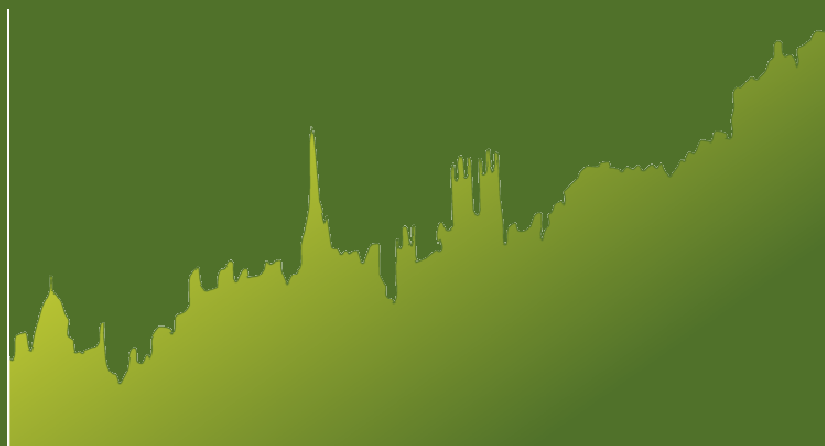




IBERDROLA
RENOVABLES

Investors'
Day 2008

Gleneagles, Scotland



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Gas Business: Value

Terry Hudgens, CEO of Iberdrola Renovables U.S.

Ralph Currey, Head of Energy Management Business

Gleneagles, July 3rd 2008

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Overview

US Gas storage

US Gas Optimization

Conclusions

Overview

A collection of high quality assets and strong capabilities...

...record of value creation
and growth...

...strong market
fundamentals...

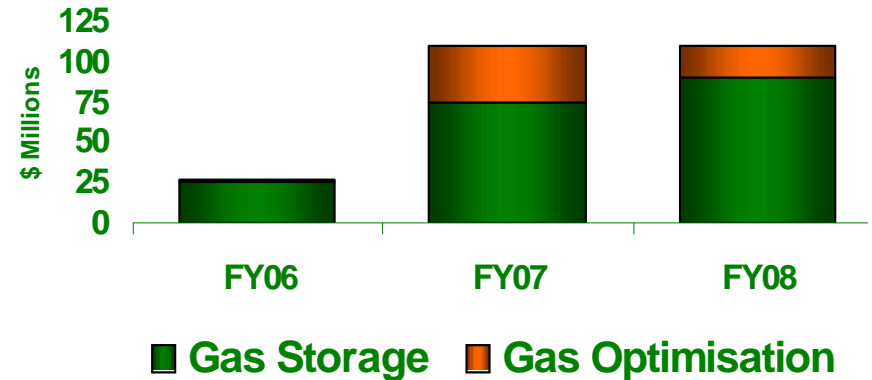
...experienced
management team...

US Gas

Gas Storage

Optimization

EBITDA



* EBITDA excludes allocable overheads

... with excellent growth prospects

Overview

Storage capacity has grown by 0.38 Bcm per year since 2004...

Additional 1.9 Bcm under
development or planned
expansion...

..robust pipeline will allowed
continued growth, due to...

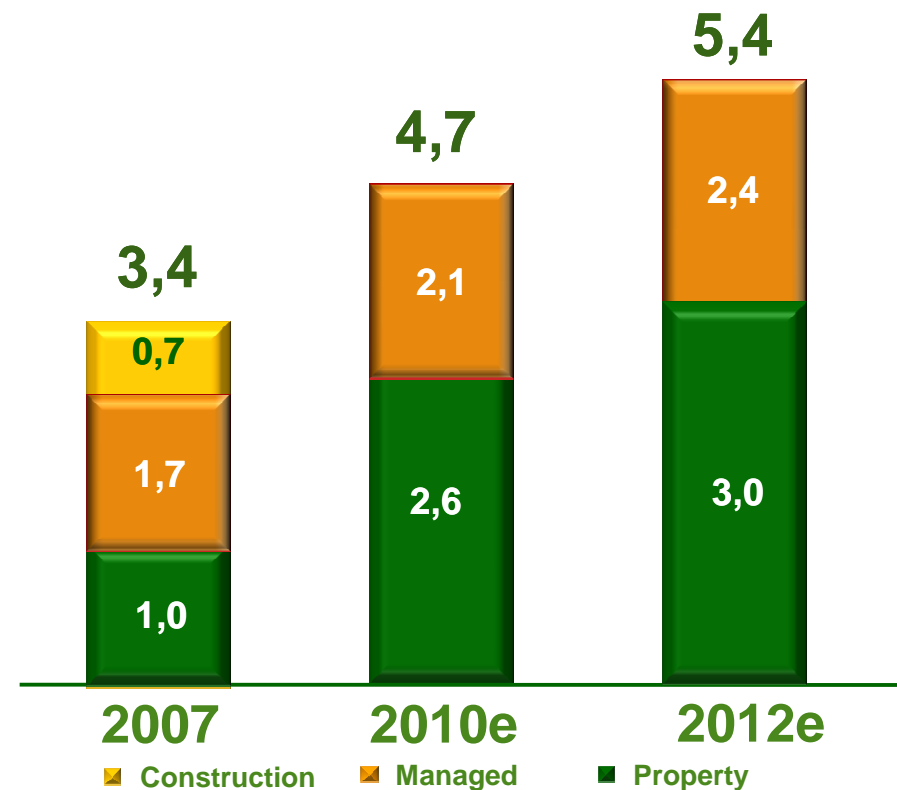
..high barriers of entry, based on...

