


COMMONWEALTH OF PENNSYLVANIA
Department of Environmental Protection
Office of the Secretary
April 18, 2008

SUBJECT: Call to Governor Patterson Concerning Iberdrola

TO: Honorable Edward G. Rendell
Governor

FROM: Kathleen A. McGinty
Secretary 
Department of Environmental Protection

This is to follow up on our call yesterday and to provide background for your call to Governor Patterson.

Background

Pedro Azagra, on behalf of Iberdrola S.A., has requested your assistance in reaching out to Governor Patterson regarding the proposed merger of Iberdrola S.A. and Energy East. Pedro Azagra is Iberdrola S.A.'s global Corporate Development Director and member of the Executive Committee of Iberdrola.

As you know, Iberdrola S.A. is a major Spanish-based utility company. Iberdrola is in the process of acquiring Energy East - an electric utility and natural gas company with operations in the Northeastern United States, including Connecticut, Maine, Massachusetts, New Hampshire, and New York.

Iberdrola S.A. owns an 80% interest in Iberdrola Renewables. Iberdrola Renewables is focused on being the world leader in global renewable energy investment and is currently the leading owner and operator of renewable energy in the world. The United States renewable energy market is a major focus for Iberdrola Renewables' investments, just over half of Iberdrola Renewables 41,000 MW global wind energy pipeline is in the United States.

Iberdrola Renewables' primary east coast development and business office is located in Radnor, PA and currently employs approximately 80 staff. Iberdrola Renewables' companies (including Community Energy, Atlantic Renewable Energy, and PPM Energy) have developed seven of Pennsylvania's nine existing commercial wind farms.

Iberdrola has just under 30% interest (founder and main shareholder) in Gamesa. Iberdrola has shown strong commitment to its investments in Pennsylvania.

Honorable Edward G. Rendell

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Iberdrola S.A. has achieved regulatory approvals from the Federal Energy Regulatory Commission, the United States Department of Justice, the Federal Communications Commission, the Committee for Foreign Investment in the United States, a no-action letter from the Staff of the Nuclear Regulatory Commission determining that no NRC approval would be required, Connecticut, Maine, and New Hampshire.

New York is the last jurisdiction in which Iberdrola S.A. needs to achieve regulatory approval. The approval is currently before the New York Public Service Commission. Iberdrola has expressed a desire to obtain approval from the New York Public Service Commission as early as June. The parties in the proceeding before the New York Public Service Commission have completed their evidentiary hearing, initial briefs have already been submitted to the Administrative Law Judge, and the parties are now preparing reply briefs.

Request for You

Iberdrola S.A. requests that you contact Governor Paterson to provide him with information on Iberdrola's operations in Pennsylvania and Iberdrola's commitment to good corporate citizenship and investment in Pennsylvania.

Among the benefits Iberdrola is prepared to offer New York is help and support to meet the state's renewable goals. Iberdrola is the world's leading producer from wind energy with over 7,000 MW of wind capacity installed. Iberdrola is the 4th largest utility holding company in the world, and it typically makes significant investments in regions where it acquires companies or establishes operations. Iberdrola is prepared to make substantial wind investments in New York so that New York's portfolio requirements are successfully met.