Legal Note

IBERDROLA ScottishPower

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PPM is a world class renewables player with substantial gas storage assets

PPM structure

Enstor

Owned gas storage 1.4 bcm

Wind

Owned wind 1,060 MW

Contracted wind 606 MW

Thermal

538 MW (1)

Energy Management

Contracted gas storage 1.3 bcm

Marketing alliances and transport contracts

Optimise PPM assets and contracts

Shared Support Services

Note: (1) Reflects 47% ownership of Klamath (506 MW total)

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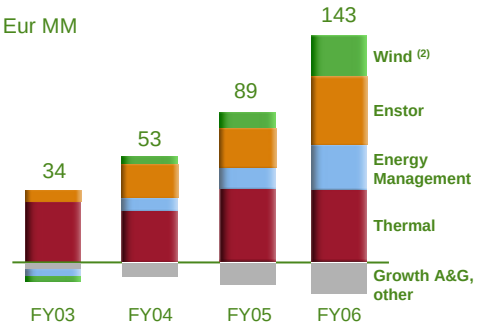
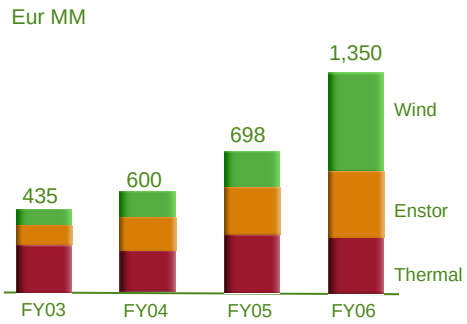
75% of new investments in wind energy

Equivalent EBIT (1)



- Wind, gas storage and energy management has grown significantly since 2003
- Thermal assets are providing a strong, stable base of profits

Cumulative capex (1)



- PPM had invested Eur 1.35bn by 2006

EBIT historically driven by growth in gas storage, however future investment focused on wind

Note: (1) Financials are based on the exchange rate of USD 1 : Eur 0.75; (2) Wind includes pre-tax value of production tax credits

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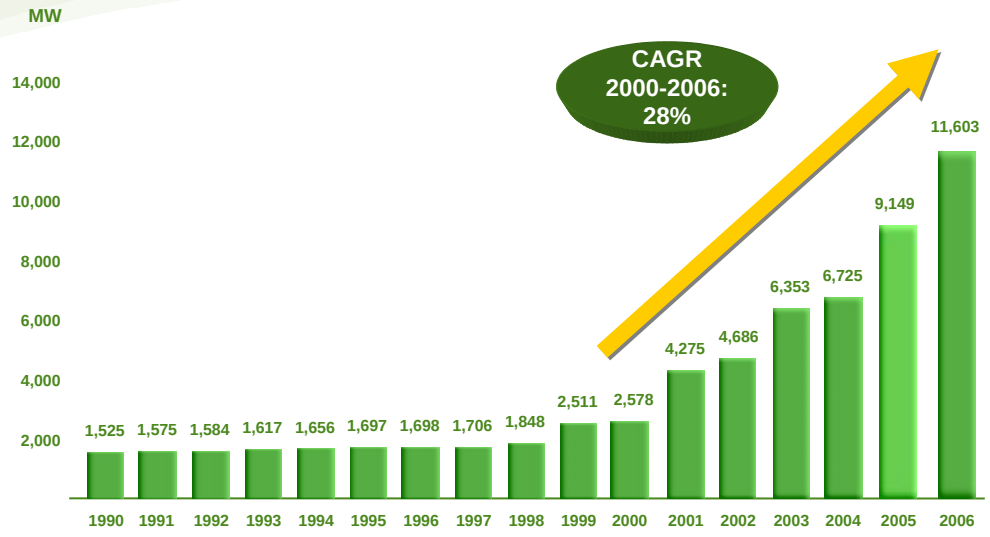
US wind

US gas storage

US energy management

US thermal

US Wind power installed capacity started to grow significantly around 2000



Source: US Department of Energy, AWEA

Key market drivers are positive in the US

Drivers for wind power	• Higher and more volatile fuel prices for competing generation • Federal and state policies • Economic development • Green power • Energy security
Key issues for wind power	• Siting and permitting: avian, noise, visual, federal land • Transmission: FERC rules, access, RTO formation, new lines • Operational impacts: intermittency, ancillary services, allocation of costs