..specialized technical
requirements...

..construction expertise...

..unique business model...

US Gas Storage Growth Targets



...in order to double the storage capacity by 2011

Overview: 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 600-700 million \$/bcm**

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US Gas storage

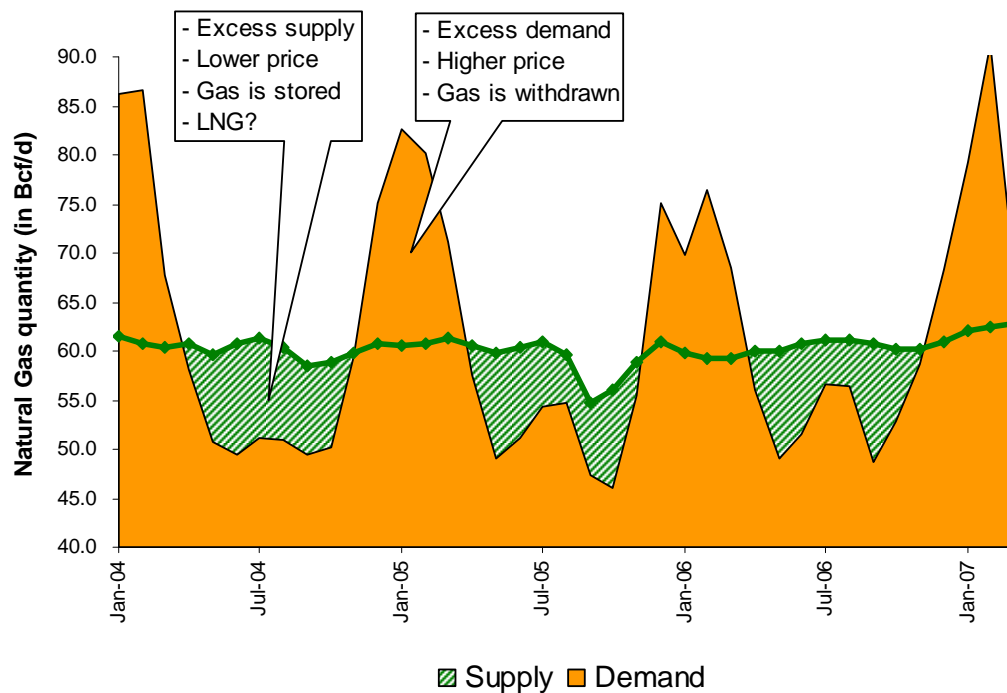
US Gas Optimization

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US Gas Storage: Functionality

Is needed to balance demand and supply...

US Natural gas demand & supply



Demand & supply drivers

Demand varies on weather...

~40% Diff between winter summer consumption...

Gas-fired power generation consumption spikes in winter ...

Pipeline scheduling flexibility decreasing

Supply lacks flexibility...

Production is generally stable...

But can be disrupted by weather...

Increasing demand/value for storage

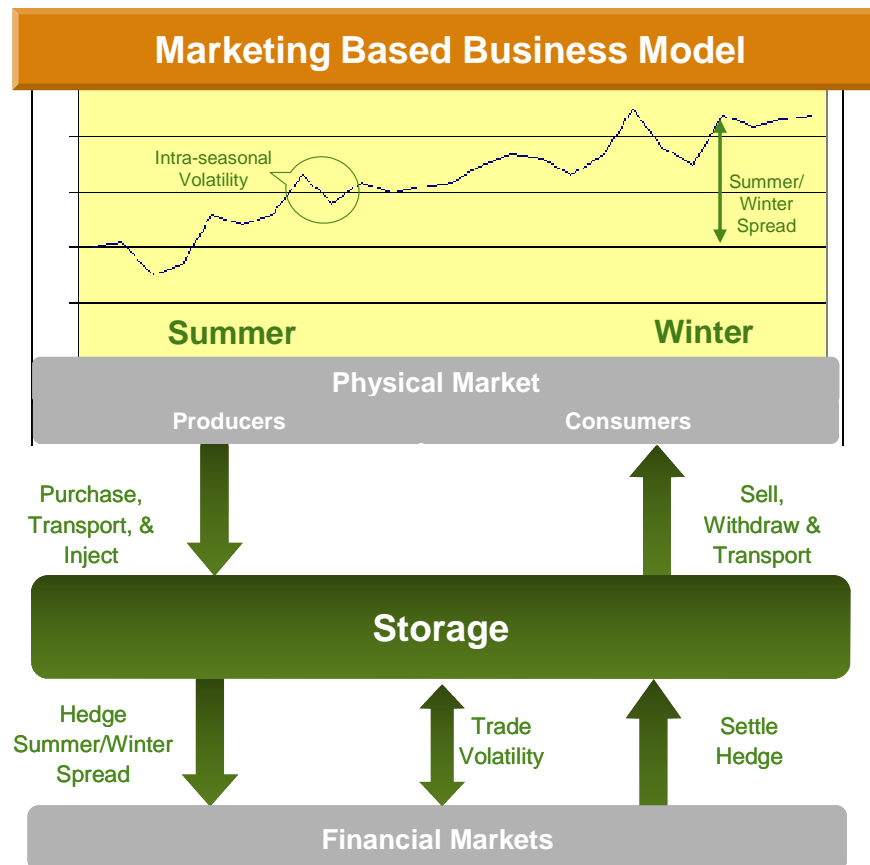
... Natural gas demand in Winter is significantly higher than Spring

