

**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

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

DG 07-\_\_\_\_\_

**DIRECT TESTIMONY OF THE**  
**BENEFITS AND PUBLIC INTEREST PANEL**

Pedro Azagra Blazquez  
Karen L. Zink  
Robert E. Rude

August 1, 2007

## **BENEFITS AND PUBLIC INTEREST PANEL**

### **I. INTRODUCTION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**Q. Please state the names of the members on this Benefits and Public Interest Panel (the “Panel”).**

A. Our names are Pedro Azagra Blazquez, Karen L. Zink and Robert E. Rude.

**Q. Mr. Azagra, please state your current position and business address.**

A. My title is Director of Corporate Development of IBERDROLA, S.A. (“IBERDROLA”). My business address is Tomás Redondo 1, Madrid, Spain, 28033.

**Q. What are your current job responsibilities?**

A. Among other things, I am responsible for the non-organic growth of IBERDROLA, which includes such transactions as mergers, acquisitions, divestitures of core businesses, and the strategic planning of such opportunities.

**Q. Please summarize your educational background.**

A. I received a business degree and a law degree from Icade University in Madrid, and a Master of Business Administration from the University of Chicago.

**Q. Please describe your work experience.**

A. Prior to joining IBERDROLA, I worked at Morgan Stanley from 1992 to 1996 in the Investment Banking Division in London.

**Q. Have you previously testified before any United States federal or state regulatory agency or a regulatory agency of another country?**

A. I have never provided testimony, but I have done significant work related to IBERDROLA regulatory matters in Spain.

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 **Q. Please identify those areas of the testimony for which you have primary**  
2 **responsibility.**

3 A. While we are collectively sponsoring this Panel testimony with respect to the  
4 overall transaction (the “Proposed Transaction”) that is described in the “Joint  
5 Petition to Approve the Indirect Acquisition of New Hampshire Gas Corporation  
6 By Way of Merger of Energy East Corporation with IBERDROLA S.A.” (the  
7 “Joint Petition”) to which our testimony is attached, I am responsible for the  
8 portions of this testimony related to IBERDROLA’s global operations and  
9 experience, IBERDROLA’s strategic plan, IBERDROLA’s commitments,  
10 IBERDROLA’s business focus and philosophy, and the overall purpose of the  
11 Proposed Transaction from IBERDROLA’s perspective. The Panel as a whole is  
12 responsible for describing the reasons why the Proposed Transaction will not have  
13 an adverse effect on rates, terms, service or operation of the public utility within  
14 the state and is lawful, proper, and in the public interest, thereby satisfying the  
15 requirements for approval under New Hampshire law. I defer to Ms. Zink and  
16 Mr. Rude with respect to the specific factual statements in this testimony with  
17 respect to Energy East.

18 **Q. Ms. Zink, please state your current position and business address.**

19 A. My name is Karen L. Zink. I am employed by The Berkshire Gas Company  
20 (“Berkshire”) and my business address is 115 Cheshire Rd., Pittsfield, MA 01201.  
21 I am President, Chief Operating Officer and Treasurer of Berkshire. I am also  
22 Treasurer of New Hampshire Gas Corporation (“NHGC”).

## BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. What are your current job responsibilities?**

2 A. I have responsibility for all aspects of Berkshire's operations. In my earlier  
3 positions with Berkshire, I had more direct responsibility for marketing, rates, gas  
4 supply, gas dispatch, transportation services, demand-side management programs,  
5 cost-of-gas proceedings and long-range strategic planning and forecasting.  
6 Berkshire, Energy East's Massachusetts gas utility subsidiary, provides a range of  
7 affiliate services to NHGC pursuant to a Shared Services Agreement.

8 **Q. Please summarize your educational background.**

9 A. I graduated from Central Connecticut State University in 1979 with a Bachelor of  
10 Science degree in Finance and from Western New England College in 1997 with  
11 a Masters of Business Administration.

12 **Q. Please describe your work experience.**

13 A. I have held several positions with Berkshire including Supervisor of Financial  
14 Services, Supervisor of Planning, Manager of Rates and Planning, Director of  
15 Rates, Regulation and Resource Planning, Vice President of Marketing and  
16 Resource Planning, and Vice President and General Manager. I was promoted to  
17 my current position on May 1, 2004.

18 **Q. Have you previously testified in other proceedings before the New  
19 Hampshire Public Utilities Commission (the "Commission") or other state or  
20 federal regulatory agency or court?**

21 A. I have testified before the Commission with respect to cost of gas proceedings. I  
22 have also testified in a number of proceedings before the Massachusetts

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 Department of Public Utilities (formerly the Massachusetts Department of  
2 Telecommunications & Energy).