US wind remains a very attractive market as a result of increased cost competitiveness and a positive regulatory framework

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Very strong regulatory support for wind energy

Renewables Portfolio Standard (RPS)	• State level policy mandating the state to generate a percentage of its electricity from renewable sources • The exact details of the policy varies depending on state. Basic structure involves giving renewable energy source targets to suppliers, with fines imposed in some cases if targets are not met
Production Tax Credit Extension	• An income tax credit is allowed for the production of electricity from qualified wind energy facilities and other sources of renewable energy • Eur 15/MWh for 10 years; indexed to inflation; locked-in at plant completion • Current legislation expires 31/12/08
Modified Accelerated Cost Recovery System (MACRS)	• Allows investment to be depreciated over five years • 20-25% of project value • Available continuously since 1987

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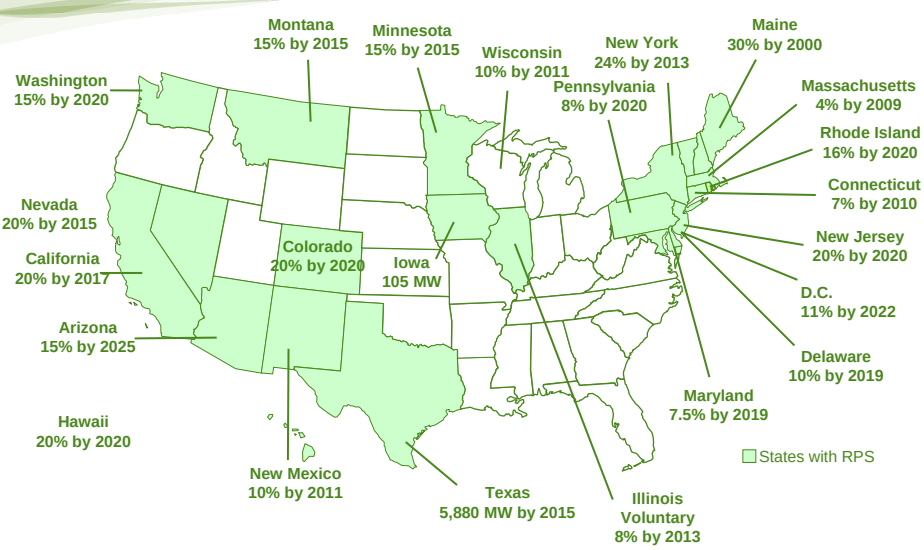
Renewable Portfolio Standards are set by most states



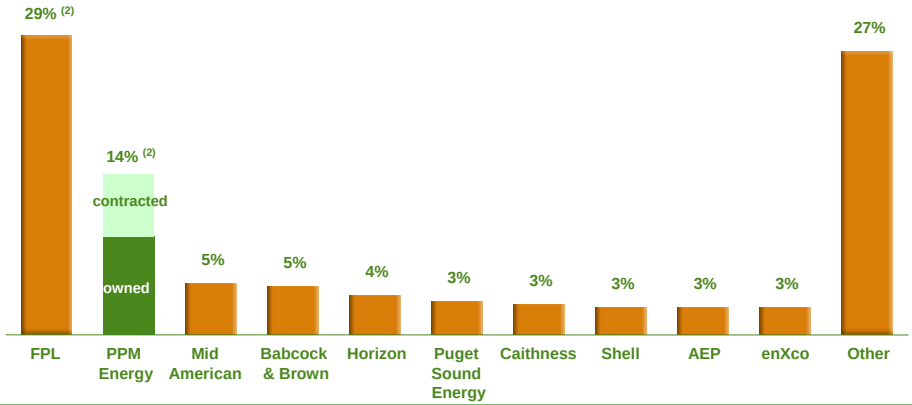
US wind price setting mechanism is backed by the PTC system and MACRS

➔	**Contracted price**	• Output typically contracted at Eur 38 – Eur 45 / MWh
+	**PTC**	• The Production Tax Credit ("PTC") is a per kilowatt-hour tax credit for wind-generated electricity • Current PTC of Eur 15 / MWh • Available during the first 10 years of operation and locked-in at construction date, and adjusted annually for inflation • Current legislation expires on 31 Dec 2008
+	**MACRS**	• Depreciating asset over five years creates substantial economic value
=	**After-tax value of wind generation**	

Government support is expected to continue to be reflected in a PTC or PTC-like mechanism and MACRS benefit