Source: EIA

Note: Supply represents the sum of U.S. domestic production, pipeline imports from Mexico & Canada as well as LNG imports

US Gas Storage: Profitability

Storage Earnings Model depends on seasonal spreads and volatility



Key Features

- Leverage seasonal gas inventory
- Exploit seasonal and short-term pricing differentials

Contract Storage Monetization Strategies

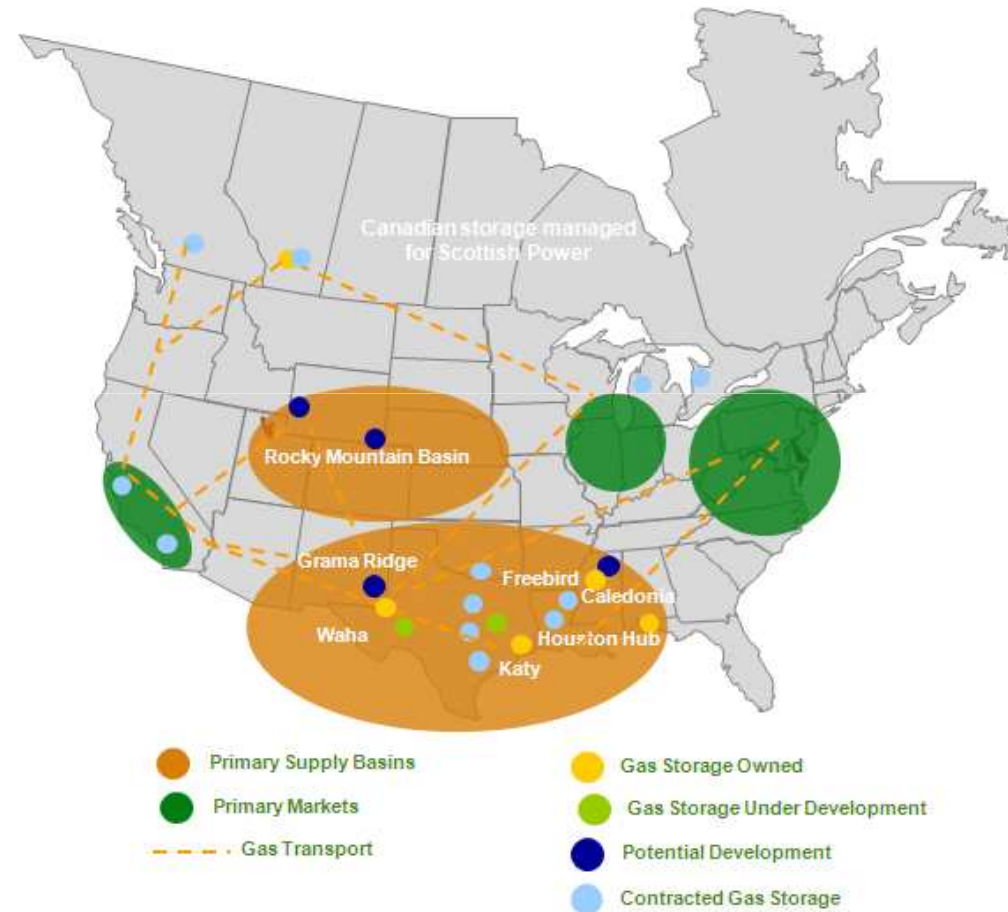
- Lock in intrinsic value by hedging summer/winter gas prices
- Capture extrinsic value by exploiting market conditions that develop during year

Business Advantages

- Strategically located, flexible storage sites
- Secured low cost structure
- Embedded risk management culture
- Do not go long or short gas
 - However, EBITDA is subject to volatility

US Gas Storage: Assets

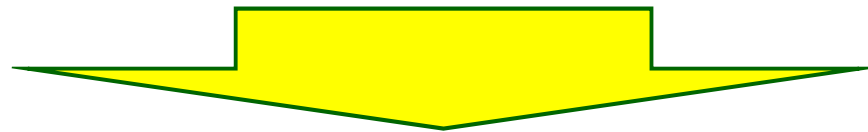
IBR is the #3 independent storage owner in US...