3 **Q. Please identify those areas of the testimony for which you have primary**  
4 **responsibility.**

5 A. While we are collectively sponsoring this Panel testimony with respect to the  
6 Proposed Transaction, my primary areas of responsibility are to address issues  
7 relating to service reliability, infrastructure capital investment, as well as  
8 community issues on behalf of NHGC. As noted, Berkshire provides a range of  
9 affiliate services to NHGC pursuant to a Shared Services Agreement. I defer to  
10 Mr. Azagra with respect to the specific factual statements in this testimony with  
11 respect to IBERDROLA.

12 **Q. Mr. Rude, please state your current position and business address.**

13 A. My title is Senior Vice President and Chief Regulatory Officer of Energy East and  
14 Energy East Management Corporation ("EEMC"). My business address is 52  
15 Farm View Drive, New Gloucester, Maine 04260-5116.

16 **Q. Please summarize your educational background.**

17 A. I graduated from the State University of New York, College at Geneseo, in 1974,  
18 with a Bachelor of Arts Degree in Political Science. I obtained a Masters Degree  
19 in Business Administration from Syracuse University in 1993.

20 **Q. What are your current job responsibilities?**

21 A. As Senior Vice President and Chief Regulatory Officer, I am responsible for all  
22 regulatory policy and proceedings at Energy East's electric and natural gas utility

## BENEFITS AND PUBLIC INTEREST PANEL

1 operating companies. I am also responsible for operating and capital budgeting at  
2 Energy East.

3 **Q. Please describe your work experience.**

4 A. I have been Senior Vice President and Chief Regulatory Officer of Energy East  
5 since June 2005. I served as Vice President and Controller of Energy East from  
6 November 1999 to June 2005, and also served as Energy East's Principal  
7 Accounting Officer prior to June 2005. In addition, I served as Controller from  
8 October 1998 to November 1999; Executive Director, Corporate Planning of New  
9 York State Electric & Gas Corporation ("NYSEG"), October 1998 to October  
10 2000; and Director, Corporate Planning and Rates of NYSEG, a New York utility  
11 subsidiary of Energy East, prior to October 1998.

12 **Q. Have you previously testified in other proceedings before the Commission or  
13 other state or federal regulatory agency?**

14 A. No. I have, however, testified in a number of proceedings before the Connecticut  
15 Department of Public Utility Control, the Maine Public Utilities Commission and  
16 the New York State Public Service Commission.

17 **Q. Please identify those areas of the testimony for which you have primary  
18 responsibility.**

19 A. While we are collectively sponsoring this Panel testimony with respect to the  
20 Proposed Transaction, my primary areas of responsibility are issues relating to the  
21 previous Energy East mergers relating to NHGC, ongoing regulatory proceedings,  
22 rates and tariffs, Energy East allocation methods and accounting, and the purpose

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 of the Proposed Transaction and the reasons it should be approved from Energy  
2 East's perspective. I defer to Mr. Azagra with respect to the specific factual  
3 statements in this testimony with respect to IBERDROLA.

4 **Q. What is the overall purpose of the Panel's testimony?**

5 A. The purpose of our testimony is to demonstrate why the Proposed Transaction  
6 will not have an adverse effect on rates, terms, service or operation of NHGC and  
7 is lawful, proper, and in the public interest, and to provide overall support for the  
8 Joint Petition, which is being filed contemporaneously with this testimony.

9 **Q. Please briefly describe the Joint Petition.**

10 A. The Joint Petition of IBERDROLA, Energy East and NHGC (collectively referred  
11 to herein as the "Joint Petitioners"), requests approval, pursuant to RSA 369:8 and  
12 RSA 374:33, of the Proposed Transaction without modification or condition. The  
13 Proposed Transaction is structured as a merger of Green Acquisition Capital, Inc.  
14 ("Green Acquisition"), a newly-formed wholly-owned subsidiary of  
15 IBERDROLA, with and into Energy East, with Energy East as the surviving  
16 corporation that will be wholly-owned by IBERDROLA. NHGC will remain a  
17 wholly-owned subsidiary of Energy East and therefore will become a wholly-  
18 owned subsidiary of IBERDROLA. As explained in this testimony, the Proposed  
19 Transaction meets the statutory standard for the Commission's approval in that it  
20 "will not have an adverse effect on rates, terms, service or operation of the public  
21 utility within the state" (RSA 369:8, II(b)(1)), and is "lawful, proper, and in the  
22 public interest" as required by RSA 374:33.

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 **Q. Please describe how this testimony supports the Joint Petition.**

2 A. To obtain the Commission's consent for the Proposed Transaction, the Joint  
3 Petitioners must show that the Proposed Transaction will not have an adverse  
4 effect on rates, terms, service or operation of NHGC and is lawful, proper, and in  
5 the public interest. This testimony, in conjunction with the Joint Petition,  
6 supports such a finding.