Ten key players account for three quarters of the activity

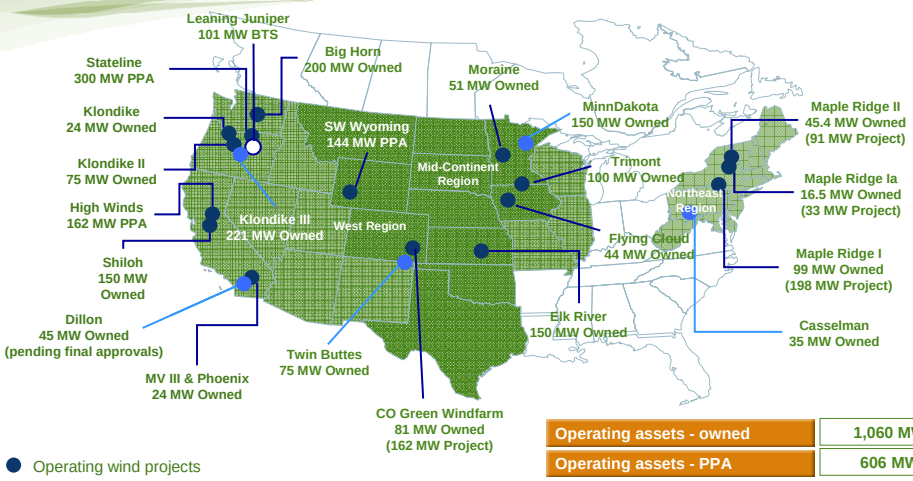
% installed capacity (1)



PPM has grown rapidly to be the second largest wind farm developer in the US

(1) As at 31 December 2006
(2) Adjusted for 606 MW of contracted capacity provided to PPM by FPL
Source: AWEA

PPM has a unique pan-US platform ...

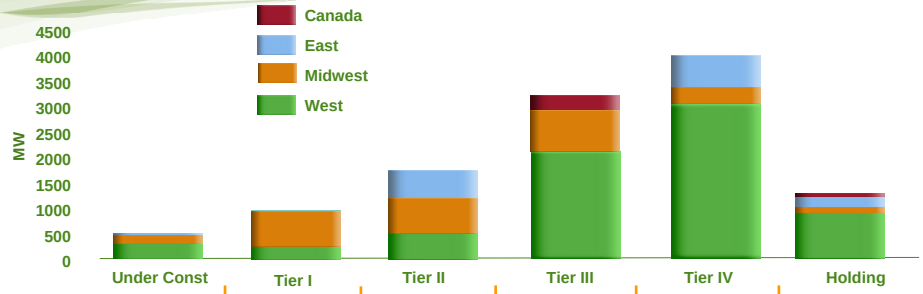


- Operating wind projects
- Wind projects approved/under construction
- Build to Sell (BTS)

Windiest region ▪ ▪ ▪ ▫ Least windy region

Operating assets - owned	1,060 MW
Operating assets - PPA	606 MW
Operating assets - total	1,666 MW
Build to Sell (BTS)	101 MW
2007 approved / construction	526 MW
2010 goal	3,500 MW

… and an impressive wind pipeline



	Under Const	Tier I	Tier II	Tier III	Tier IV	Holding
Probability of completion:	100%	80%	50%	25%	10-15%	0-10%
PPM's criteria for Tier:	• Board approvals received • Construction underway	• PPA sale, marketing plan, and/or permits • High probability of 2-300bps > WACC	• Proven CF • Permitting and TX plan • >50% probability of 2-300bps > WACC	• Full land control • 1 yr wind data	• Opportunity under assessment, some with initial land control	• Projects that currently have transmission, land, permitting or marketing concerns or are awaiting verification of wind resource

PPM controls a significant 11,200 MW pipeline

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US wind: key economic drivers

Attractive all-in tariff

Strong government support through
Renewable Portfolio Standards
(49GW in newbuild by 2015)

Attractive load factor range: 2,600 – 3,500 hrs

O&M before synergies: 25 $/kW pa

Capex before synergies: 1,500 - 1,700 $/kW

Pipeline: volume and delivery

PPM's wind business is a leading US developer and operator

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US wind

US gas storage

US energy management

US thermal

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US gas storage key messages

- **Attractive fundamentals in gas storage**
- **PPM has demonstrated track record**
- **Well positioned for continued strong growth and premium returns**