... and ready to provide services to high value markets

IBR US Gas Storage: Results

Increase of 130 MM Eur in Gas storage EBITDA

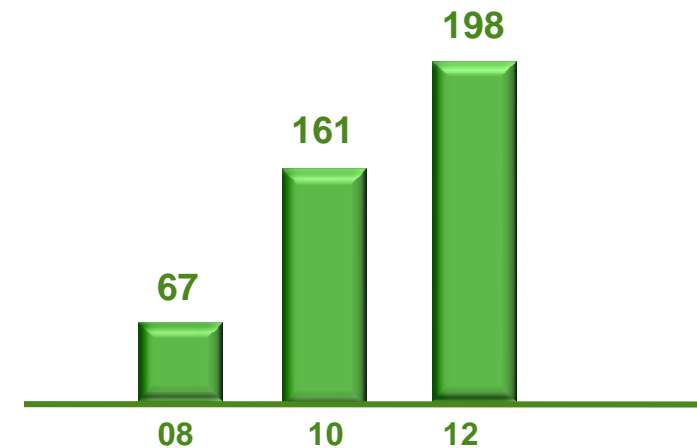


...improved
seasonal
spreads

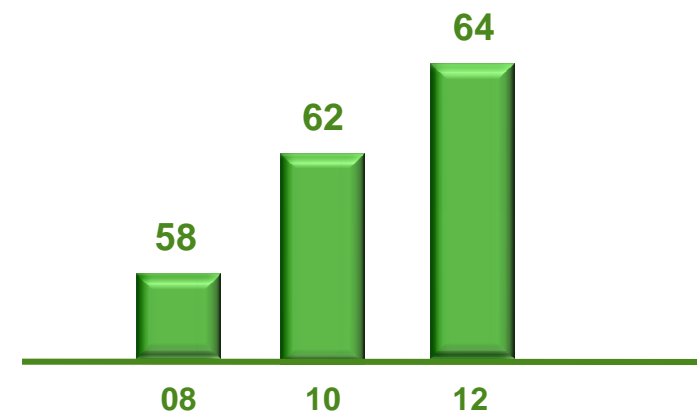
... X3 increase
in storage
capacity

Over time the average gross
margin per unit is...

EBITDA* MM EUR



EBITDA* MM EUR /BCM

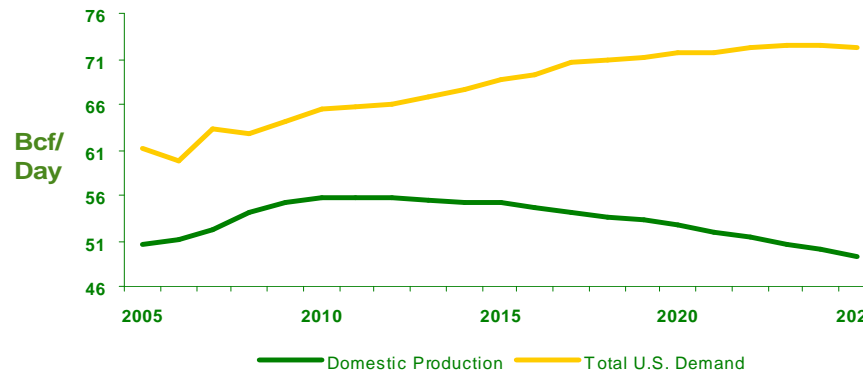


* Excluding overhead costs

US Gas Storage: Value

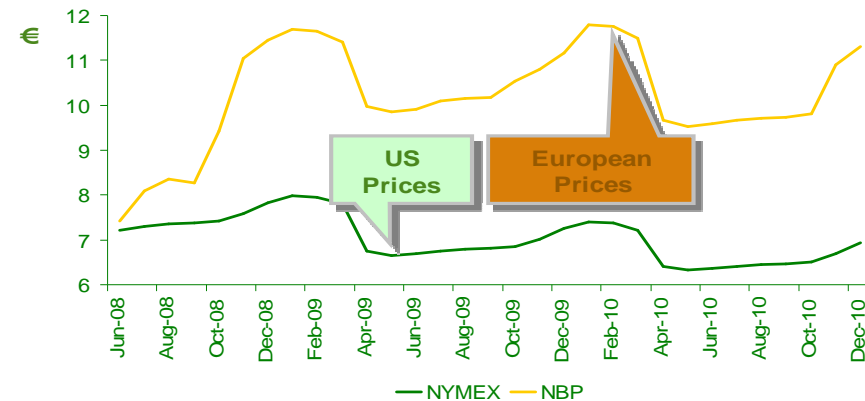
Gas market fundamentals support storage value ...

U.S. Supply / Demand Forecast



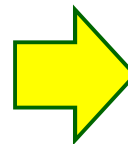
Source: WoodMackenzie December 2007

Potential for increased summer/winter spread



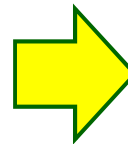
Source: Forward prices from Bloomberg as of 22 May 2008

Long-term supply lags increasing demand, with growing imbalance...



.. Shortfall met by Canadian imports and LNG

Increasing long-haul gas, geopolitical risks, drives high gas prices and volatility ...



