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## Utility to buy RG&E parent

### Wind-power leader Iberdrola of Spain to pay \$4.5B for Energy East

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The parent company of Rochester Gas and Electric Corp. has agreed to be acquired by a Spanish company that is a worldwide leader in wind energy.

Under terms of the deal announced Monday, Iberdrola SA, which is based in Bilbao, Spain, will pay \$4.5 billion in cash to acquire Energy East Corp., which is headquartered in Portland, Maine, and owns RG&E and NYSEG, another major New York supplier of electricity and gas.

The acquisition, subject to approval by Energy East stockholders and state and federal regulators, is expected to become final in 2008. If it is approved, the shareholders will get \$28.50 in cash per share, a 26 percent premium over Monday's closing price of \$22.54. The deal was announced after the stock market closed.

RG&E will retain its name, which goes back 88 years, and President and Chief Executive Jim Laurito said no aspect of RG&E's customer service will be altered.

"Customers should see no change in the service and quality they have seen in the past," Laurito said. Energy East officials also emphasized that day-to-day management will remain local for RG&E, which has 359,000 electricity customers and 296,000 natural gas customers in western New York.

NYSEG, also based in Rochester, has 860,000 electricity customers and 254,000 natural gas customers, serving nearly half of the state.

Laurito hailed the transaction, saying it was not about reducing employees. RG&E has about 1,000 in the Rochester area.

"It's about bringing a company in and investing in clean energy initiatives to reduce energy costs," he said, explaining that both Energy East and RG&E will be able to spend more on different sources of energy, including wind power, solar power and natural gas.

Energy East already has the largest wind-power generating facility in the East, the Maple Ridge wind farm in Lowville, Lewis County.

In announcing the acquisition, Iberdrola called attention to RG&E's plans to redevelop the Russell Station in Greece. RG&E has said it will use new coal technologies to cut the plant's greenhouse gas emissions.



The President of Iberdrola SA, José Ignacio Sanchez Galan, announcing the acquisition of Scottish Power PLC for \$22.5 billion earlier this year.

"Iberdrola will also bring construction expertise to Energy East's plans to repower the Russell generating station," the Spanish company said.

RG&E is no stranger to mergers and acquisitions.

The company can trace its origins to 1848 and the founding of Rochester Gas Light Co., which installed gas street lamps.

Thomas Edison's invention of the incandescent light bulb in 1876 led to the creation of several electric light companies here. After several mergers, namings and renamings, Rochester Gas and Electric Corp. became the dominant power supplier in 1919.

Many decades later, with industry deregulation and other factors at play, more names and acronyms came into use. In the late 1990s, RG&E reorganized into a holding company structure and created a corporate parent, RGS Energy Group.

A few years later, RGS was acquired by Energy East, though RG&E continued doing business as a separate unit.

Iberdrola, which is 100 years old, has 9 million customers in Spain. It bought Scottish Power this year in a much larger deal valued at \$22.5 billion and became Europe's third-largest utility. Among other holdings, Iberdrola has operations in Mexico and Brazil. The company's chairman and chief executive is Jose Ignacio Sanchez Galan.

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### **A long history**

1848 — Rochester Gas Light Co. formed.

1880 — Rochester Electric Light Co. formed.

1904 — Series of consolidations produces Rochester Railway and Light Co.

1919 — Name changed to Rochester Gas and Electric Corp.

1932 — Control of RG&E returns to Rochester from Associated Gas and Electric System, a holding company dominated by New York City and Philadelphia.

1949 — RG&E becomes completely independent with sale of stock by General Public Utilities.

1957 — Russell Station in Greece begins service.

1959 — Beebee Station at High Falls opens.

1966 — Ginna nuclear power plant built in Wayne County.

1982 — Accident briefly shuts down Ginna plant.

1988 — RG&E acquires a share of Nine Mile Two nuclear plant near Oswego in what proves to be a troubled investment.

2001 — RG&E is acquired by Energy East Corp.

2003 — RG&E says it will sell the Ginna plant to Constellation Energy Group.

2007 — Energy East announces an agreement to be sold to Iberdrola SA of Spain.

Source: Research by staff writer Renita Burns