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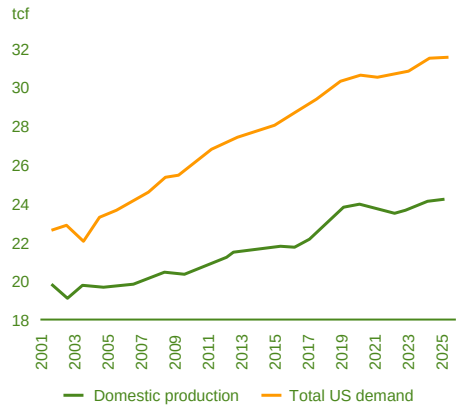
Supply shortfall driving sustained high gas prices and volatility

- Continued demand growth
- Supply lags demand, with growing imbalance
- Shortfall met by Canadian imports and LNG
- Increasing long-haul gas, with potential geopolitical risks, drives high gas prices and volatility

EIA US supply / demand forecast



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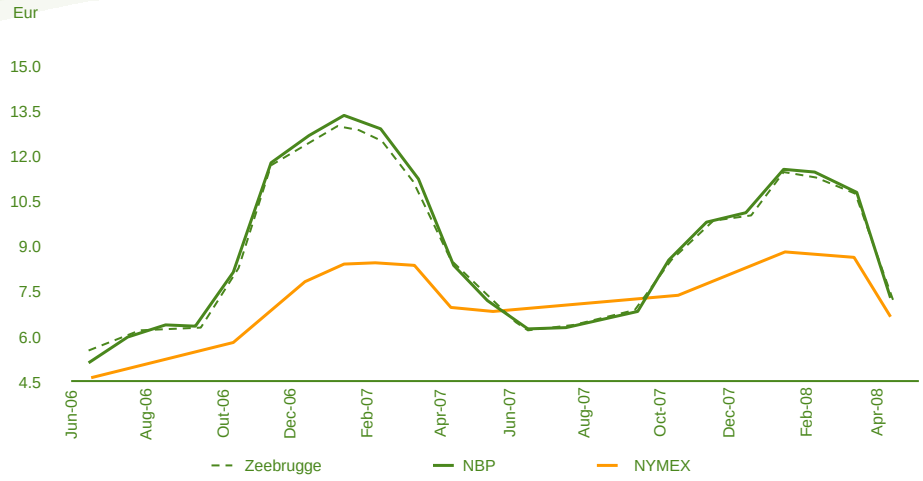
Potential for increased summer/winter spread



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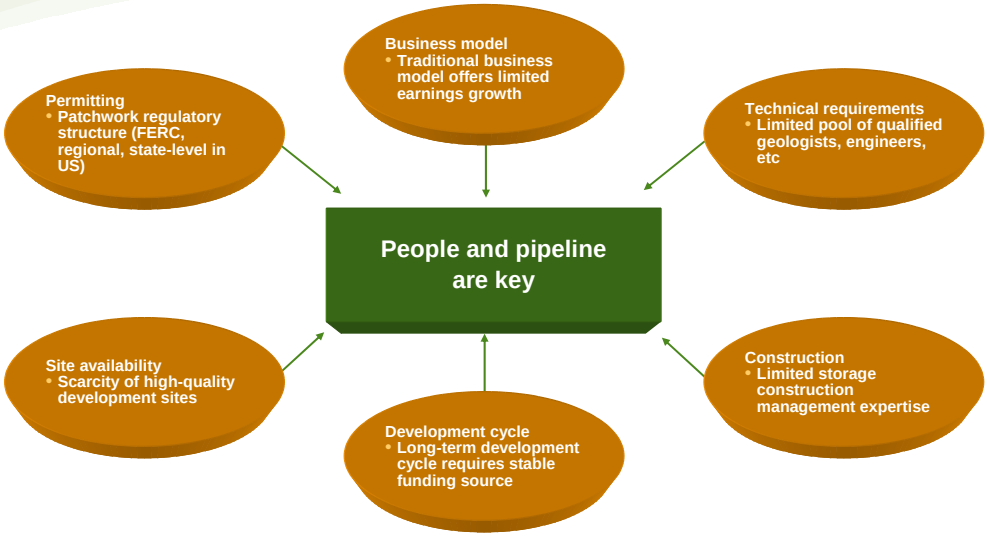
North American Gas Storage has significant barriers to entry