7 **Q. Are the Joint Petitioners requesting Commission approval of the Proposed**  
8 **Transaction by a specific date?**

9 A. Yes. The Joint Petitioners desire to close the Proposed Transaction promptly  
10 following satisfaction of all conditions precedent to the Proposed Transaction,  
11 which include regulatory authorization by the Commission, so that New  
12 Hampshire can begin to obtain the benefits of the Proposed Transaction as soon as  
13 possible. It is important, therefore, that the Commission act promptly on this  
14 Joint Petition. Accordingly, the Joint Petitioners respectfully request that the  
15 Commission issue an order approving the Proposed Transaction within sixty (60)  
16 days of the date of this filing.

17 **Q. Is this Panel sponsoring any exhibits?**

18 A. This Panel will address and discuss the exhibits to the Joint Petition, with the  
19 number designations and descriptions listed in the Joint Petition. Several of the  
20 Joint Petition exhibits are referenced and described in our testimony.

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 **Q. Please describe the organization of the rest of your testimony.**

2 A. Section II of our testimony provides an Executive Summary of the benefits of the  
3 Proposed Transaction. Section III describes the Joint Petitioners, including  
4 background information about IBERDROLA's global utility operations and  
5 interests in the United States, and the mechanics of the Proposed Transaction.  
6 Finally, Section IV describes the benefits of the Proposed Transaction and  
7 demonstrates that the Proposed Transaction "will not have an adverse effect on  
8 rates, terms, service or operation of the public utility within the state" (RSA  
9 369:8, II(b)(1)), and is "lawful, proper, and in the public interest" as required by  
10 RSA 374:33

11 **II. EXECUTIVE SUMMARY**

12 **Q. What is the overarching reason why the Commission should approve the**  
13 **Proposed Transaction?**

14 A. The Proposed Transaction should be approved because it will result in numerous  
15 benefits for NHGC's customers. Furthermore, IBERDROLA and Energy East are  
16 making commitments that protect NHGC's ratepayers from the costs incurred to  
17 consummate the Proposed Transaction, and from any acquisition premium. As  
18 such, the Proposed Transaction will not have an adverse effect on rates, terms,  
19 service or operation of NHGC and is lawful, proper, and in the public interest.

## BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. Is the Proposed Transaction intended to be a merger of two operating entities**  
2 **for the realization of savings?**

3 A. No. The Proposed Transaction represents an acquisition by IBERDROLA at the  
4 Energy East holding company level, rather than a combination of the operations  
5 of individual operating companies. While the Proposed Transaction will not  
6 result in the synergistic savings that sometimes accompany mergers where the  
7 operations of individual operating companies are combined, New Hampshire  
8 customers will nonetheless benefit from NHGC becoming part of IBERDROLA.

9 **Q. How will New Hampshire benefit from the Proposed Transaction?**

10 A. IBERDROLA is a leading global utility and energy company with a market  
11 capitalization of approximately \$70 billion (utilizing an exchange rate of  
12 \$1.35/Euro). It has the financial, technological and managerial capabilities, honed  
13 by over 100 years of utility experience, to acquire control of Energy East while  
14 ensuring that NHGC continues to provide high-quality, safe, and reliable service  
15 to its customers. IBERDROLA brings to New Hampshire a proven record of  
16 providing high-quality electric distribution service and a demonstrated  
17 commitment to innovation, infrastructure investment, service quality, efficiency,  
18 clean energy policies, and sustainable development. IBERDROLA strives to  
19 achieve its business objectives while meeting customer needs, with a focus on  
20 security of supply and climate change issues. IBERDROLA's policies and plans  
21 affecting customers, shareholders, and employees are guided by principles of  
22 corporate social responsibility. In addition to IBERDROLA's commitment to

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 energy efficiency and the environment, IBERDROLA is well-capitalized, has  
2 considerable liquidity, strong credit ratings, and ready access to international as  
3 well as domestic capital markets.

### **III. DESCRIPTION OF THE JOINT PETITIONERS AND THE PROPOSED TRANSACTION**

#### **A. Description of the Joint Petitioners**

##### **IBERDROLA**

#### **Q. What is IBERDROLA's corporate structure and primary business?**

9 A. IBERDROLA is a corporation (*Sociedad Anónima*) organized under the Laws of  
10 the Kingdom of Spain whose shares are publicly traded on the Madrid Stock  
11 Exchange. IBERDROLA's principal place of business is located at Calle  
12 Cardenal Gardoqui, 8 48008, Bilbao, Spain. A description of IBERDROLA's key  
13 officers and management personnel is set forth in Exhibit 4 to the Joint Petition  
14 and a copy of its Certificate of Formation is attached to the Joint Petition as  
15 Exhibit 2.

