

Iberdrola USA, Inc.

Consolidated Financial Statements (Unaudited)

For the quarterly periods ended September 30, 2011 and 2010

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Iberdrola USA, Inc.
Consolidated Statements of Income (Unaudited)

Periods ended September 30,	Three Months		Nine Months	
	2011	2010	2011	2010
(Thousands)				
Operating Revenues				
Utility	\$787,540	\$806,998	\$2,456,541	\$2,412,031
Other	93,633	104,099	292,058	302,045
Total Operating Revenues	881,173	911,097	2,748,599	2,714,076
Operating Expenses				
Electricity purchased and fuel used in generation				
Utility	255,468	268,706	694,561	730,837
Other	66,397	80,139	190,499	210,564
Natural gas purchased				
Utility	26,042	25,086	245,714	243,953
Other	4,781	6,423	35,335	34,693
Other operating expenses	208,590	162,653	610,137	594,872
Maintenance	75,975	86,380	177,788	177,705
Impact of joint proposal	-	(6,148)	-	(6,148)
Depreciation and amortization	56,298	68,749	167,765	185,645
Other taxes	62,936	57,671	191,018	169,142
Total Operating Expenses	756,487	749,659	2,312,817	2,341,263
Operating Income	124,686	161,438	435,782	372,813
Other (Income)	(10,607)	(6,051)	5,584	(16,982)
Other Deductions	467	758	1,897	3,855
Interest Charges, Net	50,761	65,814	151,669	203,412
Income From Continuing Operations Before Income Taxes	84,065	100,917	276,632	182,528
Income Taxes	18,307	36,055	55,282	51,950
Income (Loss) From Continuing Operations	65,758	64,862	221,350	130,578
Discontinued Operations				
Loss on Discontinued Operations	-	(293,469)	(11,083)	(234,060)
Income Taxes (Expense) Benefits	10,502	(84,183)	14,923	(108,243)
Income (Loss) From Discontinued Operations	10,502	(377,652)	3,840	(342,303)
Net Income (Loss)	76,260	(312,790)	225,190	(211,725)
Less:				
Preferred Stock Dividends of Subsidiaries, Noncontrolling Interests	132	227	396	622
Net Income Attributable to Other Noncontrolling Interests	334	278	1,297	1,233
Net Income (Loss) Attributable to Iberdrola USA	\$75,794	(\$313,295)	\$223,497	(\$213,580)

Iberdrola USA, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

Periods ended September 30,	Three Months		Nine Months	
	2011	2010	2011	2010
(Thousands)				
Net Income (Loss)	\$76,260	(\$312,790)	\$225,190	(\$211,725)
Other comprehensive (Loss), Net of Tax	(83,691)	(2,071)	(3,063)	(4,548)
Comprehensive (Loss) Income	(7,431)	(314,861)	222,127	(216,273)
Less:				
Preferred Stock Dividends of Subsidiaries, Noncontrolling Interests	132	227	396	622
Comprehensive Income Attributable to Other Noncontrolling Interests	334	278	1,297	1,233
Comprehensive (Loss) Income Attributable to Iberdrola USA	(\$7,897)	(\$315,366)	\$220,434	(\$218,128)

Iberdrola USA, Inc.
Consolidated Balance Sheets (Unaudited)

	September 30, 2011	December 31, 2010
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	\$133,116	\$75,688
Accounts receivable and unbilled revenues, net	542,779	641,779
Fuel and natural gas in storage, at average cost	95,247	80,515
Materials and supplies, at average cost	34,600	31,483
Deferred income taxes	67,306	62,081
Derivative assets	936	9,924
Prepaid income taxes	172,170	168,600
Broker margin account	16,691	22,076
Prepayments and other current assets	160,232	97,970
Total Current Assets	1,223,077	1,190,116
Utility Plant, at Original Cost		
Electric	6,692,630	6,419,555
Natural gas	1,458,982	1,423,381
Common	558,133	539,260
	8,709,745	8,382,196
Less accumulated depreciation	3,137,339	3,029,712
Net Utility Plant in Service	5,572,406	5,352,484
Construction work in progress	657,683	496,319
Total Utility Plant	6,230,089	5,848,803
Assets Held For Sale	-	32,730
Other Property and Investments		
Other property and investments	148,930	150,702
Tax equity investments	434,204	478,016
Total Property and Investments	583,134	628,718
Regulatory and Other Assets		
Regulatory assets		
Nuclear plant obligations	57,923	75,896
Unfunded future income taxes	429,969	453,145
Environmental remediation costs	189,876	237,026
Unamortized loss on debt reacquisitions	38,094	44,667
Nonutility generator termination agreements	26,465	35,286
Natural gas hedges	11,221	12,802
Pension and other postretirement benefits	808,422	886,224
Other	322,647	291,181
Total regulatory assets	1,884,617	2,036,227
Other assets		
Goodwill	983,646	983,646
Prepaid pension benefits	124,482	87,336
Derivative assets	337	418
Other	62,625	66,082
Total other assets	1,171,090	1,137,482
Total Regulatory and Other Assets	3,055,707	3,173,709
Total Assets	\$11,092,007	\$10,874,076

Iberdrola USA, Inc.
Consolidated Balance Sheets (Unaudited)

