

August 1, 2007

CENTRAL MAINE POWER COMPANY AND MAINE)
NATURAL GAS CORPORATION,)
)
PETITION FOR APPROVAL OF REORGANIZATION)
(ACQUISITION OF ENERGY EAST CORPORATION)
BY IBERDROLA, S.A.)

INTRODUCTION

Petitioners Central Maine Power Company (“CMP”) and Maine Natural Gas Corporation (“MNG”) request regulatory approval under 35-A M.R.S.A. § 708 for IBERDROLA, S.A. (“IBERDROLA”), a corporation organized under the laws of the Kingdom of Spain, to acquire 100 percent of the common stock of Energy East Corporation (“Energy East”), the parent of Petitioners and a utility holding company headquartered in New Gloucester, Maine (the “Proposed Transaction”).¹ The Proposed Transaction is structured as a merger of Green Acquisition Capital, Inc. (“Green Acquisition”), a wholly-owned subsidiary of IBERDROLA, with and into Energy East, with Energy East as the surviving corporation that will be wholly-owned by IBERDROLA.² Each of the Petitioners will remain indirect wholly-owned subsidiaries of Energy East and therefore will become wholly-owned subsidiaries of IBERDROLA following consummation of the Proposed

¹ See pages 5-7 for list of Petitioners’ current affiliates doing business in the State of Maine. To the extent that the Commission’s regulation of certain activities of any of the affiliated companies would require those companies to also seek Section 708 approval of the Proposed Transaction, CMP and MNG request that the Commission consider them as Petitioners in this proceeding.

² See Agreement and Plan of Merger dated June 25, 2007, by and among IBERDROLA, S.A., Green Acquisition Capital, Inc., and Energy East Corporation (hereinafter referred to as the “Merger Agreement”). A complete copy of the Merger Agreement, including schedules and attachments, is attached hereto as Exhibit 1.

Transaction. The Proposed Transaction will result only in a change in the ultimate upstream ownership of Energy East and its subsidiaries.

As shown herein and in the attached Joint Direct Testimony of Sara J. Burns, Robert E. Rude, and Pedro Azagra Blazquez (“Joint Testimony”) filed in support of this Petition, the Proposed Transaction is “consistent with the interests of [Petitioners’] ratepayers and investors” as required by 35-A M.R.S.A. § 708. Petitioners therefore respectfully request that the Commission find that the Proposed Transaction meets the statutory criteria for approval of the transfer of Energy East’s ownership interests in CMP and MNG and their affiliated interests, and approve the Petition within 180 days of this filing pursuant to Section 708.

EXECUTIVE SUMMARY

IBERDROLA, a leading global utility and energy company with a market capitalization of approximately \$70 billion,³ has the financial, managerial and technological capabilities to acquire 100 percent of the common stock of Energy East while ensuring that CMP and MNG continue to provide high quality, safe and reliable electric and gas service to their customers. IBERDROLA offers global energy expertise and experience; is dedicated to excellent customer service; is financially strong; seeks to be an industry leader in promoting sustainable development and clean energy programs; and is committed to the highest principles of business ethics and transparency, sound corporate governance, and social responsibility.

The Proposed Transaction represents an acquisition by IBERDROLA at the Energy East holding company level, rather than a combination of the operations of individual

³ The market capitalization was calculated utilizing a currency exchange rate of \$1.35/Euro.

operating companies. While the Proposed Transaction will not result in the synergistic savings that sometimes accompany mergers where the operations of individual operating company subsidiaries are combined, Maine customers will nonetheless benefit from CMP and MNG becoming part of IBERDROLA. In particular, as described in this Petition and the attached Joint Testimony, Maine customers will benefit in the following ways:

- Global Energy Experience – IBERDROLA is an innovative and diversified holder and manager of utility and other energy assets with a demonstrated commitment to infrastructure investment, service quality and sustainable development. The Energy East utility subsidiaries will benefit from IBERDROLA’s global utility expertise.
- Focus on Efficiency and Environment – IBERDROLA brings to Maine a significant focus on energy efficiency, clean technology and the environment. IBERDROLA strives to achieve its business objectives while meeting customer needs and addressing climate change, and Maine will benefit from this corporate philosophy. Moreover, IBERDROLA has the expertise, capacity and resources that could, if requested or permitted, further the State’s renewable energy goals.
- Financial Stability – CMP and MNG will obtain the financial stability and other benefits of becoming subsidiaries of a multi-national, widely diversified energy holding company with a long term Standard & Poor’s “A” level credit rating.
- Commitment to Customer Service and Reliability – CMP and MNG customers will benefit from IBERDROLA’s proven commitment to excellence in customer service and reliability.
- Commitment to Local Communities – IBERDROLA is committed to the local communities that it serves and will encourage CMP and MNG to be involved in community programs. In addition, the Proposed Transaction will not seek any reduction in the level of any existing charitable commitments or economic development initiatives by Petitioners in Maine.

In addition to the positive benefits the Proposed Transaction will provide to Maine, the Proposed Transaction also will not have any adverse impact on Maine. In particular, IBERDROLA has authorized Petitioners to represent that:

- No Recovery of Transaction Costs in Rates – Petitioners and IBERDROLA commit not to seek recovery in the rates of CMP and MNG for any costs incurred to consummate the Proposed Transaction.

- No Recovery of Acquisition Premium – Petitioners and IBERDROLA commit not to seek recovery in the rates of CMP and MNG for any acquisition premium associated with the Proposed Transaction.
- No Change in Rates and Services to Customers – There will be no changes in the rates, terms or conditions of service provided to CMP and MNG customers in connection with the Proposed Transaction.
- No Change in Headquarters or Service Centers – In addition, there will be no change to CMP or MNG’s headquarters or service centers in Maine in connection with the Proposed Transaction.

Acquiring shares from Energy East shareholders in the Proposed Transaction, based upon the approximately 158 million Energy East shares outstanding as of June 25, 2007, will require IBERDROLA to expend approximately \$4.5 billion. 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 to the closing of the Proposed Transaction.

In short, there is no apparent risk or detriment to Maine that will result from the Proposed Transaction, and Maine ratepayers stand to gain benefits from IBERDROLA’s financial strength, robust organization and corporate culture as well as its demonstrated track record of infrastructure investment and sustainable development. At the same time, for Energy East, becoming a subsidiary of IBERDROLA offers an opportunity to strengthen Energy East to meet the increasing challenges of servicing the markets in which it operates, while providing fair value to its investors and producing no adverse impacts from the Proposed Transaction on the customers in Maine who rely on regulated utility service from Energy East and its subsidiaries.

PETITIONERS AND THEIR CURRENT AFFILIATES
DOING BUSINESS IN MAINE

1. The current corporate organization for Energy East and its subsidiaries, including Petitioners, is shown in the organizational chart attached as Exhibit 2.

A. Petitioners

2. Petitioner CMP is Maine's largest electric utility, serving approximately 590,000 customers. In accordance with 35-A M.R.S.A. §3204 and the Commission's December 24, 1997 and January 14, 1998 Orders in Docket No. 97-523, CMP was required to divest substantially all of its generating assets and is predominantly an electric transmission and distribution utility.
3. Petitioner MNG is a Maine gas utility engaged in the business of the sale and local distribution of natural gas in southern Maine, and provides gas service to customers in Windham, Gorham, Bowdoin, Topsham, Brunswick, and to the Westbrook Energy Center in Westbrook.

B. Petitioners' Current Affiliates Doing Business In Maine

4. Energy East is a public utility holding company owning subsidiaries operating in various states, including Maine, New York, Connecticut and Massachusetts. Energy East holds 100 percent of the common stock of CMP Group and Energy East Enterprises, Inc., which in turn own Petitioners, which are public utilities regulated by the Commission. The Commission approved the merger between Energy East and CMP Group in Docket No. 1999-411.
5. CMP Group owns 100 percent of the common stock of CMP, MaineCom Services, Union Water Power Company and other interests, all as shown on the organizational chart attached as Exhibit 2.