#### **Q. What is IBERDROLA's scope and scale of operations?**

17 A. IBERDROLA is a global utility that has over 100 years of experience in the  
18 electric and gas business, including experience as a provider of electric  
19 transmission and distribution services. It is one of the largest energy companies  
20 in the world with a market capitalization of over \$70 billion. IBERDROLA  
21 provides services to approximately 22 million electric points of supply and 2  
22 million gas points of supply in Europe and the Americas, including 10 million

## BENEFITS AND PUBLIC INTEREST PANEL

1 points of supply in Spain, 7.7 million in Brazil, 3.4 million in the United Kingdom  
2 and approximately 1 million in Guatemala and Bolivia. IBERDROLA is also  
3 engaged in the natural gas business in Europe and the Americas, as a gas supplier  
4 and developer of gas infrastructure.

5 **Q. Please describe IBERDROLA's natural gas operations.**

6 A. IBERDROLA is engaged in the natural gas business in Europe and the Americas,  
7 as a gas supplier and developer of gas infrastructure. In Spain, IBERDROLA  
8 supplied 150 bcf of natural gas in 2006, including 20 percent of Spain's liquefied  
9 natural gas supplies. IBERDROLA also has significant investments in two  
10 Spanish re-gasification plants and in the MEDGAZ pipeline, which transports  
11 supplies from Algeria to Spain. IBERDROLA is also the third largest  
12 independent operator of natural gas storage in North America, with almost 95 bcf  
13 of storage capacity. IBERDROLA has signed long-term supply contracts for 565  
14 bcf annually (247 bcf in Spain and 318 bcf in Latin America), allowing  
15 IBERDROLA to reduce its exposure to fuel price volatility.

16 **Q. Please describe IBERDROLA's experience in the operation of electric  
17 distribution networks.**

18 A. IBERDROLA operates an electric distribution network in Spain with over  
19 218,000 kilometers (130,000 miles) of distribution and transmission lines. In  
20 2006 alone, IBERDROLA invested over \$675 million in expansion and  
21 improvement of its electric distribution networks in Spain. Pursuant to its  
22 strategic plan, IBERDROLA focuses on reducing power failure rates, repowering

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 existing lines and using existing rights-of-way to avoid disruption from  
2 construction of infrastructure improvements, reducing losses through the  
3 installation of capacitor banks, increasing voltage to increase capacity, and  
4 updating facilities with state-of-the-art “low-loss” transformers.

5 **Q. Is IBERDROLA currently engaged in utility or non-utility energy business**  
6 **activities in the United States?**

7 A. IBERDROLA is not currently engaged in any traditionally regulated transmission  
8 or distribution utility operations in the United States. However, in April 2007,  
9 IBERDROLA completed its acquisition of Scottish Power, plc (“ScottishPower”),  
10 expanding its business activities in Europe and the United States. ScottishPower  
11 is involved in the generation, transmission, distribution and supply of electricity,  
12 as well as the storage and supply of natural gas, in the United Kingdom. Through  
13 ScottishPower’s subsidiary, PPM Energy, Inc. (“PPM”), IBERDROLA is now  
14 engaged in renewable generation, gas storage and associated energy management  
15 activities in the United States and Western Canada. Additionally, since May  
16 2006, IBERDROLA has acquired three renewable energy companies in the  
17 United States (i.e., Community Energy in May 2006; MREC Partners in October  
18 2006, and CPV Wind Ventures, LLC in April 2007).

19 **Q. Can you describe IBERDROLA’s commitment to sustainable development?**

20 A. Sustainable development is the cornerstone of IBERDROLA’s strategic plan,  
21 which is premised on using technologies that are cleaner, more efficient and  
22 environmentally friendly. IBERDROLA has demonstrated its commitment to

## BENEFITS AND PUBLIC INTEREST PANEL

1 renewable energy and the environment by developing world-class expertise in  
2 delivering sustainable, clean energy. IBERDROLA has followed a strategy of  
3 growth in the renewable energy field that reflects IBERDROLA's support for the  
4 Kyoto Protocol and the European Union Emissions Trading Directive.

5 **Q. How large is IBERDROLA's portfolio of renewable resources?**

6 A. IBERDROLA owns a diversified portfolio of approximately 40,000 MW of  
7 electric generation, including approximately 10,000 MW of hydro power and over  
8 6,800 MW of renewable wind generation resources. In 2006 alone, IBERDROLA  
9 invested over \$1.32 billion in renewable technologies and currently has over  
10 40,000 MW of new renewable resources in the pipeline, including over 20,000  
11 MW in the United States.