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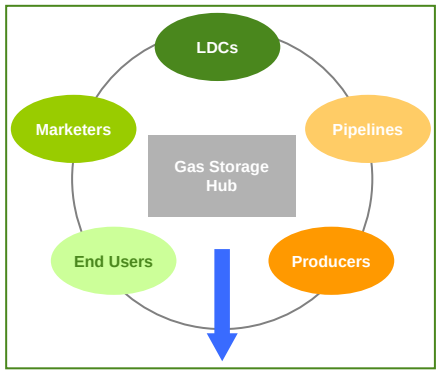
PPM pursues innovative business model

Business model

- Asset based service company
- Key trading locations
- Offer simple, quality services

Business advantages

- Minimal credit risk
- Minimal working capital
- Service based business



Enstor Services
- Firm storage
- Parking and loaning

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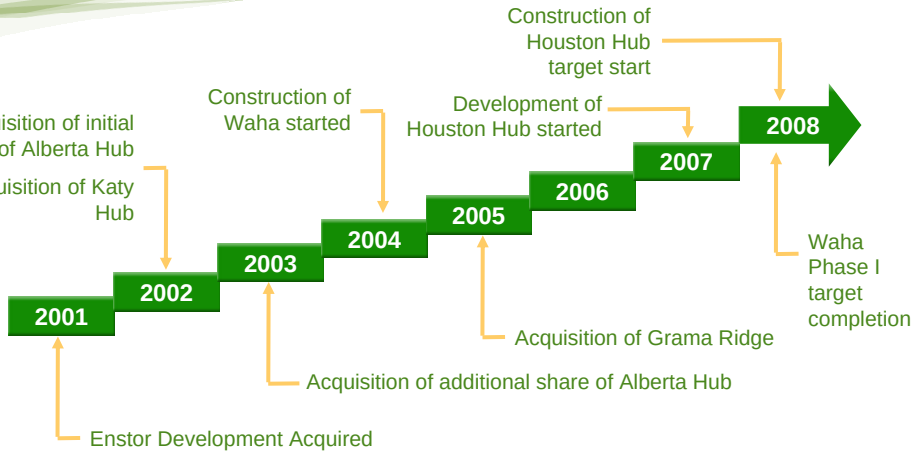
PPM has grown by 0.3 bcm p.a.



Furthermore, there is 0.9 bcm ongoing development and construction at Waha (0.3 bcm), Grama Ridge (0.2 bcm) and Houston Hub (0.4 bcm)

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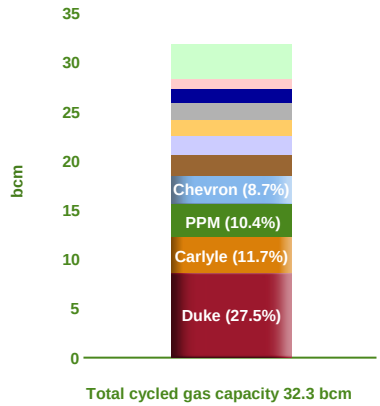
PPM a market leader in independent gas storage

- #3 in North America for independent storage
- ~10% of independent gas storage market
- Independent storage represents ~12% of total gas storage market

Cycled Gas Capacity



PPM well placed in expanding market

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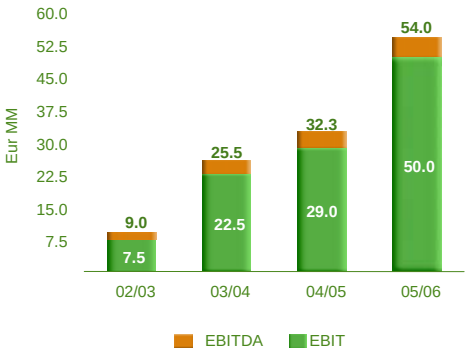
PPM's gas storage operations have delivered strong profit growth

- Robust EBITDA growth
- 1.4 bcm of operating storage (Eur 188 MM invested capital)
- Excellent returns
- Minimal working capital and credit risk
- 0.9 bcm under development
- Further 1.2 bcm organic growth and acquisitions planned to 2010

EBIT and EBITDA (1,2)



Successful development track record

Note: (1) Financials are based on the exchange rate of USD 1 : Eur 0.75
(2) 02/03 and 03/04 under UK GAAP excluding goodwill amortisation; 04/05 and 05/06 under IAS excluding IAS39 and exceptionals