6. Energy East Enterprises, Inc., owns gas interests in Vermont, New Hampshire and, through its 100 percent ownership interest in MNG in Maine.
7. Energy East Management Corporation is a wholly-owned subsidiary of Energy East that provides certain management and corporate services to various Energy East companies, including CMP and MNG.
8. Utility Shared Services Corporation is a wholly-owned subsidiary of Energy East that provides certain accounting and administrative support services to various Energy East companies, including CMP and MNG.
9. Maine Electric Power Company (“MEPCO”), in which CMP holds a 78.3 percent voting interest (with the remaining interests held by Bangor Hydro-Electric Company and Maine Public Service Company), owns and operates a 345 kV interconnection between New Brunswick, Canada and Wiscasset, Maine, and also owns and operates related facilities. MEPCO transmits power under an open access transmission tariff approved by the Federal Energy Regulatory Commission (“FERC”).
10. Chester SVC Partnership owns a static VAR compensator facility in Chester, Maine, that provides transmission system reinforcement allowing the Hydro-Quebec Phase II transmission line in New Hampshire and the MEPCO line to operate at full capability simultaneously.
11. NORVARCO is a wholly-owned subsidiary of CMP. NORVARCO is a general partner with a 50 percent partnership interest in Chester SVC Partnership.
12. MaineCom Services is a telephone utility under the terms of the Commission’s October 8, 1996 Order in Docket No. 96-421, and was exempted from the

reorganization approval requirement of 35-A M.R.S.A. § 708 by the Commission's February 19, 1997 Order in Docket No. 97-249. It provides telecommunications services, including point-to-point connections, private networking, consulting, private voice and data transport, carrier services and long-haul transport.

13. Maine Yankee Atomic Power Company, in which CMP has a 38 percent voting interest, owned a nuclear electric generating facility in Wiscasset, Maine, that permanently shut down on August 6, 1997, and has been decommissioned. Maine Yankee is now operating and maintaining an Independent Spent Fuel Storage Installation at the Wiscasset plant site, under its cost-of-service formula rate tariff approved by FERC.
14. Union Water Power Company is a wholly owned subsidiary of CMP Group, Inc., that owns and manages real estate in Maine and New Hampshire and provides energy consulting services throughout New England.

ACQUIRING ENTITIES

A. IBERDROLA

15. 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 3. A description of IBERDROLA's key officers and management personnel is set forth in Exhibit 4.

1. IBERDROLA's Utility and Energy Expertise

16. IBERDROLA is a global utility company and one of the largest energy companies in the world, with a market capitalization of approximately \$70 billion.

IBERDROLA provides services to approximately 22 million electric points of supply and 2 million gas points of supply 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.
17. 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. IBERDROLA operates an electric distribution network in Spain with over 218,000 kilometers (130,000 miles) of distribution and transmission lines.
18. In 2006 alone, IBERDROLA invested over \$675 million in expansion and improvement of its electric distribution networks in Spain. Between 2005 and the end of 2007, IBERDROLA will have made capital investments of approximately \$4 billion in transmission and distribution facilities globally, demonstrating IBERDROLA's commitment to investing in improvements that promote a secure and reliable energy infrastructure.
19. Pursuant to its strategic plan applicable to its utility operations, IBERDROLA focuses on reducing power failure rates, repowering existing lines and using 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.

20. 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.
21. IBERDROLA is also engaged in the natural gas business in Europe and the Americas, as both a gas supplier and developer of gas infrastructure. In 2006, IBERDROLA supplied 150 bcf of gas into the Spanish market, including 20 percent of Spain’s liquefied natural gas supply. In addition, IBERDROLA is the leading developer of new gas infrastructure in Spain, with recent investments in two 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 United States and Canada acquired in the recent combination with ScottishPower, plc (“ScottishPower”). 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.

22. 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 more efficient energy usage.