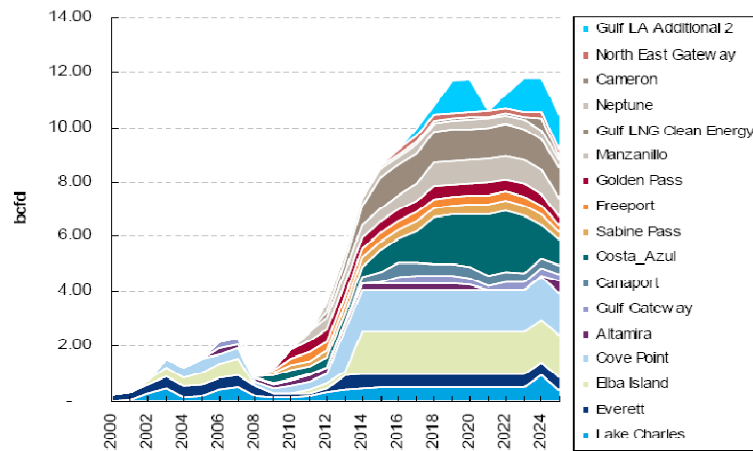
.. Should lead to US spreads growing to resemble Europe

...convergence with Europe provides great upside for asset values

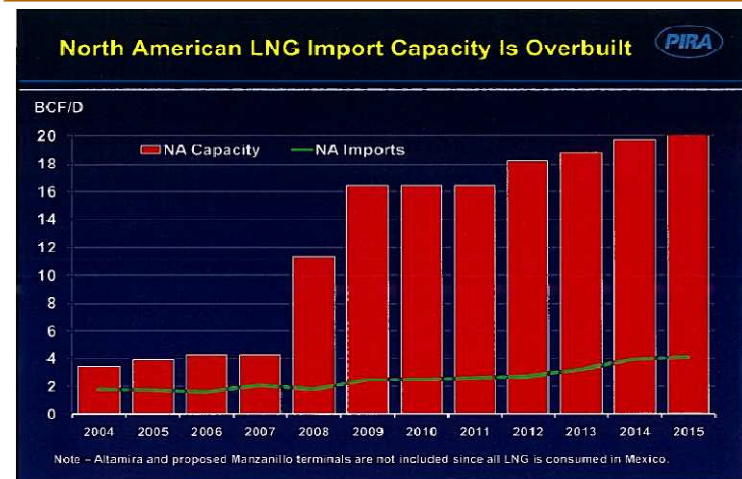
US Gas Storage: Value

Reasonable Minds Disagree on US LNG Import Growth...

Wood MacKenzie



PIRA



...Analysts disagree at the amount of LNG needed in NA in the Medium Term ...

...Wood MacKenzie estimates large amounts of LNG in NA, greater than 8Bcf/d by 2015...

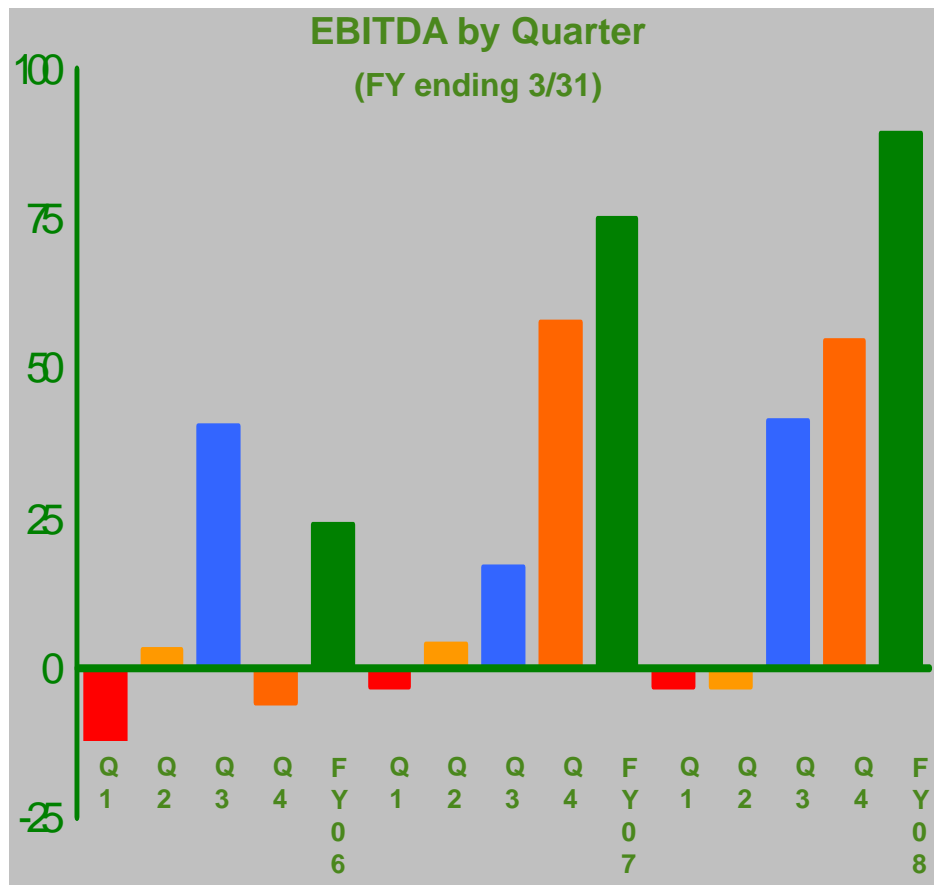
...PIRA estimates approximately 4Bcf/d by 2015...