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US gas storage: key economic drivers

		Per MM BTU
Owned storage (Reservoir) 1.4 bcm in operation	Revenue – Low Cycle	: $1.80 – 2.30
	O&M costs	: $0.30 - 0.30
	EBITDA	: $1.50 – 2.00
Contracted storage (Reservoir) 1.3 bcm third party in operation	Revenue – Low Cycle	: $1.50 – 2.30
	Lease payments	: $0.70 – 0.90
	EBITDA	: $0.80 – 1.60
	Inventory carry costs	: $0.15 – 0.25
New build (Salt Storage) 0.9 bcm construction / permitting Further 1.2 bcm pipeline	Revenue – High Cycle	: $2.60 – 3.50
	EBITDA	: $2.30 – 3.20
	Development Cost	: $13.00 – 18.00

US storage highly attractive with recent transaction multiples up to 600 $/bcm

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US wind

US gas storage

US energy management

US thermal

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US Energy Management key messages

- **Provides service to PPM's existing asset-based business**
- **Trading, a natural extension of PPM's activity, creates additional value**
- **Delivers market knowledge, skills and system integration**
- **Well positioned for continued strong growth and premium returns**

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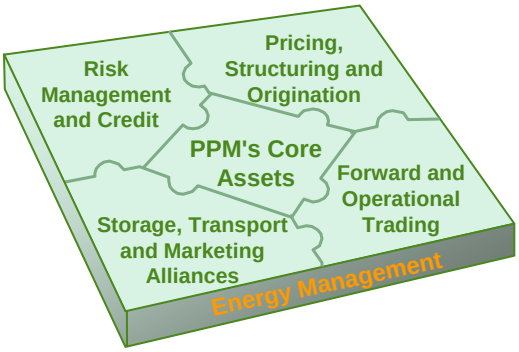
Energy Management's role



- Builds upon PPM's existing asset-based businesses
- Optimises value from core assets
  - Minimises risk by forward hedging and balancing asset positions
- Creates value through expansion into closely related activities:
  - Portfolio optimisation
  - Storage
  - Transportation / marketing alliances
- Demonstrated business model based on reputation and capabilities
- Embedded risk management culture

Combination of asset management and trading skills

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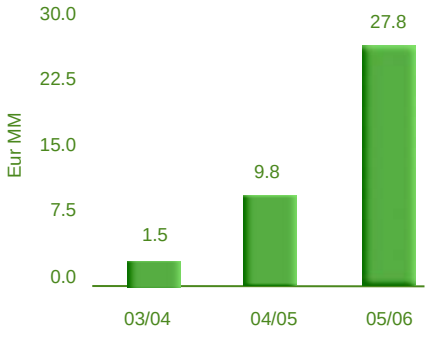
Energy Management delivering strong profit growth

- Strong growth in EBITDA
- Solid base of contracted gas storage capacity
- Significant growth potential from transport contracts and marketing alliances
- Expanding PPM's geographic footprint across North America

EBIT and EBITDA



Stable and growing trading related earnings

Note : For Energy Management EBIT equates to EBITDA. 02/03 and 03/04 under UK GAAP excluding goodwill amortisation; 04/05 and 05/06 under IAS excluding IAS39 and exceptionals

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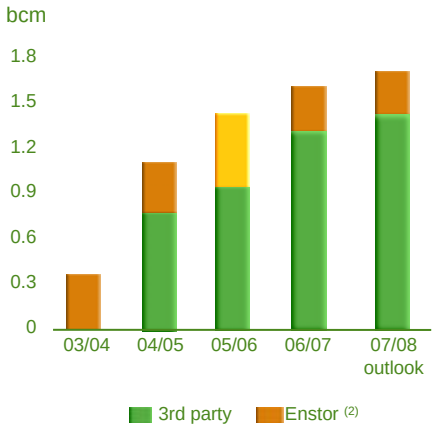
Contract Storage - a building block for growth

- Strategically located storage
- Capitalised on low cost storage in FY04/05
- 1.6 bcm currently
  - 0.3 bcm from Enstor
  - 1.3 bcm from 3rd parties
- Supportive market fundamentals
- Further growth targeted

Contracted storage capacity (1)



Note: (1) For years ending 31 March
(2) Contracted from Enstor by Energy Management

