

# PRESS release

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# IBERDROLA

## *The company lines up two important initiatives in North America*

### **IBERDROLA AGREES TO SALE OF THREE U.S. GAS COMPANIES TO HELP FINANCE MAJOR NEW ENGLAND TRANSMISSION PROJECT**

- The Group has agreed to sell its Connecticut Natural Gas (CNG), Southern Connecticut Gas (SCG) and Berkshire Gas Company (BGC) subsidiaries to UIL Holdings in a transaction valued at \$1.3 billion
- The transaction, consistent with the Group's non-core asset divestment program, will help fund a major infrastructure project in Maine consisting of the construction and upgrading of approximately 500 miles of transmission lines and five new substations
- The Maine project, with an estimated investment of \$1.4 billion on which initial work is projected to begin in June, will meet the electricity needs of 7 million customers and facilitate the incorporation of new renewable energy capacity in the New England grid
- IBERDROLA chairman Ignacio Galán said: "the support given by federal and state public officials to this important project will serve to strengthen the already close ties between our Company and the United States"

The IBERDROLA Group is in the final stages prior to initiating one of the major electricity transmission projects to be undertaken in the next few years in the United States, to be financed in part by the sale of three natural gas distribution companies in Connecticut and Massachusetts to UIL Holdings Corporation.

This project, benefitting electricity distribution in Massachusetts, New Hampshire and Maine, and the interconnection between Maine and Canada, involves an investment of around \$1.4 billion whose cost will be shared by New England<sup>i</sup> customers via tariffs.

The Maine Power Reliability Program<sup>ii</sup> (MPRP), developed by IBERDROLA USA subsidiary Central Maine Power (CMP), will consist of 500 miles of new and upgraded electricity transmission lines of 115 and 345 kV, and five new 345 kV substations.



The project, which recently received approval from the Maine Public Utility Commission (MPUC)<sup>iii</sup>, will benefit 7 million New England consumers including 600,000 of CMP. In addition to the MPUC approval, to be confirmed in a final order, the project has already received authorization from the Maine Department of Environmental Protection, and more than half of the 80 municipalities whose areas are affected. CMP expects to obtain the final permit, from the U.S. Army Corps of Engineers, in the near future.

Preparatory work for construction at the project is expected to begin in June and final completion in 2015. The transmission line upgrade will provide the state of Maine with interconnection capability for new renewable energy capacity, and will assist it in reducing its dependence on imported energy.

### **IBERDROLA sells three gas subsidiaries**

The IBERDROLA Group envisages financing the MPRP with proceeds from the sale of Connecticut Natural Gas (CNG), Southern Connecticut Gas (SCG) and Berkshire Gas Company (BGC), a transaction valued at \$1.3 billion and subject to the relevant regulatory approvals.

The agreement to sell to UIL Holdings, the Connecticut-based parent of United Illuminating Company, falls in the context of the Groups' non-strategic asset divestment plan. The three natural gas companies distribute approximately 1.6 billion cubic meters of natural gas per year to nearly 369,000 customers in the states of Connecticut and Massachusetts. The companies have a combined workforce of approximately 800.

The sale follows divestments of other non-core assets over the past year including the sale of 2.7% of Portuguese power group EDP, of the Group's 15.68% stake in Petroceltic International Plc and the Seneca Lake gas assets.

IBERDROLA chairman Ignacio Galán said "the support of the federal government and the Federal Energy Regulatory Commission (FERC) for electricity infrastructure and renewable energy in the U.S., as well as the particular impetus given to the Maine distribution project by Governor (John) Baldacci's energy plan and by the MPUC, will undoubtedly strengthen our Company's already close ties with the United States, which has become one of our main pillars for future growth."

Michael McClain, Senior Vice President for Transmission Business Development of IBERDROLA USA and responsible for the project, said "the investment will serve to continue guaranteeing electricity network reliability for customers in Maine and the New England region, providing it with the necessary capacity to incorporate new renewable energy sources. The Commission's support demonstrates that we are moving in the right direction."

He added that "we are going to build a more robust and technologically more advanced electricity network that will not only allow us to drive growth in renewable energy<sup>iv</sup> but also generate significant economic benefits for the state of Maine."

In this regard, a study by the University of Southern Maine estimates that the project will support an annual average of 2,100 jobs with peak employment of 3,327, representing an aggregate salary of \$60 million. Over the five years of the project, it will contribute \$289 million to Maine's GDP.

Central Maine Power operates the largest electricity transmission and distribution network in Maine, supplying around 9,000 million kWh a year to more than 600,000 household and corporate customers, representing around 80% of the electricity consumed in the State.

### **Other Iberdrola USA projects**

Iberdrola USA is also undertaking infrastructure investments in the state of New York, where its New York State Electric and Gas (NYSEG) subsidiary is installing a new substation and rebuilding an existing 115 kV line near Ithaca, with an estimated investment of \$73 million with construction due for completion this summer.

NYSEG is also building a new 115 kV line and two substations at Corning Valley, with an investment of \$55 million. The project will help meet growing demand in the area, headquarters of multinational company Corning, Inc.

The Maine project is consistent with two of the Group's main strategic objectives, those of a progressively more international business profile<sup>v</sup> and of providing improved quality of service in its operating markets by improving and expanding transmission and distribution networks.

The Group projects investments of €18 billion between 2010-2012, of which €9 billion will be on renewable energy, €6.8 billion on networks and €2.7 billion on generation and distribution. By markets, the United States will receive €7 billion (39%), the United Kingdom €4.5 billion (25%), Spain €4.3 billion (24%) and Latin America and other areas €2.2 billion (12%).

The MPRP in particular will provide a major thrust to renewable energy development in the state of Maine, which has set the ambitious goal of generating 3,000 MW from this source by 2030.

IBERDROLA, through its renewable energy subsidiary, is the second largest operator in this sector in the United States, with more than 3,800 MW in installed capacity and a presence in 16 states by the end of the first quarter of 2010. Around 40% of its global project pipeline is located in the United States, representing 24,400 MW.

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<sup>1</sup> According to an agreement of the Independent System Operator for New England.

<sup>2</sup> The goal of this Project is to upgrade the reliability and volume of electricity infrastructure in Maine

<sup>3</sup> A final order of the MPUC is expected by the end of June

<sup>4</sup> The State of Maine offers major potential for new wind power capacity both onshore and offshore, and the state government has set a goal of achieving 3,000 MW in wind capacity by 2030. The total renewable energy potential in New England amounts to 10 GW. Source: *New England Governors' Renewable Energy Blueprint Sept. 2009*.

<sup>5</sup> In 2012, Iberdrola expects traditional energy business in Spain to contribute 33% to operating income, the United Kingdom 21%, Latin America 10%, the United States 8% and renewable energy business 28%.

## IMPORTANT INFORMATION

This announcement is not an offer for sale of securities in the United States, nor in any other jurisdiction. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended.

## FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about IBERDROLA S.A. and its subsidiary IBERDROLA RENOVABLES, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

Although IBERDROLA, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. to the Comisión Nacional del Mercado de Valores.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to IBERDROLA, S.A., or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward looking statements included herein are based on information available on the date hereof. Except as required by applicable law, IBERDROLA, S.A. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.





## Maine Power Reliability Program



**IBERDROLA USA OPERATIONS**