..NA has the regas capacity, storage, and pipeline capacity handle large amounts of LNG...

...Expect erratic deliveries of LNG, leading to high volatility and therefore, profit and value

US Gas Storage: Seasonality

Seasonality of Earnings follows the cycle of injections/extractions....



Typically 100%
of contribution is earned
in winter months (Oct – Mar)

Quarterly contribution
has varied significantly
over last three years

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US Gas Optimization

Enhancing Asset Values through Transport and Marketing

Gas Optimization is...

...Connecting assets to high value markets

Performance Optimization

Balancing hourly, daily and long-term positions

Gas Transportation Contracts

Rights on 50 pipelines to transport 466,000 Mcf/day of gas to highest price markets

Gas Marketing and Trading

Exploiting our knowledge of regional markets and transportation grid

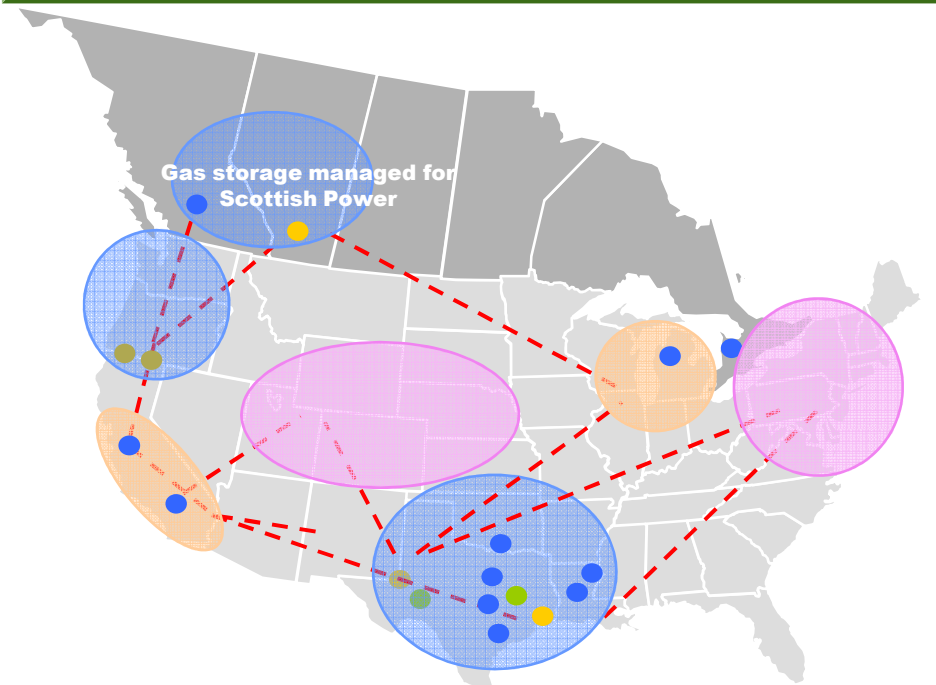
Risk Management

Embedded risk and credit management culture

...adding EUR 18 million EBITDA in 2008

US Gas Optimization: Footprint

Leveraging Value Across Gas & Power...



IBR Position in Market

- Market Leadership Position
- Emerging Leadership Position
- New Growth Potential

- Gas Storage Owned – 36 bcf in US
- Gas Storage Under Development – 24 bcf
- Thermal Generation – 606 MW
- Contracted Gas Storage – 42 bcf in US
- Gas Transport

Well-positioned flexible asset base...

Connects assets to multiple higher value markets...

Leverage assets via experienced people

Synergies across power & gas...

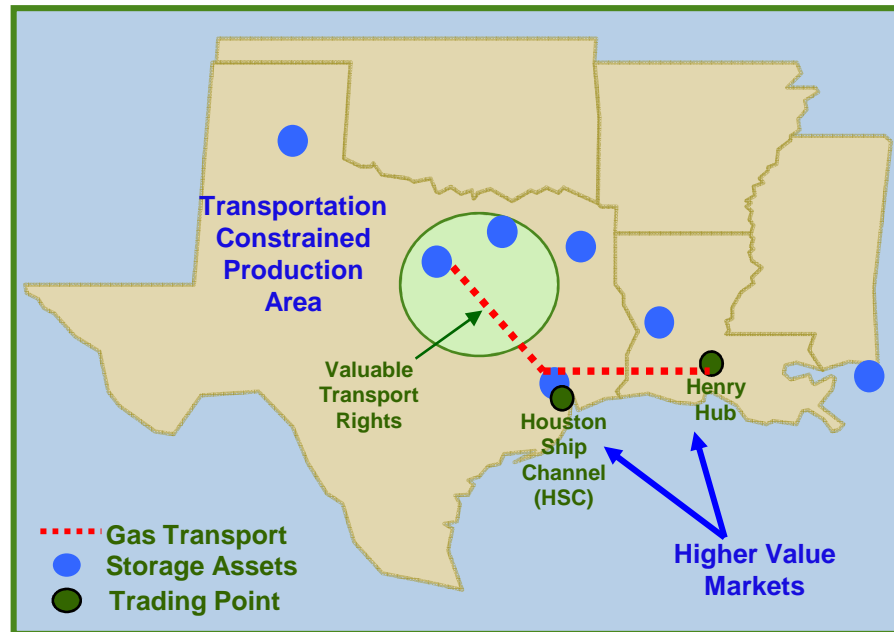
Unique in US wind market

EBITDA expected to increase as market leadership position develops...