12 **Q. Has IBERDROLA been recognized for its environmental sustainability**  
13 **policies?**

14 A. Yes. IBERDROLA has received international recognition for its environmental  
15 policies and performance, including rankings of best in class for both the Electric  
16 Utilities Category for environmental behavior by Storebrand Investments and for  
17 the global level in the 2006 Climate Leadership Index. Moreover, IBERDROLA  
18 has been named a leader in the Worldwide Utilities Category of the Dow Jones  
19 Sustainability Index, identified as one of the 50 best companies in climate  
20 strategy, and is listed as one of the Global 100 Most Sustainable Corporations in  
21 the World and among the top three companies in the Energy & Utilities Sector  
22 Category in the Pacific Sustainability Index.

## **BENEFITS AND PUBLIC INTEREST PANEL**

### **Green Acquisition**

**Q. Please describe Green Acquisition.**

A. Green Acquisition is a New York corporation and a wholly-owned subsidiary of IBERDROLA that was formed solely for the purpose of merging with and into Energy East in the Proposed Transaction. Its function is to be IBERDROLA's acquisition subsidiary and ultimately, as set forth in the Merger Agreement, it will be merged with and into Energy East. At that time, the separate corporate existence of Green Acquisition will cease and Energy East will be the surviving corporation wholly-owned by IBERDROLA. IBERDROLA will provide Green Acquisition with the financial resources needed to carry out the Proposed Transaction. Green Acquisition's Certificate of Incorporation is attached to the Joint Petition as Exhibit 3.

### **Energy East**

**Q. What is Energy East's corporate structure and primary business?**

A. Energy East is a public utility holding company with operations in New York, Connecticut, Massachusetts, Maine, and New Hampshire, serving approximately 1.8 million electric customers and 900,000 natural gas customers. Energy East's corporate and administrative offices are located in New Gloucester, Maine and Rochester, New York. Energy East's principal business subsidiaries are engaged in regulated electric transmission, distribution and generation operations in upstate New York and Maine and in regulated natural gas transportation, storage and distribution operations in Connecticut, upstate New

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 York, Maine, Massachusetts, and New Hampshire. Energy East also has two  
2 service company affiliates, Energy East Shared Services Corporation and EEMC,  
3 that provide back office services to its affiliates and has a 100 percent indirect  
4 ownership interest in several subsidiaries that are not traditional public utilities.

### **NHGC**

#### **Q. What is NHGC's corporate structure and primary business?**

7 A. In 1998, Energy East's subsidiary, NYSEG, merged with Keene Gas Corporation,  
8 and created NHGC. Upon consummation of that merger, NHGC was the  
9 surviving corporation and Keene Gas was relieved of its public utility duties.  
10 NHGC provides propane air services to approximately 1,000 customers in Keene,  
11 New Hampshire. NHGC's operations and service center is located in Keene, New  
12 Hampshire. NHGC is a public utility regulated by the Commission. Berkshire  
13 Gas, Energy East's Massachusetts gas utility subsidiary, provides a range of  
14 affiliate services to NHGC pursuant to a Shared Services Agreement, a copy of  
15 which is attached as Exhibit 5.

#### **B. Description of the Proposed Transaction**

##### **Q. Please describe the Proposed Transaction.**

18 A. Pursuant to the Merger Agreement, IBERDROLA will acquire 100 percent of the  
19 common stock of Energy East and the shareholders of Energy East will receive, in  
20 consideration for their shares, \$28.50 in cash per share. The total consideration to  
21 be paid by IBERDROLA to Energy East shareholders, based upon the number of  
22 Energy East shares outstanding of approximately 158 million as of June 25, 2007,

## BENEFITS AND PUBLIC INTEREST PANEL

1 is approximately \$4.5 billion. As noted earlier in our testimony, the Proposed  
2 Transaction will be implemented by means of the merger of Green Acquisition  
3 with and into Energy East, with Energy East as the surviving corporation that will  
4 be a wholly owned subsidiary of IBERDROLA.

5 **Q. Does the Joint Petition contain exhibits illustrating the corporate**  
6 **organizational effects of the Proposed Transaction?**

7 A. Yes. The current corporate organizational chart for Energy East, including  
8 NHGC, is attached to the Joint Petition as Exhibit 6. Exhibit 7 of the Joint  
9 Petition contains the corporate organizational charts of IBERDROLA both prior  
10 to and after the Proposed Transaction.

11 **Q. How will IBERDROLA finance the Proposed Transaction?**

12 A. On June 27, 2007, IBERDROLA sold 85 million new shares of common stock  
13 through an accelerated private placement that was fully subscribed, providing  
14 IBERDROLA with approximately \$4.5 billion for Green Acquisition to proceed  
15 with the Proposed Transaction. Thus, the cash consideration payable to Energy  
16 East shareholders has already been financed through the proceeds of the capital  
17 issuance realized through this single equity placement, and will not result in any  
18 new debt for IBERDROLA, Energy East or their subsidiaries. This deal structure  
19 allows IBERDROLA to maintain a solid financial position, and eliminates the  
20 need for any financing contingency that must be satisfied prior to the closing of  
21 the Proposed Transaction.