	September 30, 2011	December 31, 2010
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	\$55,626	\$89,055
Notes payable	-	142,400
Accounts payable and accrued liabilities	330,830	265,445
Accounts payable, electricity purchased	76,641	108,560
Accounts payable, natural gas purchased	65,873	99,341
Interest accrued	30,956	26,003
Interest accrued on debt to affiliates	14,013	7,503
Taxes accrued	122,923	195,244
Derivative liabilities	12,282	13,351
Environmental remediation costs	46,732	49,044
Other	209,546	225,066
Total Current Liabilities	965,422	1,221,012
Regulatory and Other Liabilities		
Regulatory liabilities		
Accrued removal obligation	716,167	728,407
Deferred income taxes	343,385	368,564
Gain on sale of generation assets	48,961	47,196
Pension benefit	16,774	22,845
Positive benefit adjustments	138,418	200,339
Other	169,299	167,599
Total regulatory liabilities	1,433,004	1,534,950
Other liabilities		
Deferred income taxes	1,390,586	1,218,120
Nuclear plant obligations	137,508	143,104
Pension and other postretirement benefits	437,583	457,711
Environmental remediation costs	159,599	158,717
Derivative liabilities	876	427
Other	172,332	185,587
Total other liabilities	2,298,484	2,163,666
Total Regulatory and Other Liabilities	3,731,488	3,698,616
Long-Term Debt		
Long-term debt	2,359,280	2,139,334
Long-term debt owed to affiliates	650,000	650,000
Total Long-Term Debt	3,009,280	2,789,334
Total Liabilities	7,706,190	7,708,962
Commitments and Contingencies		
Preferred Stock of Subsidiaries		
Redeemable preferred stock, noncontrolling interests	12,464	12,464
Iberdrola USA Common Stock Equity		
Common stock	-	-
Capital in excess of par value	2,009,101	2,009,101
Retained earnings	1,438,514	1,215,017
Accumulated other comprehensive loss	(88,266)	(85,204)
Total Iberdrola USA Common Stock Equity	3,359,349	3,138,914
Noncontrolling Interest	14,004	13,736
Total Equity	3,373,353	3,152,650
Total Liabilities and Equity	\$11,092,007	\$10,874,076

Iberdrola USA, Inc.

Consolidated Statements of Cash Flows (Unaudited)

Nine months ended September 30,	2011	2010
<small>(Thousands)</small>		
Operating Activities		
Net income	\$225,190	(\$211,725)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	167,765	220,644
Amortization of regulatory and other assets and liabilities	34,824	126,253
Deferred income taxes and investment tax credits, net	149,092	(60,554)
Pension expense	45,158	22,672
Impairment loss	-	275,802
Gain on sale of Senaca Lake	(12,640)	-
Positive benefit adjustments	-	14,528
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	99,389	179,146
Inventory	(17,849)	(4,646)
Broker margin account	44,058	(25,043)
Prepayments and other current assets	(15,417)	(13,688)
Accounts payable and accrued liabilities	8,661	(3,187)
Interest accrued on debt to affiliates	6,510	24,584
Interest accrued	4,953	1,392
Taxes accrued	(188,766)	290,298
Other current liabilities	(16,131)	40,776
VEBA fund withdrawal	16,304	-
Pension and other postretirement benefits contributions	(25,077)	(22,645)
Changes in other assets		
Preliminary survey	(4,745)	(20,247)
Non bypassable charges	(2,857)	(5,053)
Storm costs	(59,004)	(24,456)
Other	67,084	(122,837)
Changes in other liabilities		
Other	(18,498)	(9,155)
Net Cash Provided by Operating Activities	508,004	672,859
Investing Activities		
Utility plant additions	(582,207)	(303,014)
Proceeds from sale of Senaca Lake	65,000	-
Grants received from governmental entities	24,445	-
Other property additions	-	280
Investments available for sale	(32)	52,119
Investment in Aeolus Windfarm	-	6,538
Net Cash (Used in) Investing Activities	(492,794)	(244,077)
Financing Activities		
Redemption of preferred stock of subsidiary, including premium	-	(10,471)
Long-term note issuances	407,000	-
Long-term note repayments	(220,492)	(119,086)
Notes payable three months or less	(142,575)	(118,950)
Dividends paid on preferred stock of subsidiaries, noncontrolling interest	(396)	(622)
Dividends to other noncontrolling interests	(1,319)	(3,202)
Net Cash Provided by (Used in) Financing Activities	42,218	(252,331)
Net Increase in Cash and Cash Equivalents	57,428	176,451
Cash and Cash Equivalents, Beginning of Period	75,688	113,504
Cash and Cash Equivalents, End of Period	\$133,116	\$289,955

Iberdrola USA, Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)

Iberdrola USA Shareholder

	Common Stock Outstanding \$0.01 Par Value		Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Noncontrolling Interests	Compre- hensive Income*	Total
	Shares	Amount						
(Thousands, except per share amounts)								
Balance, January 1, 2011	-	-	\$2,009,101	\$1,215,017	(\$85,204)	\$13,736		\$3,152,650
Net loss				223,497		1,297	224,794	224,794
Other comprehensive loss, net of tax					(3,062)		(3,062)	(3,062)
Comprehensive income*							221,732	221,732
Dividends to other noncontrolling interests						(1,029)		(1,029)
Balance, September 30, 2011	-	-	\$2,009,101	\$1,438,514	(\$88,266)	\$14,004		\$3,373,353
				-	-	-		-

*Amounts do not include Preferred Stock Dividends of Subsidiaries, Noncontrolling Interests of \$396 for 2011.