

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

Re: CASE 07-M-0906 – Joint Petition of IBERDROLA, S.A., Energy East Corporation, RGS Energy Group, Inc., Green Acquisition Capital, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation for Approval of the Acquisition of Energy East Corporation by IBERDROLA, S.A.

**POST – HEARING REPLY BRIEF OF THE  
NEW YORK STATE DEPARTMENT OF  
ECONOMIC DEVELOPMENT**

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April 25, 2008  
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**POST – HEARING REPLY BRIEF OF THE  
NEW YORK STATE DEPARTMENT OF  
ECONOMIC DEVELOPMENT**

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I. Introduction

The New York State Department of Economic Development (“the Department” or “ESD”) submits this post – hearing reply brief to the Administrative Law Judge in the above referenced proceeding.

By petition dated August 1, 2007, Iberdrola, S.A. (“Iberdrola”), Energy East Corporation, RGS Energy Group, Inc. (“RGS”), Green Acquisition Capital, Inc., New York State Electric & Gas Corporation (“NYSEG”), and Rochester Gas and Electric Corporation (“RG&E”) (collectively, “Joint Petitioners”) requested New York Public Service Commission (“PSC”) approval, pursuant to Section 70 of the New York Public

Service Law (“Section 70”), for Iberdrola’s acquisition of 100% of the common stock of Energy East. The proposed transaction will merge Green Acquisition with and into Energy East, with Energy East as the sole surviving corporation and wholly owned by Iberdrola. NYSEG and RG&E will remain wholly owned subsidiaries of Energy East.

In ESD’s statement in lieu of testimony submitted on January 11, 2008, (“Statement”) and in its initial post hearing brief submitted on April 11, 2008 (“Initial Brief”), the Department noted the proposed merger’s potential economic benefits for the upstate New York region, and recommended that portions of the merger benefits approved by the PSC be allocated for: (1) lower rates for commercial and industrial customers of NYSEG and RGE; (2) greater investment in infrastructure; and (3) greater funding for NYSEG and RG&E Economic Development Plans (EDP’s).

The Department’s comments in this reply brief center on the potential funding available for the NYSEG and RG&E EDP’s after approval of the merger.

II. The Merger Should Result in Increased Funding for the NYSEG and RG&E Economic Development Plans.

The Departments’s recommendations for review of, and increased funding for, the

EDP's in its Statement and Initial Brief were not specifically addressed in the Joint

Petitioners' initial post hearing brief. Regarding the economic development

benefits resulting from the proposed transaction, the Joint Petitioners state:

“The Proposed Transaction will further economic development and job retention in upstate New York while also helping the State to satisfy its renewable energy goals...Other parties to this proceeding recognize the economic development opportunities that the proposed Transaction could bring to upstate New York. Greater Rochester Enterprise notes that Iberdrola's position as a global energy leader will help upstate New York to compete on the global stage for jobs and investment, recruit new companies to the region, and provide financial stability for continued infrastructure improvements, and Empire State Development states that potential investment in NYSEG and RG&E by a leading international energy company presents a “key opportunity to assist the State in the implementation of upstate economic development objectives.”

(Initial Brief of Joint Petitioners Iberdrola, S.A. and Energy East Corporation, April 11, 2008, p. 27)

The Department works in collaboration with NYSEG and RG&E in the attraction and retention of business and industry in the upstate region. The assistance provided through the EDP's, including marketing and outreach, rate incentives, infrastructure development, brownfield development, energy efficiency assistance, and capital investment incentives provide key contributions to the state's economic development initiatives. The proposed transaction provides the opportunity to review and improve the EDP's to assist the state in the attraction of new investment and the creation/retention of jobs in the NYSEG and RG&E Service territories.

ESD recommends that the Commission allocate a portion of the approved merger benefits for additional funding for the EDPs.

The NYSEG and RG&E Economic Development Plans (EDPs) and budgets should be reviewed and approved by the Commission in consultation with the respective companies and the Department as part of rate case proceedings instituted after approval of the merger.

### III. Conclusion

The allocation of a portion of merger benefits for increased funding for the NYSEG and RG&E EDP's will provide a long term commitment for economic development and the revitalization of the upstate New York region.

Respectfully submitted,



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New York State Department of  
Economic Development

Dated: April 25, 2008