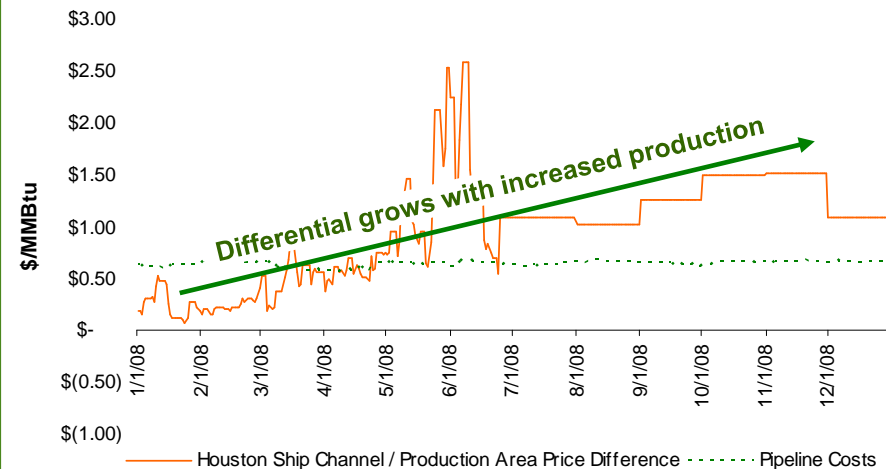
...Profit Potential Expands as Asset Base Increases

US Gas Optimization: Example

The ETF Pipeline connects Production Area Gas to Houston...



Regional Price Differences



Key Features of ETF Contract

- Multi-year contract allows transport of 130,000 MMBtu/d of gas from constrained Texas production to Houston
 - Pay fixed demand payment plus variable charges
- Allows IBR to leverage market knowledge to exploit pricing differences between markets
- Pricing differentials often substantial

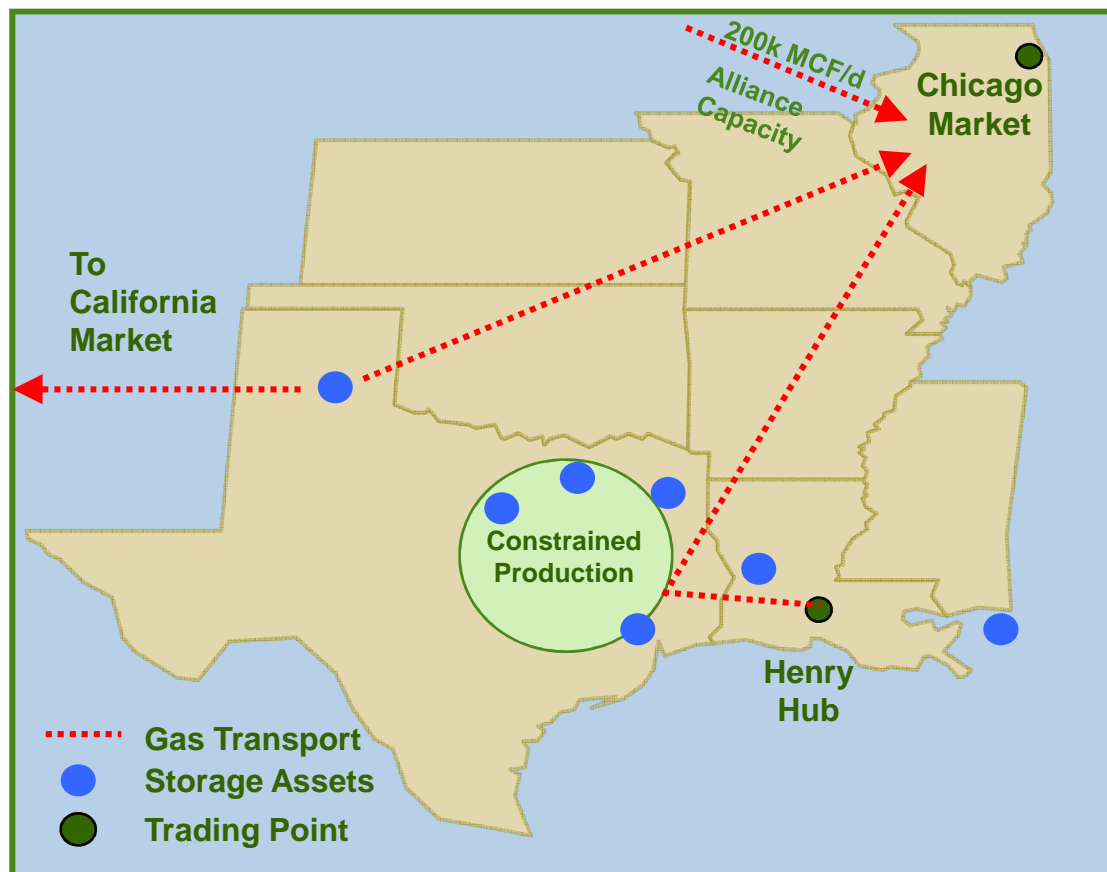
Typical Transaction

- Production Gas at \$10.00, HSC is \$10.80/MMBtu
- IBR buys 130,000 MMBtu of gas at \$10.00 and contracts for forward sale at HSC for \$10.80, \$0.65 pipeline charges
- $(\$10.80 - \$10.00 - \$0.65) \times 130,000 = \$19,500$ per day
- Sample of a simple, repeatable expansion strategy