23. 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.

2. IBERDROLA's Emphasis on Sustainable Development

24. 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 MW of electric generation worldwide, comprised primarily of low emission 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 alone, 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.

3. IBERDROLA's Current U.S. Operations

25. 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.
26. IBERDROLA does not currently own any traditionally regulated electric or natural gas delivery systems in the United States, but through ScottishPower's subsidiary, PPM Energy, Inc. ("PPM Energy"), IBERDROLA is now engaged in renewable generation, gas storage and associated energy management activities in the United States and Western Canada.
27. Since May 2006, IBERDROLA has acquired three renewable energy companies in the United States: Community Energy in May 2006, MREC Partners in October 2006 and CPV Wind Ventures, LLC in April 2007.

4. IBERDROLA as a Worldwide Leader

28. In addition to its environmental commitments, IBERDROLA's strategic objectives are 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 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.

29. 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, repeatedly has been named one of Europe's Best CFOs, and IBERDROLA's Ignacio Cuenca has been recognized as Best Investor Relations Professional by Institutional Investor Research Group.

B. Green Acquisition

30. Green Acquisition is a New York corporation that was formed by IBERDROLA solely for the purpose of merging with and into Energy East in the Proposed Transaction. Green Acquisition is a wholly-owned subsidiary of IBERDROLA. Green Acquisition's Certificate of Incorporation is attached hereto as Exhibit 5.

DESCRIPTION OF PROPOSED TRANSACTION

31. The Merger Agreement (Exhibit 1) provides that the acquisition of Energy East by IBERDROLA will be accomplished by the merger of Green Acquisition with

and into Energy East, with Energy East as the surviving corporation that will be wholly-owned by IBERDROLA. CMP and MNG will continue to be indirect wholly-owned subsidiaries of Energy East,⁴ and therefore will become indirect wholly-owned subsidiaries of IBERDROLA.⁵

32. The Proposed Transaction is subject to receipt of all shareholder consents and the federal and state regulatory approvals set forth in pages 20 to 22 below prior to its effectiveness. The Proposed Transaction is expected to become effective, following the receipt of such shareholder consents and regulatory approvals, when the parties to the Merger Agreement file a certificate of merger with the Secretary of the State of New York in accordance with the New York Business Corporation Act. 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

⁴ For this reason, Petitioners are not seeking approval under 35-A M.R.S.A § 707 for any affiliate transactions, as the parties currently contemplate no changes to any existing approved arrangements (e.g., between Maine affiliates and Utility Shared Services Corporation for certain accounting and administrative services, such as payroll services, approved in Docket 2003-321, and between Maine affiliates and Energy East Management Corporation approved in Docket No. 2001-178). Petitioners understand that no changes may be made without any applicable required notification and request for approval of a modification of these arrangements from the Commission.

⁵ As currently anticipated, as of the effective date of the Proposed Transaction, CMP and MNG will each be an *indirect*, wholly-owned subsidiary of IBERDROLA. Pursuant to the terms of the Merger Agreement, in order to promote regulatory transparency, IBERDROLA may seek to eliminate certain Energy East intermediate holding companies, thereby causing one or more of Energy East's operating subsidiaries to become direct subsidiaries of IBERDROLA. The Merger Agreement contemplates that any such restructuring would take place at or following the effective date of the Proposed Transaction. To be clear, such restructuring is not part of this Joint Petition and no such restructuring would be undertaken without obtaining the necessary regulatory approvals, including any separate Section 708 approval from the Commission that may be required.

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 in the Proposed Transaction, based upon the approximately 158 million Energy East shares outstanding as of June 25, 2007, is approximately \$4.5 billion.

33. The current corporate organizational chart for Energy East, including its Maine utility subsidiaries, is attached hereto as Exhibit 2. The pre- and post-Proposed Transaction corporate organizational charts of IBERDROLA are also attached hereto as Exhibit 6.
34. On June 27, 2007, IBERDROLA successfully sold 85 million new shares of common stock through an accelerated private placement that was fully subscribed to by institutional investors. Thus, the capital markets have thereby already provided IBERDROLA with the approximately \$4.5 billion required to acquire 100 percent of the common stock of Energy East pursuant to the Merger Agreement. The success of this accelerated private placement demonstrates IBERDROLA's capacity and ability to raise capital, the result of which is that 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.

