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 ___ (JPP – 4)

Credit Opinion: Iberdrola S.A.

Iberdrola S.A.

Bilbao, Spain

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Senior Unsecured -Dom Curr	A3
ST Issuer Rating	P-2
SP Distribution Ltd	
Outlook	Stable
Issuer Rating	A3
SP Manweb plc	
Outlook	Stable
Issuer Rating	A3
SP Transmission Ltd	
Outlook	Stable
Issuer Rating	A3
Scottish Power UK Holdings Ltd.	
Outlook	Stable
Issuer Rating	A3

Contacts

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Key Indicators

[1]
Iberdrola S.A.

	2004	2005	2006
Adjusted FFO Interest Coverage [2]	**4.7x**	**4.6x**	**4.3x**
Adjusted FFO / Net Adjusted Debt [3]	**18.9%**	**18.7%**	**18.9%**
Adjusted RCF / Net Adjusted Debt [4]	**13.0%**	**12.8%**	**12.7%**
Adjusted RCF / Adjusted Capex [5]	**58.1%**	**71.2%**	**56.9%**

[1] Based on "As adjusted" Financial statements. Details in "Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations - Part II, Rating Methodology, Feb-06 (#96729). [2] (Cash flow from operations (CFO) pre-Working Capital+ Interest Expense) / Interest Expense [3] (Cash flow from operations (CFO) pre-Working Capital) / Net Debt Adjusted [4] (Cash flow from operations (CFO) pre-Working Capital - Dividends Paid) / Net Debt Adjusted [5] (Cash flow from operations (CFO) pre-Working Capital - Dividends Paid) / (Adjusted Capex + Acquisitions - Divestitures)

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

Iberdrola SA's A3/P-2 ratings factor the company's strong market position as a leading vertically integrated utility in Spain with around 35% market share. Its acquisition - in April 2007 - of the British vertically integrated utility, Scottish Power Ltd (A3, stable - please see separate credit opinion for further comments), placed it as is one of Europe's leading utilities. Iberdrola now expects to further extend its franchise into the US via its June 2007 agreement to buy Energy East Corporation, (EEC - Baa2, negative). EEC is a holding company of a regulated electric and gas transmission and distribution utility group of six companies serving customers in and around Upstate New York. This deal is subject to a number of regulatory approvals, and, if successful, is expected to be completed in mid-2008.

In December 2007 Iberdrola launched the IPO of 20% of its renewables subsidiary Iberenova, which is expected to be the world leader in this growing area. Iberdrola's ratings were downgraded to A3/P-2 from A2/P1 in December 2007, reflecting the recent partially debt-financed acquisitions, and additionally incorporate an ambitious 2008-2010 strategic plan amounting to EUR 24.2 billion, of which EUR 17.8 billion will be focused on organic investments and EUR 6.4 billion on the EEC acquisition. Around 75% will be funded by the proceeds of the renewables IPO, cash flow and divestments.

Rating Rationale

BUSINESS RISK

Iberdrola's A3/P-2 ratings reflect Moody's overall low/medium assessment of Iberdrola's business risk for an electric utility, following the recent corporate actions and taking into account its revised strategic plan. This risk assessment reflects the significantly increased scale of the group, its geographic spread and diversification of risks, particularly those of regulation, generation pricing and fuel technology.

Assuming successful completion of the EEC transaction, EBITDA from low risk fully regulated networks activities is expected to increase slightly to around a third of EBITDA, medium risk generation in UK and Spain is expected to be around 35-40% of EBITDA. Renewables (a low/medium risk activity) should grow to the mid-teens in percentage terms over time. Operations in Latam (Mexico and Brazil) and Real Estate/Engineering which are medium/high risk are, together, expected to total around the mid-teens.

Nonetheless, this risk assessment factors a degree of integration and execution risk as the company has expanded into new markets in which it has had less prior experience, and, in addition the group has ambitious growth targets which may not be achieved if operating conditions become more difficult. In particular, the company has strong growth expectations in the renewables field, through its subsidiary, Iberdrola Renovables, where it aims to be the global leader. This subsidiary will be the engine for growth for the company, with 48% of the total organic investment spend of EUR 17.8 billion during 2008-2010 being devoted to this area. Iberdrola has 7,342 MW of installed capacity as of 30 September 2007, aiming to reach 13,500 MW by 2010.