## BENEFITS AND PUBLIC INTEREST PANEL

### IV. PUBLIC INTEREST DEMONSTRATION

#### Energy East and its Utility Subsidiaries Will Benefit from IBERDROLA's Utility Expertise

1  
2  
3  
4 **Q. You mentioned earlier in your testimony that the Proposed Transaction**  
5 **represents an acquisition by IBERDROLA at the Energy East holding**  
6 **company level rather than a combination of the operations of individual**  
7 **operating companies that would result in synergistic savings. As that is the**  
8 **case, what benefits will Energy East and its subsidiaries obtain from the**  
9 **Proposed Transaction?**

10 A. Energy East and its utility subsidiaries will obtain benefits from IBERDROLA's  
11 global utility and other energy expertise and managerial talent. As we indicated  
12 earlier in our testimony, IBERDROLA, through its affiliates, is a world leader  
13 with a proven record of providing high-quality electric distribution service. It is  
14 one of the world's largest energy companies, with approximately 22 million  
15 electric points of supply and 2 million gas points of supply in Europe and the  
16 Americas, including 10 million points of supply in Spain, 7.7 million in Brazil,  
17 3.4 million in the United Kingdom, and approximately 1 million in Guatemala  
18 and Bolivia. For over 100 years, IBERDROLA has provided high-quality,  
19 environmentally friendly utility service.

20 IBERDROLA has received numerous awards for corporate excellence,  
21 leadership and achievement, including having been recognized in 2006 as Energy  
22 Company of the Year by Platts Global Energy Awards. IBERDROLA has also

## BENEFITS AND PUBLIC INTEREST PANEL

1           been named a leader in the Worldwide Utilities Category of the Dow Jones  
2           Sustainability Index, identified as one of the 50 best companies in climate strategy  
3           and listed in the Global 100 Most Sustainable Corporations in the World. In  
4           addition, IBERDROLA's Chairman and CEO, Ignacio Sanchez Galán, has been  
5           repeatedly recognized as a top energy executive. IBERDROLA's CFO, José  
6           Sáinz Armada, repeatedly has been named one of Europe's Best CFOs and  
7           IBERDROLA's Ignacio Cuenca has been recognized as Best Investor Relations  
8           Professional by Institutional Investor Research Group.

### Energy East and Its Utility Subsidiaries Will Benefit From IBERDROLA's

#### Commitment to Energy Efficiency and the Environment

11   **Q.    Will IBERDROLA's commitment to energy efficiency and the environment**  
12    **provide any benefits to New Hampshire?**

13    **A.**    Yes. As we described earlier in our testimony, sustainable development is the  
14    cornerstone of IBERDROLA's strategic plan, which is premised on using  
15    technologies that are cleaner, more efficient and environmentally friendly.  
16    IBERDROLA has demonstrated its commitment to renewable energy and the  
17    environment by developing world-class expertise in delivering sustainable, clean  
18    energy and its significant engineering and construction resources allow it to  
19    utilize new energy efficiency and environmental technologies.

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 **Q. Please explain how IBERDROLA's commitment to energy efficiency and the**  
2 **environment will benefit New Hampshire.**

3 A. As a global leader in environmentally friendly programs, IBERDROLA is  
4 committed to encouraging Energy East's efforts to implement energy efficiency  
5 initiatives and investing in new utility technology. IBERDROLA also has a  
6 strong commitment to demand side management and other conservation efforts.  
7 For example, IBERDROLA: (1) distributes guides for energy efficiency to more  
8 than 1.5 million customers; (2) promotes energy efficient and electronically  
9 regulated air conditioning and heating devices; (3) provides advice on energy  
10 conservation and efficiency, printed on the back of the bill and forwarded to more  
11 than 9 million customers; (4) utilizes time-differentiated rates; and (5) supports  
12 industrial customers and government entities through energy audits to help them  
13 to achieve a better energy efficiency. Energy East and NHGC will benefit from  
14 IBERDROLA's experience regarding implementation of renewable energy and  
15 environmental programs.

16 **Q. In what other ways will Energy East benefit from IBERDROLA's**  
17 **environmental focus?**

18 A. IBERDROLA has implemented an Environmental Policy, which includes Basic  
19 Action Principles that allow it to attain the most demanding objectives of  
20 European environmental policy. IBERDROLA has also established Ten  
21 Guidelines for Corporate Responsibility.

