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Energy shifts are in the wind

Iberdrola, RG&E say proposed deal can move New York toward renewable power goals

Alex Shebar, Staff writer

The proposed purchase of the parent of Rochester Gas and Electric could help New York state move toward achieving its renewable energy goals, participants in the deal said Tuesday.

Iberdrola SA, a major Spanish utility, has agreed to pay \$4.5 billion to acquire Energy East Corp., parent of RG&E, New York State Electric and Gas, and other Northeast power companies.

Iberdrola is the world's top producer of wind power and provides other types of renewable energy, including solar and hydropower.

Through the acquisition, Iberdrola will bring more forms of renewable energy to New York, said Bob Bergin, director of public affairs for RG&E. This could help the state reach a self-imposed goal to obtain 25 percent of its energy needs from renewable resources by 2013.

"The policy makers have concluded that we need, as part of our portfolio, renewable and sustainable forms of energy, and wind power is part of that," Bergin said. "It's going to be critical to our future energy needs."

The deal, which will take several months to clear regulatory hurdles and win shareholder approval, would give Iberdrola a large foothold in the United States. The country is seen as a huge potential market for renewable energy efforts because it still consumes one-quarter of the world's crude oil and pays dearly for it.

Wind power, meanwhile, accounts for only 1.5 percent of electricity generation worldwide but is seen as a growing resource that is becoming economically affordable, said Christine Real de Azua, spokeswoman for the American Wind Energy Association.

"Here in the U.S., the wind energy market has become the largest in the world in terms of new installation," Real de Azua said. "It's an indication of how quickly the market is growing." She said Iberdrola's entrance into the United States will give a significant boost to wind power.

Iberdrola said in a strategic plan it presented last October that it will invest \$4.2 billion over the next three years in renewable energy worldwide. Wind farms will account for 88 percent of the investment, the company said.

The acquisition of Energy East was announced two months after Iberdrola's takeover of Britain's fifth-biggest energy company, Scottish Power. That deal enabled Iberdrola to gain control of PPM Energy,



Out with the old? Iberdrola SA's purchase would include RG&E's coal-powered Russell Station near Lake Ontario.

based in Portland, Ore. PPM is the No. 2 wind-energy producer in the United States, and its holdings include Maple Ridge, the largest wind farm in the East, located 75 miles northeast of Syracuse.

It isn't unusual for a foreign company to buy into U.S. utilities, said George Conboy, president of Brighton Securities.

"This sort of thing makes sense, with the dollar relatively low against the euro. It makes our companies cheap to buy and with a stable economy ... electric and gas utilities in the U.S. are very attractive," Conboy said. "The investment in an electric company can guarantee an almost stable and steady profit."

If the acquisition is finalized, it will mean that both of western New York's major electric companies are owned by foreign companies. Niagara Mohawk Power Co. is owned by National Grid, a company based in the United Kingdom.

RG&E is excited about the Iberdrola deal because it will give the Rochester-based utility the opportunity to help promote renewable energy, said Bergin, the RG&E spokesman.

"This is a good and remarkable thing. This is a very large and substantial international utility that has made a decision to acquire a company that has significant assets in upstate New York," Bergin said. "This is an expression of their confidence in these communities and what they can do."

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Comparing the two companies

Headquarters: Energy East Corp., New Gloucester, Maine; Iberdrola SA, Bilbao, Spain.

Revenue (2006): Energy East, \$5.2 billion; Iberdrola, \$15.1 billion.

Profit (2006): Energy East, \$261 million; Iberdrola, \$2.2 billion.

Employment: Energy East, 5,900; Iberdrola, 16,900.

Stock market value: Energy East, \$4.1 billion; Iberdrola, \$64.3 billion.

CEO: Energy East, Wesley von Schack; Iberdrola, Ignacio Galan.