Iberdrola is well-placed to make good progress given its size, scale and diversified exposure to fairly favourable regimes in Iberia, the UK and US. It has long-term agreements with a range of turbine manufacturers; an experienced team in the development of sites and management of operations which should help offset key risks that include the speed at which the pipeline can be processed given possible delays in receiving permissions and/or accessing equipment; possible regulatory change; construction risk and weather conditions. Although fairly secure offtake structures in most instances limit volume risk, renewables businesses are exposed to pricing risks but quite often there are mitigants (e.g. in the US Iberdrola has mainly entered into fixed-price power purchase agreements or PPAs, and in Spain and in the UK there are, in some circumstances, a price floor).

Ambitious growth targets in the UK may be challenged by competitive activity and there are a number of regulatory and political challenges in Spain as the electricity system is transitioning only gradually to a fully liberalised market. Overall, commodity and generation pricing risks remain the most volatile component of the group's portfolio although these are somewhat limited by the vertical hedge of the UK and Spanish operations and the various hedging and risk-mitigating techniques Iberdrola employs.

FINANCIAL RISK PROFILE

Iberdrola has realised its recent investments through a mixture of debt and equity. Iberdrola paid EUR 17.1 billion for 100% of Scottish Power of which EUR 9.2 billion was debt-funded. In addition, the company closed a capital increase for EUR 3.4 billion in June 2007 with the aim of financing the expected cash payment for EEC and Iberdrola will assume EUR 3 billion of debt (hence an enterprise value of EUR 6.4 billion). The recent IPO will raise EUR 4.5billion. These funds, together with announced further divestments of EUR 3 billion should allow the company stay within its leverage target of 50%. Overall, debt has risen from EUR 13 billion to EUR 26 billion prior to the IPO. Whilst large, the company's capex has limited flexibility, as (i) investments in renewables are required to meet growth targets, (ii) most of the capex in the UK is dedicated to mandatory capex in the networks or necessary plant upgrades and (iii) in common with the UK, domestic capex is directed at efficiency improvements of the networks or achieving peak capacity via plant upgrade. However, with the cash flows from new investments the company should be on track to achieve RCF/debt of 12% or over, and FFO/interest of 4x.

Iberdrola sees the acquisition of EEC as an attractive opportunity in the US and it expects to benefit from the company's taxable income in order to optimise its current position in renewables energy in the US. EEC should provide stable and regulated cash flows, although the rating of EEC currently carries a negative outlook due to a recent - surprisingly unfavourable - regulatory review. Overall, EEC is expected to represent around 15% of assets of the enlarged Iberdrola group and around 10% of EBITDA.

STRUCTURAL SUBORDINATION

Following recent acquisitions, and assuming the EEC transaction goes ahead, the amount of overall debt at operating companies below Iberdrola SA (the ultimate parent) is expected to amount to just over 25% of overall debt by end 2008. Excluding debt in Brazil and Mexico for which there is limited recourse outside of the actual legal entities, the percentage is closer to around 20%.) Moody's will not notch for structural subordination; nonetheless, the rating factors the expectation that Iberdrola will focus on the gradual reduction of debt at the operating companies.

Liquidity

Iberdrola's strong liquidity profile is underpinned by (i) the solid cash flows generated by its core activities (ii) the existence of EUR 1.8 billion of cash available on its balance sheet as at the end of Q3 2007 (iii) access to over EUR 4.6 billion of MAC- and covenant-free undrawn committed credit lines expiring in 2009-2010 (iv) EUR 1.1 billion available under the EUR 7 billion bridge loan used for the acquisition of Scottish Power which matures in November 2008 with a one-year term-out option and (v) and the expected EUR 4.5 billion proceeds from the sale of a 20% stake in its renewables business. Moody's regards those sources of funds as sufficient to cover the group's needs over the next 12 months, including high levels of capital expenditure (cumulative investment of circa EUR 5.2 billion over the next 12 months), dividends (around EUR 1.2 billion) and short-term debt repayments (excluding CP) of EUR 1.9 billion during 2008.

Rating Outlook

The rating outlook is stable although Iberdrola's ratios are expected to be positioned at the low end of the rating range for the A3 rating category applied for its business risk (RCF/debt of 12-16%, FFO/debt of >17% FFO/interest of >4x). Should the company fail to achieve growth targeted, or should negative regulatory or pricing developments affect the company, then pressure could develop on these ratios. Nonetheless, Moody's believes the company is committed to an A3 rating and that it would consider means at its disposal to reinforce its financial position if necessary.

What Could Change the Rating - Up

No intermediate upwards rating pressure is perceived given the recent acquisition activity and the size of the investment programme. The company would need to demonstrate that it could achieve RCF/net debt of around 16% or over, and FFO/interest of in the 5-6x range.

What Could Change the Rating - Down

(i)Failure to maintain the financial or business risk profile as outlined could mean that negative pressure could quickly develop on the company's ratings (ii) failure to gradually reduce structural subordination.

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the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."