

STATE OF NEW YORK

Public Service Commission

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PSC OKs CORPORATE RESTRUCTURING OF NYSEG, RG&E OWNER — Agreement Includes Changes to Improve Customer Accountability —

Albany, NY—10/17/13—The New York State Public Service Commission (Commission) today approved, with conditions designed to protect ratepayers, a request made by Iberdrola, owner of upstate utilities New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation, to reorganize the corporate structure of its subsidiaries that operate in the U.S.

“The reorganization of this large, multi-national corporation does not alter the existing ownership of NYSEG and RG&E,” said Chair Audrey Zibelman. “However, because the restructuring does pose the potential for harm to the interests of the company’s New York utility customers, we are placing conditions on the reorganization to mitigate potential risks to consumers.”

Spain-based Iberdrola’s purpose in restructuring is to reorganize its operating companies on a country-specific basis, which will centralize Iberdrola’s presence in each country within one holding company. The effect of this is to more closely link its New York’s regulated utilities to its affiliates that operate in competitive markets. While the purpose is understandable from a business viewpoint, the Commission recognized that the new linkage might raise risks to customers not present under the current structure.

Therefore, to offset any risks associated with the restructuring, the Commission today decided to add provisions to the agreement to shield customers from potential adverse consequences, added

corporate governance requirements that further protect customers, and included affiliate relationship requirements that separate the regulated utilities and their customers from potential financial risk posed affiliates participating in competitive markets.

Furthermore, the Commission added conditions intended to improve transparency and make it easier for regulators to access books and records. Also included is a requirement that the utilities commence registering debt issuances with the Securities and Exchange Commission when market conditions become cost effective. Taken together, the conditions added by the Commission ensure customers in New York will benefit from the change in corporate structure.

Apart from its restructuring decision, the Commission today also reviewed Iberdrola's compliance with recommendations made as part of its recently completed management audit of the companies, including a recommendation to ensure that NYSEG and RG&E's relationship with its Iberdrola's engineering affiliate is in the public interest.

Going forward, the Iberdrola engineering affiliate will be limited in the amounts of services it provides to the utilities. Meanwhile, the Commission will continue to examine utility staffing levels and the business relationship between the engineering affiliate and the two New York utilities to ensure the contracts between them are in the public interest.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Numbers 12-M-0066, 12-E-0065 or 10-M-0551 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.