of a leading global energy enterprise in order to pursue their shared corporate goals, build upon their demonstrated achievements, and ensure customer satisfaction, system reliability and environmental stewardship. The Proposed Transaction will support the continued provision of safe and reliable utility service by NHGC to customers in New Hampshire.

B. Energy East Will Benefit from IBERDROLA's Utility Expertise

22. Energy East and NHGC will obtain benefits from IBERDROLA's global utility expertise and managerial talent. IBERDROLA, through its affiliates, is a world leader with a proven record of providing high-quality energy distribution service. It is one of the world's largest energy companies, with approximately 22 million electric points of supply and 2 million gas points of supply in Europe and the Americas. For over 100 years, IBERDROLA has provided high-quality, environmentally friendly utility service.

23. IBERDROLA operates an electric distribution network in Spain with over 218,000 kilometers (130,000 miles) of distribution and transmission lines and provides energy distribution service to almost 10 million points of supply in Spain. As noted above, from 2005 to the end of 2007, IBERDROLA will have made capital investments of approximately \$4 billion in transmission and distribution facilities globally. This investment demonstrates IBERDROLA's commitment to investing in improvements that promote a secure and reliable energy infrastructure. In 2006 alone,

IBERDROLA invested over \$675 million in expansion and improvement of its electric distribution networks in Spain. Pursuant to its strategic plan, IBERDROLA focuses on reducing power failure rates, repowering existing lines and utilizing existing rights-of-way to avoid disruption from construction of infrastructure improvements, reducing losses through the installation of capacitor banks, increasing voltage to increase capacity, and updating facilities with state-of-the-art “low-loss” transformers. Energy East and NHGC will benefit from IBERDROLA’s proven expertise and managerial talent with respect to these and other issues, including security and network congestion avoidance issues.

24. In addition, IBERDROLA is the leading developer of new gas infrastructure in Spain, with recent investments in regasification plants and natural gas pipelines. In January 2007, IBERDROLA increased its stake in the MEDGAZ pipeline to 20 percent. IBERDROLA also owns gas storage in Europe and the United States, including 95 bcf of storage acquired in the recent combination with ScottishPower. In 2006, IBERDROLA supplied 150 bcf of gas into the Spanish market. IBERDROLA has signed long-term supply contracts for 565 bcf annually (247 bcf in Spain and 318 bcf in Latin America), allowing IBERDROLA to reduce its exposure to fuel price volatility.

C. IBERDROLA’s Commitment to Energy Efficiency and the Environment

25. Sustainable development is the cornerstone of IBERDROLA’s strategic plan, which is premised on using technologies that are cleaner, more efficient and environmentally friendly. IBERDROLA has received international recognition for its environmental policies and performance, including rankings of best in class for both the Electric Utilities Category for environmental behavior by Storebrand Investments

and for the global level in the 2006 Climate Leadership Index. Moreover, IBERDROLA has been named a leader in the Worldwide Utilities Category of the Dow Jones Sustainability Index, identified as one of the 50 best companies in climate strategy, and is listed as one of the Global 100 Most Sustainable Corporations in the World and among the top three companies in the Energy & Utilities Sector Category in the Pacific Sustainability Index.

26. As a global leader in environmentally friendly programs, IBERDROLA is committed to encouraging Energy East's efforts to implement energy efficiency initiatives and investing in new utility technology. IBERDROLA also has a strong commitment to demand side management and other conservation efforts. For example, IBERDROLA:

- distributes guides for energy efficiency to more than 1.5 million customers;
- promotes energy efficient and electronically regulated air conditioning and heating devices;
- provides advice on energy conservation and efficiency, printed on the back of the bill and forwarded to more than 9 million customers;
- utilizes time-differentiated rates; and
- supports industrial customers and government entities through energy audits to help them to achieve a better energy efficiency.

IBERDROLA's commitments to energy efficiency, demand side management and other conservation efforts are consistent with the Commission's policy objectives.

D. Financial Strength

27. The Proposed Transaction strengthens the financial stability and resources available to Energy East and NHGC. As a result of the Proposed Transaction, the enterprise value of IBERDROLA will surpass \$104 billion, thereby placing

IBERDROLA's financial resources among the largest in the world. As described above, IBERDROLA was able to sell 85 million new shares of common stock through an accelerated private placement that was fully subscribed to by institutional investors, thus raising approximately \$4.5 billion to finance the Proposed Transaction.

28. The Proposed Transaction will give Energy East and NHGC the financial stability and other benefits of becoming subsidiaries of a multi-national widely diversified utility with a Standard & Poor's long-term "A" level credit rating and will provide Energy East (and thus NHGC) with greater access to both U.S. and global financial markets, as compared with access to capital in the absence of the Proposed Transaction. By providing enhanced access to capital, the Proposed Transaction will allow NHGC to continue to provide high-quality, safe and reliable service.

E. Service Quality and Reliability

29. IBERDROLA is committed to excellence in customer service and reliability and understands the need for infrastructure to support the goal of enhanced reliability. IBERDROLA has maintained its focus on improving service quality for its approximately 22 million electric points of supply and 2 million gas points of supply around the world through development and improvement of its energy infrastructure. For example, with respect to standard measures of service interruption, IBERDROLA's focus on operational excellence is evident in its superior performance as measured by the Customer Average Interruption Duration Index ("CAIDI") and the System Average Interruption Frequency Index ("SAIFI"). Relative to U.S. benchmarks, IBERDROLA over the last 3 years has delivered results that would rank in either the first or second quartile of U.S. utilities. IBERDROLA's CAIDI of 1.70 hours for operations in Spain and the United Kingdom would rank near the top of the second quartile. The SAIFI

performance of 1.16 average interruptions for operations in Spain and the United Kingdom is in the first quartile performance of U.S. utilities.