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 **Q. Is IBERDROLA’s commitment to the environment consistent with New**  
2 **Hampshire’s stated policies?**

3 A. Yes. IBERDROLA’s commitments to energy efficiency, demand side  
4 management and other conservation efforts are consistent with Governor Lynch’s  
5 objective to produce 25 percent of energy consumed by clean, renewable energy  
6 resources by 2025 (*i.e.*, the “25x25” energy policy). As a global leader in  
7 environmentally friendly programs, IBERDROLA also understands that  
8 renewable energy and environmental efficiency are two of the best ways to reduce  
9 dependence on fossil energy and to fight global warming. IBERDROLA is  
10 committed to facilitating Energy East’s efforts to implement energy efficiency  
11 initiatives and to invest in new technology.

### 12 **The Proposed Transaction Allows NHGC to be Part of a Financially Strong** 13 **Company System**

14 **Q. Please describe IBERDROLA’s financial strength.**

15 A. IBERDROLA is one of the largest energy companies in the world. It currently  
16 has a market capitalization over \$70 billion. Standard and Poor’s has awarded  
17 IBERDROLA an “A” level rating for its long-term credit, thus recognizing  
18 IBERDROLA’s strength and the stability of its financial results. IBERDROLA’s  
19 financial strength was demonstrated following the announcement of the Proposed  
20 Transaction, when IBERDROLA issued 85 million new shares of common stock  
21 through an accelerated private placement that was fully subscribed. Thus, the  
22 capital markets have already provided IBERDROLA with approximately \$4.5

## **BENEFITS AND PUBLIC INTEREST PANEL**

1 billion for the Proposed Transaction and demonstrated IBERDROLA's capacity  
2 and ability to raise financial resources.

3 **Q. Will IBERDROLA's financially strong position provide any additional**  
4 **benefits to Energy East?**

5 A. Yes. The Proposed Transaction will provide Energy East (and thus NHGC) with  
6 greater access to both U.S. and global financial markets than they would have in  
7 the absence of the Proposed Transaction. IBERDROLA's ability to quickly sell  
8 85 million new shares of common stock through a fully-subscribed accelerated  
9 private placement shows how access to capital can be a benefit of IBERDROLA's  
10 financial strength. By providing enhanced access to capital, the Proposed  
11 Transaction will allow NHGC to continue to provide high-quality, safe and  
12 adequate service.

### **IBERDROLA is Committed to Excellence in Customer Service and Reliability**

14 **Q. What impact will the Proposed Transaction have on customer service and**  
15 **reliability?**

16 A. IBERDROLA has demonstrated through its global operations its competence and  
17 commitment in providing high-quality service and ensuring the delivery of safe,  
18 adequate and reliable energy supply. IBERDROLA understands the need to  
19 invest in infrastructure to support the goal of enhanced reliability. From 2005 to  
20 the end of 2007, IBERDROLA will have made capital investments of  
21 approximately \$4 billion in transmission and distribution facilities globally,

## BENEFITS AND PUBLIC INTEREST PANEL

1 demonstrating its commitment to investing in improvements that promote a secure  
2 and reliable energy infrastructure.

3 IBERDROLA has maintained its focus on improving service quality for its  
4 approximately 22 million electric points of supply and 2 million gas points of  
5 supply around the world through development and improvement of its energy  
6 infrastructure. For example, with respect to standard measures of service  
7 interruption, IBERDROLA's focus on operational excellence is evident in its  
8 superior performance as measured by the Customer Average Interruption  
9 Duration Index ("CAIDI") and the System Average Interruption Frequency Index  
10 ("SAIFI"). Relative to U.S. benchmarks, IBERDROLA over the last 3 years has  
11 delivered results that would rank in either the first or second quartile of U.S.  
12 utilities. IBERDROLA's CAIDI of 1.70 hours for operations in Spain and the  
13 United Kingdom would rank near the top of the second quartile. The SAIFI  
14 performance of 1.16 average interruptions for operations in Spain and the United  
15 Kingdom is in the first quartile performance of U.S. utilities.

### **The Proposed Transaction Will Have No Negative Impact on New Hampshire**

#### **Customers**

18 **Q. Are the Joint Petitioners making commitments regarding the recovery of**  
19 **transaction costs and the acquisition premium associated with the Proposed**  
20 **Transaction?**

21 A. Yes. The Petitioners commit not to seek recovery of costs incurred to  
22 consummate the Proposed Transaction from New Hampshire ratepayers.

## BENEFITS AND PUBLIC INTEREST PANEL

1 Moreover, the premium paid for Energy East common stock resulting from the  
2 Proposed Transaction will remain on the books of IBERDROLA and its wholly-  
3 owned subsidiaries, and will not be recorded on the books of Energy East or any  
4 of its subsidiaries, including Energy East or NHGC. To be clear, the Petitioners  
5 are providing assurances that they will not seek recovery of any acquisition  
6 premium associated with the Proposed Transaction in rates from New Hampshire  
7 ratepayers.