LEGAL STANDARD AND REASONS FOR GRANTING THE PETITION

35. This proceeding is governed by 35-A M.R.S.A. § 708, which provides that the Proposed Transaction must be "consistent with the interests of ratepayers and investors." Under this standard, the Proposed Transaction should be approved if

it is expected to cause no net harm to shareholders and ratepayers. *See, e.g., CMP Group, Inc., et al., Request for Approval of Reorganization and of Affiliated Interest Transactions*, Docket No. 99-411, Order at 4 (Jan. 4, 2000) (“*CMP Group Order*”) (“the merger should be approved if the total net benefits flowing from the merger are equal to or greater than the detriments or risks resulting from the transaction for both ratepayers and shareholders”); *New England Tel. & Tel. Co. and NYNEX Corp., Proposed Joint Petition for Reorganization Intended to Effect the Merger with Bell Atlantic Corporation*, Docket No. 96-388, Order (Part II) at 10 (Feb. 6, 1997) (“*NYNEX Part II Order*”) (same); *Public Utilities Comm’n, Investigation of Maine Public Service Co.*, Docket No. 85-92, Decision at 3 (May 15, 1986) (noting “detriments advanced by merger opponents either are not cause for concern or are outweighed by the benefits”), *rev’d on other grounds sub nom. Maine Pub. Serv. Co. v. Public Utilities Comm’n*, 524 A.2d 1222 (Me. 1987).

36. As described below, and in the attached Joint Testimony, IBERDROLA has the technological expertise, human resources and financial strength necessary to succeed – and allow CMP and MNG to succeed – in a rapidly changing utility environment. The Proposed Transaction will provide Energy East and its Maine utility subsidiaries 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, reliability and adequate utility service by CMP and MNG to customers in Maine.

A. Shareholder Interests

37. The Commission can satisfy itself that investor interests are being addressed simply by following the outcome of the shareholder vote. *Cf. Northern Utilities, Inc.*, Order Approving Request for Approval of Reorganization – Merger with NIPSCO Stipulation and Merger Industries, Docket No. 98-216 at 1 (June 12, 1998) (noting approval by a majority of common shareholders). In addition, because Energy East shareholders are not receiving IBERDROLA stock in exchange for their shares, but are receiving cash, there is no risk associated with ownership in another entity.

B. Customer Interests

38. The Commission's focus with regard to customers is based on whether the Proposed Transaction will adversely affect rates or the services customers will receive. *See CMP Group Order* at 4; *NYNEX Part II Order* at 10.⁶

1. Rates

39. The Proposed Transaction creates no risk of increased rates to ratepayers. Petitioners and IBERDROLA are not seeking to modify the existing rate plans of CMP and MNG or any of CMP's or MNG's pending new rate proposals (including CMP's proposals with respect to ARP 2008) in connection the Proposed Transaction. In addition, no costs incurred to consummate the Proposed Transaction or acquisition premium paid by IBERDROLA for Energy East will be passed on to CMP or MNG ratepayers. IBERDROLA has further committed that it has no intention to modify CMP's and MNG's existing regulatory accounting and cost allocation methods.

