

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

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.

January 31, 2008

Exhibit ____ (ETM – 2)

Comparing NG/KS, a Synergy Merger, to the Proposed Transaction, a Non-Synergy Merger

1.) Start with Staff's Analysis	U.S. \$ Millions (5-year Nominal)		
All of the Signatories Claimed Mitigations	602.8	¹	
KEDNY+KEDLI Delivery Revenues	5,855	²	
Ratio	10.30%		
2.) Adjust for Mitigations That Would Occur But-For the Merger			
Staff	602.8		
Return to Pension Statement	-30.0	³	
Extend Amortization	-32.8	³	
Retain Depreciation Rates	-70.1	³	
Tax Litigation	-62.0	³	
Claimed Merger-Related Mitigations	407.9	³	
KEDNY+KEDLI Delivery Revenues	5,855		
Ratio	6.97%		
3.) Remove Customers' Synergy Mitigations			
Claimed Merger-Related Mitigations	407.9		
Less Synergy Mitigations to KEDNY	-28.5	⁴	
Less Synergy Mitigations to KEDLI	-16.6	⁴	
Total Non-Synergy Mitigations	362.8		
KEDNY+KEDLI Delivery Revenues	5,855		
Ratio	6.20%		
4.) Arrive at Unfunded Mitigations			
Total Non-Synergy Mitigations	362.8		
Investors' Synergy Savings from KEDNY	-28.5		
Investors' Synergy Savings from KEDLI	-16.6		
Total Unfunded Mitigations	317.7		
KEDNY+KEDLI Delivery Revenues	5,855		
Ratio	5.43%		
5.) Unfunded Mitigations as a Percent of NY Delivery Revenues		Comparison without LIPA	
Total Unfunded Mitigations	317.7	Total Unfunded Mitigations	317.7
KEDNY+KEDLI Delivery Revenues	5,855	KEDNY+KEDLI Delivery Revenues	5,855
Niagara Mohawk Delivery Revenues	9,527	Niagara Mohawk Delivery Revenues	9,527
LIPA Delivery Revenues	8,360	<u>Niagara Mohawk Delivery Revenues</u>	<u>9,527</u>
Total	23,742	Total	15,382
Ratio	1.34%	Ratio	2.07%
Suggested RG&E and NYSEG Mitigations	87.0	Suggested RG&E and NYSEG Mitigations	134.3

Sources: ¹ NG/KS Order p. 116

² Exhibit___(PP-21)

³ NG/KS Order p. 117-118

⁴ NG/KS Order p. 82

⁵ 2006 delivery revenues used
(2007 not readily available)

Note: As explained in the testimony, these numbers are simply being provided to correct calculations by Staff.
The testimony further explains why the National Grid/Keyspan approach is not applicable to the Proposed Transaction.