8 **Q. Will the Proposed Transaction have any impact on the regulatory cost**  
9 **accounting and allocation methods that NHGC currently uses?**

10 A. No. There are no plans to modify the existing regulatory cost accounting and  
11 allocation methods and reporting system utilized today by NHGC.

12 **Q. Are there any anticipated changes to rates or services provided to customers**  
13 **as a result of the Proposed Transaction?**

14 A. No. The Joint Petitioners are not seeking to modify the existing rate plans of  
15 NHGC as part of the Proposed Transaction. Customers will also continue to be  
16 able to interact with NHGC at its existing corporate operational center, the  
17 location of which will not change in connection with the Proposed Transaction.  
18 In addition, no utility company operations, plant, equipment, franchises, permits,  
19 or other assets of NHGC will change or be transferred in connection with the  
20 Proposed Transaction. In any case, no franchises, assets or permits would be  
21 transferred without first seeking Commission approval, whenever such approval is  
22 necessary.

## BENEFITS AND PUBLIC INTEREST PANEL

1 **Q. Does The Proposed Transaction Satisfy RSA 368: of II (b): No Adverse**  
2 **Effect on Rates, Terms or Operations?**

3 A. Yes. RSA 369:8, II(b) requires NHGC to demonstrate with detailed written  
4 representations that the Proposed Transaction will not have an adverse effect on  
5 its rates, terms, service, or operation. The required demonstration is as follows:  
6 The Proposed Transaction will have no adverse effect on the terms of contracts  
7 with NHGC's customers, suppliers, lenders, employees, or vendors. NHGC will  
8 continue to honor all of its existing commitments following consummation of the  
9 Proposed Transaction. The Joint Petitioners are not seeking any changes to  
10 NHGC's tariffs, terms and conditions for service as part of the Proposed  
11 Transaction. IBERDROLA highly values the skills and experience of the  
12 management teams and the employees of Energy East, Berkshire Gas and NHGC  
13 who will be vital to the success of the Proposed Transaction. In addition, no costs  
14 incurred to consummate the Proposed Transaction or any acquisition premium  
15 associated with the Proposed Transaction will be passed on to NHGC's  
16 ratepayers. IBERDROLA has further committed that it has no intention to  
17 modify NHGC's existing regulatory accounting and cost allocation methods. As  
18 a result, the Proposed Transaction will have no adverse effect on NHGC's rates,  
19 terms, service or operations.

20 NHGC is a well-run propane utility that provides excellent service to its  
21 customers through its plant, equipment and methods of operation. The Proposed  
22 Transaction will not create any risks to the services provided to NHGC's

## BENEFITS AND PUBLIC INTEREST PANEL

1 ratepayers, and its ability to provide safe, adequate and reliable propane service to  
2 its New Hampshire customers will not be adversely affected. Indeed, NHGC's  
3 ability to continue to do so will be maintained and enhanced after the Proposed  
4 Transaction, through increased access to financial and human resources,  
5 experience and management as part of the IBERDROLA group.

6 The Proposed Transaction is not intended to result in changes to the  
7 operations or regulatory policies applicable to NHGC. NHGC will continue to be  
8 regulated as it is currently by the Commission pursuant to RSA 362 *et seq.*, and  
9 the Proposed Transaction will not affect any commission orders, regulations or  
10 rulings currently in effect and applicable to NHGC. There will be no change to  
11 NHGC's operating headquarters and service center from its present location in  
12 Keene, or to the affiliate arrangement with Berkshire Gas in connection with the  
13 Proposed Transaction. Thus, the Commission's access to the management of  
14 NHGC will not be affected by the Proposed Transaction. Based on the  
15 representations in this testimony and in the accompanying Joint Petition, the  
16 Commission should conclude that Proposed Transaction complies with standards  
17 set forth in RSA 369:8, II(b) and approve Proposed Transaction on that basis.

18 **Q. Does the Petition Satisfy RSA 374:33: Transaction is Lawful, Proper and in**  
19 **the Public Interest?**

20 A. Yes. As required by RSA 374:33, the Proposed Transaction is both lawful and  
21 proper. The Proposed Transaction is subject to regulatory approvals from this  
22 Commission and several other agencies including the Federal Energy Regulatory

## BENEFITS AND PUBLIC INTEREST PANEL

1 Commission and the public utilities commissions of Maine, Connecticut and New  
2 York. Those applications have been filed or will be filed shortly. Clearance  
3 under the United States antitrust and foreign investment laws is also pending. In  
4 addition, the Proposed Transaction must receive several other approvals and the  
5 approval of the shareholders of both Energy East and IBERDROLA. These  
6 actions and the Commission's review in this proceeding will demonstrate that the  
7 Proposed Transaction is lawful and proper.

8 **Q. Does this complete your direct testimony at this time?**

9 A. Yes, it does.

10 BS116207