US Gas Optimization: Expansion

Growth Potential Demonstrated by Mid-continent Expansion...

Starts with strong seasonal markets: Chicago in Winter, Texas/California in Summer...



Add strategically located gas storage

Connect by transport to multiple higher value markets

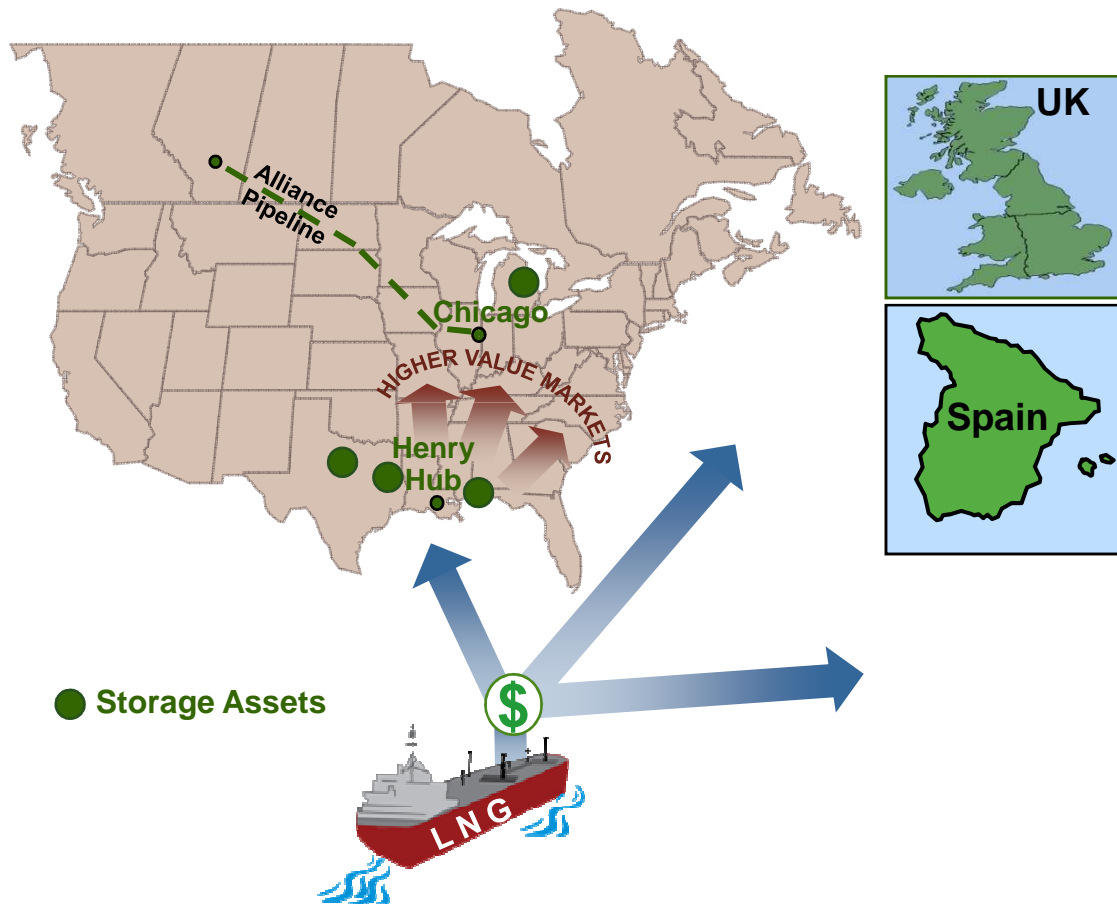
Profit potential enhanced by end-use peaking transactions and strategic producer relationships

Value proposition enhanced by constrained production

Simple, repeatable expansion strategy with demonstrated record

US Gas Optimization: LNG

Worldwide Growth Opportunities Through LNG Optimization...



Company has an excellent reputation in the LNG market with supply contracts from most LNG-producing countries

Combined with mature energy management footprint in the UK and United States creates ability to profit from global energy price volatility

Our strong US position allows us to profit from LNG by exploiting our storage, transport, and marketing relationships

US is a building block for a global gas business

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Well Positioned for Future Growth...

Record of good earnings enhancement across power and gas

North American footprint is difficult to duplicate today

Experienced group of energy professionals

Earnings potential expands as assets base grows

Enhances the competitiveness of our wind business

Building Block for Iberdrola's International Gas Business