2. Services

40. The Proposed Transaction will not create any risks to the services provided to ratepayers. No changes to the operations or regulatory policies of CMP and MNG are contemplated in connection with the Proposed Transaction, and IBERDROLA

⁶ The Proposed Transaction poses *no* threat of reduced competition because IBERDROLA controls no other Maine companies, and because CMP has no generation assets with which IBERDROLA's assets might otherwise have competed. In addition, IBERDROLA has a small indirect interest in the proposed 500 MW wind farm in Aroostook County, Maine, which is in the very early stages of joint development by Aroostook Wind Energy, LLC ("Aroostook Wind Energy") and Linekin Bay Energy Company. In particular, IBERDROLA owns 9.5 percent of Energias de Portugal ("EDP"), which owns 100 percent of Horizon Wind, which in turn is the majority owner of Aroostook Wind Energy. IBERDROLA may not exercise voting rights that represent more than 5 percent of EDP's voting share capital. In addition, an indirect wholly-owned subsidiary of IBERDROLA is developing an approximately 24 MW wind farm in Lempster, New Hampshire, which is currently anticipated to become operational in 2008. As shown in the testimony of William H. Hieronymus that was submitted to FERC in connection with the Proposed Transaction, the Proposed Transaction will have no adverse effects on competition in Maine or ISO-NE.

is not seeking to modify CMP's proposals with respect to ARP 2008, which include proposals to provide rate stability, more stringent service quality standards (including CAIDI and SAIFI targets), additional investment in advance metering infrastructure, and enhanced vegetation and system management programs. IBERDROLA has traditionally relied upon local management to lead its utility operations in Portugal, Brazil, Mexico, Bolivia, Guatemala, the United Kingdom, Spain and Greece. Similarly, IBERDROLA values the resources Energy East has in place to manage and operate the Maine utility companies, and appreciates the skills and experience of the management teams of Energy East, CMP and MNG. Customers will continue to be able to interact with CMP and MNG at their existing corporate headquarters and service centers, the locations of which will not change in connection with the Proposed Transaction. No utility company operations, plant, equipment, franchises, permits, or other assets of CMP or MNG will change or be transferred in connection with the Proposed Transaction. Moreover, CMP and MNG will continue to honor their existing obligations under their collective bargaining and employment agreements.

C. Benefits

1. IBERDROLA's Financial Strength

41. The Proposed Transaction strengthens the financial stability and resources available to Energy East, CMP and MNG. 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 shares of common stock through an accelerated private placement that was fully

subscribed, thus quickly raising approximately \$4.5 billion to finance the Proposed Transaction.

42. The Proposed Transaction will give Energy East, CMP and MNG the financial stability and other benefits of becoming subsidiaries of a multi-national widely diversified utility holding company with a long-term “A” level credit rating by Standard & Poor’s, and will provide Energy East (and thus CMP and MNG) with greater access to both U.S. and global financial markets than they would have in the absence of the Proposed Transaction. By providing enhanced access to capital, the Proposed Transaction will allow CMP and MNG to continue to provide high-quality, safe, and reliable service.

2. IBERDROLA’s Utility Expertise

43. Energy East and its subsidiaries will obtain benefits from IBERDROLA’s global expertise and managerial talent. IBERDROLA offers substantial corporate resources and a culture of corporate excellence that will fortify and build upon Energy East’s commitment to the growth of Maine’s economy and CMP’s and MNG’s commitments to provide safe and reliable customer service at stable and reasonable rates. As described above, IBERDROLA has been in the utility business for 100 years and is a world leader with a proven record of providing high-quality and environmentally friendly electric distribution service to 22 million electric points of supply and 2 million gas points of supply in Europe and the Americas.

3. IBERDROLA's Commitment to Energy Efficiency and the Environment

44. Sustainable development is the cornerstone of IBERDROLA's strategic plan, which is premised on using technologies that are cleaner, more efficient and environmentally friendly. As a recognized global leader in sustainable development 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, which are compatible with the advanced metering initiative proposed by CMP in ARP 2008. Moreover, Energy East, CMP and MNG will benefit from IBERDROLA's experience regarding implementation of renewable energy and environmental programs. In addition, the Proposed Transaction will not reduce CMP's and MNG's cooperation with the Maine Department of Environmental Protection in its implementation of the Regional Greenhouse Gas Initiative. IBERDROLA will bring an invaluable global as well as a regional and local perspective to these environmental issues.⁷

4. Community Benefits

45. IBERDROLA is committed to the local communities it serves. After consummation of the Proposed Transaction, IBERDROLA will encourage CMP and MNG to be actively involved in community programs in their service

⁷ As part of its commitment to the environment, IBERDROLA 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 currently has over 40,000 MW of new renewable resources in various stages of development, including over 20,000 MW in the United States. While every utility development plan depends upon a variety of regulatory and economic considerations, IBERDROLA has the expertise, capacity and resources that could, if requested or permitted, further Maine's renewable energy goals.

territories. IBERDROLA also has no intention of seeking any reduction in any charitable efforts, community commitments or economic development initiatives CMP and MNG have historically provided.