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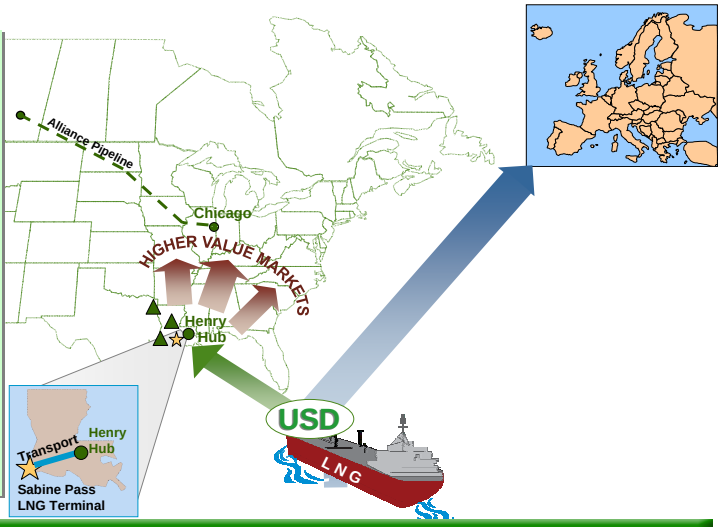
LNG Synergies Cheniere Creates New Opportunities for Iberdrola

- Marketing agreement with Cheniere begins in 2008
  - 10 year LNG supply from Sabine Pass
  - PPM receives nominated monthly volumes at discount to Henry Hub
  - Cheniere gains market access against which to secure long term LNG supplies
- PPM sells into highest value markets, exploiting its market presence, storage and transport
- Opens door for pan-Atlantic optimisation for Iberdrola



Cheniere creates new opportunities for Iberdrola

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US wind

US gas storage

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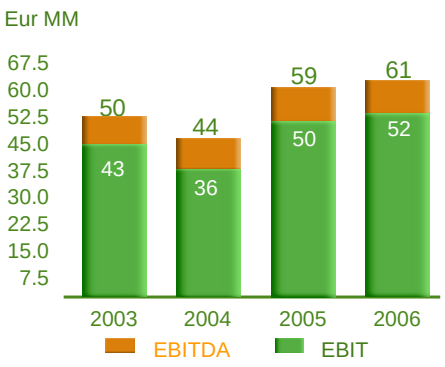
US thermal

US thermal generation: fully contracted through mid-term at robust margins

Description

- **Portfolio of generating assets**
  - **Klamath Cogeneration (506 MW[1])**
  - **Klamath Generation (100 MW)**
  - **West Valley (200 MW)**
- **Klamath plants fully contracted at robust margins over mid term**
- **West Valley leased and operated by PacifiCorp through June 2008**
- **Steady earnings stream**

EBIT and EBITDA



Growth in renewables creating increased demand for dispatchable resources

Note: 1. 47% owned
2. Financials are based on the exchange rate of USD 1 : Eur 0.75

PPM Key messages

- **Leading positions in attractive high growth market segments in North America**
- **Experienced leadership team with excellent track record of delivery**
- **Delivering strong returns well ahead of cost of capital**
- **Significant future growth potential with high quality pipelines in Wind and Gas Storage**

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US thermal generation

Klamath Cogeneration

Installed capacity	506 MW
Operational date	2001
Location	Oregon
Employees	23

Overview

- State-of-the-art CCGT owned by the City of Klamath Falls
- PPM owns 47% of plant output; sold forward under mid-term contracts to California utilities
- PPM is fuel supplier and brokers City's output
- Operated by PPM subsidiary Pacific Klamath Energy

Klamath Generation

Installed capacity	100 MW
Operational date	2002
Location	Oregon
Employees	n/a

Overview

- Gas turbine peaking facility owned by PPM
- Operated by Klamath Cogeneration staff
- Summer and Winter capacity sold forward under mid-term contracts
- PPM owns development rights for fully permitted 550 MW CCGT on adjacent site

Growth in renewables creating increased demand for dispatchable resources

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US thermal generation

West Valley

Installed capacity	200 MW
Operational date	2002
Location	Utah
Employees	13

Overview

- Gas turbine peaking facility owned by PPM
- Currently leased to and operated by PacifiCorp, who has given notice of lease termination effective June 2008
- Lease termination may be rescinded by July 2007 or equipment can be re-deployed in higher value California marketplace

Located in high-demand markets

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