F. No Negative Impact on New Hampshire Customers

30. In addition to the aforementioned benefits, the Proposed Transaction will have no negative impact on the NHGC's customers. The Joint Petitioners commit not to seek recovery from New Hampshire ratepayers of costs incurred to consummate the Proposed Transaction. Moreover, the acquisition premium paid for Energy East common stock resulting from the Proposed Transaction will remain on the books of IBERDROLA and its other wholly-owned subsidiaries, and will not be recorded on the books of Energy East or any of its subsidiaries, including NHGC. To be clear, the Joint Petitioners will not seek recovery of the acquisition premium associated with the Proposed Transaction in rates from New Hampshire ratepayers.

31. In addition, there will be no changes to the rates, terms or conditions of service provided to NHGC's customers in connection with the Proposed Transaction. The Joint Petitioners are not seeking to modify NHGC's existing rate plans as part of the Proposed Transaction. Customers will continue to be able to interact with NHGC at its existing corporate headquarters and operational centers, the locations of which will not change in connection with the Proposed Transaction. IBERDROLA further contemplates that no utility company operations, plant, equipment, franchises, permits, or other assets of NHGC will change or be transferred in connection with the Proposed Transaction.

VII. COMPLIANCE WITH STATUTORY STANDARDS

A. RSA 369:8, II(b): No Adverse Effect on Rates, Terms or Operations.

32. RSA 369:8, II(b) requires NHGC to demonstrate with detailed written representations that the transaction will not have an adverse effect on rates, terms, service, or operation of the public utility in the state. The demonstration is as follows:

33. The Proposed Transaction will have no adverse effect on the terms of contracts with NHGC's customers, suppliers, lenders, employees, or vendors. NHGC will continue to honor all of its existing commitments following consummation of the Proposed Transaction. The Joint Petitioners are not seeking any changes to NHGC's tariffs, terms and conditions for service in connection with the Proposed Transaction. IBERDROLA highly values the skills and experience of the management teams and the employees of Energy East, Berkshire Gas and NHGC who will be vital to the success of the Proposed Transaction. In addition, as described above, no costs incurred to consummate the Proposed Transaction, or any acquisition premium associated with the Proposed Transaction, will be passed through to NHGC's ratepayers. There will also be no changes to NHGC's existing regulatory accounting and cost allocation methods in connection with the Proposed Transaction. As a result, the Proposed Transaction will have no adverse effect on NHGC's rates, terms, service or operations.

34. NHGC is a well-run propane utility that provides excellent service to its customers through its plant, equipment and methods of operation. The Proposed Transaction will not create any risks to the services provided to NHGC's ratepayers, and the utility's ability to provide safe, adequate and reliable propane service to its New Hampshire customers will not be adversely affected. Indeed, NHGC's ability to

continue to do so will be maintained and enhanced after the Proposed Transaction, through increased access to financial and human resources, experience and management as part of the IBERDROLA group.

35. The Proposed Transaction is not intended to result in changes to the operations or regulatory policies applicable to NHGC. NHGC will continue to be regulated as it is currently by the Commission pursuant to RSA 362 *et seq.*, and the Proposed Transaction will not affect any Commission orders, regulations or rulings currently in effect and applicable to NHGC. There will be no change to NHGC's operating headquarters and service center from its present location in Keene, or to the affiliate arrangement with Berkshire Gas in connection with the Proposed Transaction. Thus, the Commission's access to the management of NHGC will not be affected by the Proposed Transaction.

36. Based on the representations in this Petition and the accompanying testimony, the Commission should conclude that Proposed Transaction complies with standards set forth in RSA 369:8, II(b) and approve Proposed Transaction on that basis.

B. RSA 374:33: Transaction is Lawful, Proper and in the Public Interest

37. As required by RSA 374.33, the Proposed Transaction is both lawful and proper. The Proposed Transaction is subject to regulatory approvals from this Commission and several other agencies including the Federal Energy Regulatory Commission and the public utilities commissions of Maine, Connecticut and New York. Those applications are pending. Clearance under the United States antitrust and foreign investment law is also pending. In addition, the Proposed Transaction must receive certain other regulatory and corporate approvals. These actions and the Commission's

review in this proceeding will demonstrate that the Proposed Transaction is lawful and proper.

VIII. REQUEST FOR APPROVALS

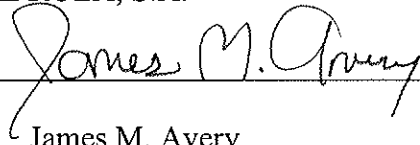
WHEREFORE, the Joint Petitioners respectfully request the Commission:

1. Approve the Transaction under which NHCG becomes a subsidiary of IBERDROLA, S.A. pursuant to RSA 369:8 and RSA 374:33;
2. Issue all other approvals, authorization or clearances, if any, in order that the Joint Petitioners can effect Proposed Transaction;
3. Grant such other and further may be just and proper.

WHEREFORE, IBERDROLA, Energy East and NHGC respectfully submit that the Proposed Transaction meets all statutory criteria for a change of control, and request that this Application be approved by the Commission. IBERDROLA, Energy East and NHGC request that the Commission consider this Petition expeditiously and issue an Order authorizing the Proposed Transaction within 60 days of this filing, but no later than 150 days of this filing.

Respectfully submitted,

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