SECTION 708 REORGANIZATION CONDITIONS

46. Consistent with the standards of Section 708, Petitioners have been authorized by IBERDROLA to state that IBERDROLA will not seek recovery of any costs incurred to consummate the Proposed Transaction in the rates of CMP and MNG. In addition, even though the Commission has previously determined that the recovery of an acquisition premium may provide incentives for mergers and, in turn, lead to ratepayer benefits (*see CMP Group Order* at 18 (citation omitted)), in this case, Petitioners have been authorized to state that IBERDROLA will not seek any recovery in CMP's or MNG's rates of any acquisition premium paid by IBERDROLA for Energy East.

REGULATORY FILINGS AND APPROVALS

47. In addition to the approval sought in this Petition, the Proposed Transaction is subject to the following regulatory filings and approvals:
- a. Securities and Exchange Commission ("SEC"). The Proposed Transaction requires certain filings with the SEC under the Securities and Exchange Act of 1934, as amended.
 - b. FERC. The Proposed Transaction must be approved under Section 203 of the Federal Power Act. Section 203 requires approval of the FERC for the disposition or merger of FERC-jurisdictional facilities, which include

CMP's transmission facilities, as well as any rate schedules on file with FERC.

- c. Federal Trade Commission ("FTC")/ Department of Justice-Antitrust Division ("DOJ"). Under the Hart-Scott-Rodino Act, 15 U.S.C. § 18a, the FTC and DOJ must approve all mergers above certain size thresholds (e.g., acquisitions of assets exceeding \$10,000,000 by an entity having assets exceeding \$100,000,000), which are easily met in this case.
- d. Exon-Florio. Because IBERDROLA is a foreign corporation, the parties must file with the Committee on Foreign Investment (Department of the Treasury).
- e. Federal Communications Commission ("FCC"). FCC approval is required due to Energy East's ownership of microwave facilities and associated licenses.
- f. Connecticut Department of Public Utility Control. Connecticut requires approval of the Proposed Transaction because of Energy East's ownership of Connecticut Natural Gas Corporation and Southern Connecticut Gas Company.
- g. New York Public Service Commission. New York requires approval of the transfer of ownership interests in New York State Gas & Electric Company and Rochester Gas and Electric Company.
- h. New Hampshire Public Utilities Commission. New Hampshire requires approval of the Proposed Transaction by virtue of Energy East's ownership of New Hampshire Gas Company.

RELIEF REQUESTED

WHEREFORE, for the above-stated reasons, Petitioners respectfully request that the

Commission:

- (1) Approve the Proposed Transaction under and within the time period provided by 35-A M.R.S.A. § 708; and
- (2) Grant such other relief as it deems appropriate.

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LIST OF EXHIBITS TO PETITION

- | | |
|-----------|---|
| Exhibit 1 | Merger Agreement |
| Exhibit 2 | Pre-Transactional Chart for Energy East Corporation |
| Exhibit 3 | IBERDROLA, S.A. Certificate of Formation |
| Exhibit 4 | Description of Key Officers and Management Personnel of IBERDROLA, S.A. |
| Exhibit 5 | Green Acquisition's Certificate of Incorporation |
| Exhibit 6 | Pre and Post-Transactional Charts for IBERDROLA, S.A. |
| Exhibit 7 | Resolution of the Energy East Board of Directors |
| Exhibit 8 | Energy East Corporation Proxy Statement |