



Julián Martínez-Simancas  
General Secretary and Secretary of the Board of Directors

To the National Securities Market Commission

Bilbao, May 25, 2010

**Re: Construction of an interconnection line between the United States of America and Canada. Sale by IBERDROLA USA, INC. of its indirect shareholding interest in CONNECTICUT NATURAL GAS CORPORATION, THE SOUTHERN CONNECTICUT GAS COMPANY and THE BERKSHIRE GAS COMPANY and investment of the proceeds from the sale in the financing of the construction of such interconnection line**

Dear Sirs,

Pursuant to Section 82 of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby advise you of the following significant event:

1. **Construction of an interconnection line between the United States of America and Canada**

The Iberdrola Group plans to carry out through CENTRAL MAINE POWER COMPANY, an affiliate of IBERDROLA USA, INC.<sup>1</sup> an infrastructure macro-project located in the State of Maine (United States of America).

This initiative, which will benefit the electric interconnections among the States of Massachusetts, New Hampshire and Maine, as well as those between the State of Maine and Canada, has been valued in an approximate amount of 1.4 billion U.S. dollars<sup>2</sup>, that will be ultimately defrayed by the clients in all the New England region<sup>3</sup> (United States of America).

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<sup>1</sup> A wholly-owned subsidiary of IBERDROLA, S.A.

<sup>2</sup> Approximately 1,132.68 million euros at the exchange rate of May 24, 2010 of 1 euro = 1.2360 U.S. dollars.

<sup>3</sup> Pursuant to the resolution of the Independent System Operator for New England.

Under this project, entitled “Maine Power Reliability Program”, the Iberdrola Group will build and renew approximately 800 kilometres of power transmission lines ranging from 115 to 345 kV, and will start-up five substations of 345kV in the above referred region of New England.

The new grid infrastructure, the approval of which has been recently announced by the Maine Public Utilities Commission (“MPUC”), will allow to satisfy the needs of 7 million electricity consumers in New England, 600,000 of which are North-American clients of CENTRAL MAINE POWER COMPANY.

In addition to the approval from the MPUC, the new grid infrastructure has also been approved by the Department of Environmental Protection of Maine, as well as the majority of the municipalities affected by the construction works for the new infrastructure. CENTRAL MAINE POWER COMPANY also expects to receive, within a short time, the federal authorization from the U.S. Army Corps of Engineers.

The construction works of this new infrastructure are expected to commence during June 2010. This infrastructure will be operative by 2015 and will serve as an instrument to promote the integration of renewable energies in the electric sector of Maine, a State whose current electricity generation is insufficient, but with a remarkable growth potential in this sector.

2. **Sale by IBERDROLA USA, INC. of its indirect shareholding interest in CONNECTICUT NATURAL GAS CORPORATION, THE SOUTHERN CONNECTICUT GAS COMPANY and THE BERKSHIRE GAS COMPANY and investment of the proceeds from the sale in the financing of the construction of the aforementioned interconnection line**

The Iberdrola Group plans to finance the construction of the interconnection line between the United States of America and Canada with the proceeds from the sale of its shareholding interest in CONNECTICUT NATURAL GAS CORPORATION, THE SOUTHERN CONNECTICUT GAS COMPANY and THE BERKSHIRE GAS COMPANY (companies providing natural gas services in the United States of America) (the “Transaction”).

The Transaction will be implemented through an agreement between IBERDROLA USA, INC and UIL HOLDINGS CORPORATION pursuant to which the latter will acquire all the share capital of the following sub-holdings, which are wholly-owned by IBERDROLA USA, INC.:

- (i) CTG RESOURCES INC., which –in turn– holds one hundred (100) per cent. of the share capital of CONNECTICUT NATURAL GAS CORPORATION;
- (ii) CONNECTICUT ENERGY CORPORATION, which –in turn– holds one hundred (100) per cent. of the share capital of THE SOUTHERN CONNECTICUT GAS COMPANY; and
- (iii) BERKSHIRE ENERGY RESOURCES, which –in turn– holds one hundred (100) per cent. of the share capital of THE BERKSHIRE GAS COMPANY.

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It is expected that, concurrently with the closing of the Transaction, the above-referred subholding companies shall not have any other assets different than their shareholding interest in the companies which are ultimately the target of the Transaction (*i.e.*, CONNECTICUT NATURAL GAS CORPORATION, THE SOUTHERN CONNECTICUT GAS COMPANY and THE BERKSHIRE GAS COMPANY).

The aggregate consideration of the Transaction amounts to 1,296 million U.S. dollars<sup>4</sup>, being subject to customary adjustments in transactions of this nature. The net debt of CONNECTICUT NATURAL GAS CORPORATION, THE SOUTHERN CONNECTICUT GAS COMPANY and THE BERKSHIRE GAS COMPANY considered by UIL HOLDINGS CORPORATION for the purposes of the Transaction amounts to 411 million U.S. dollars<sup>5</sup>.

The Transaction is included within the framework of the plan for divestiture of assets of the Iberdrola Group and is subject to obtaining financing by UIL HOLDINGS CORPORATION and to customary conditions in this kind of transactions, including obtaining the applicable regulatory approvals and obtaining of the financing required to allow the purchaser to pay the purchase price.

Please be advised of all of the foregoing for such purposes as may be appropriate.

Yours truly,

General Secretary and Secretary of the Board of Directors

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<sup>4</sup> Approximately 1,048.54 euros at the exchange rate of May 24, 2010 of 1 euro = 1.2360 U.S. dollars.

<sup>5</sup> Approximately 332.52 euros at the exchange rate of May 24, 2010 of 1 euro = 1.2360 U.S. dollars.

## **IMPORTANT INFORMATION**

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of IBERDROLA, S.A. may not be offered or sold in the United States of America except according to an effective registration statement under the Securities Act or according to a valid exemption from registration.

## **FORWARD LOOKING STATEMENTS**

This communication contains forward looking information and statements about IBERDROLA, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

Although IBERDROLA, S.A. believes that the expectations reflected in such forward looking statements are reasonable, investors and holders of IBERDROLA, S.A. shares are cautioned that forward looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward looking information and statements. These risks and uncertainties include those discussed or identified in the documents sent by IBERDROLA, S.A. to the Comisión Nacional del Mercado de Valores, which are accessible to the public.

Forward looking statements are not guarantees of future performance. They have not been reviewed by the auditors of IBERDROLA, S.A. You are cautioned not to place undue reliance on the forward looking statements, which speak only as of the date they were made. All subsequent oral or written forward looking statements attributable to IBERDROLA, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward looking statements included herein are based on information available to IBERDROLA, S.A. on the date hereof. Except as required by applicable law, IBERDROLA, S.A. does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

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