




Legal Note 

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 pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

FORWARD-LOOKING STATEMENTS

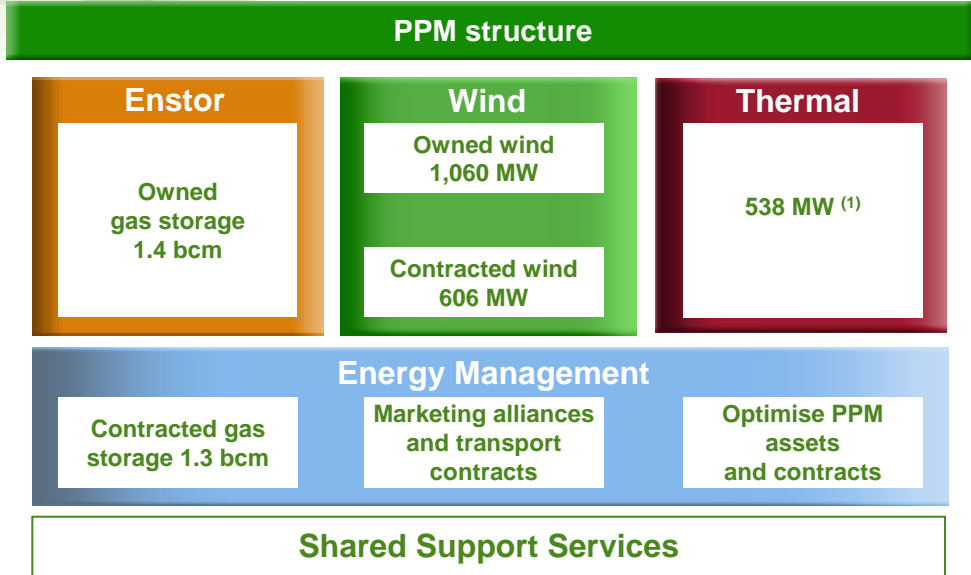
This communication contains forward-looking information and statements about Iberdrola, S.A. and otherwise, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, 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 public documents sent by Iberdrola, S.A. to the Comisión Nacional del Mercado de Valores.

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.

2

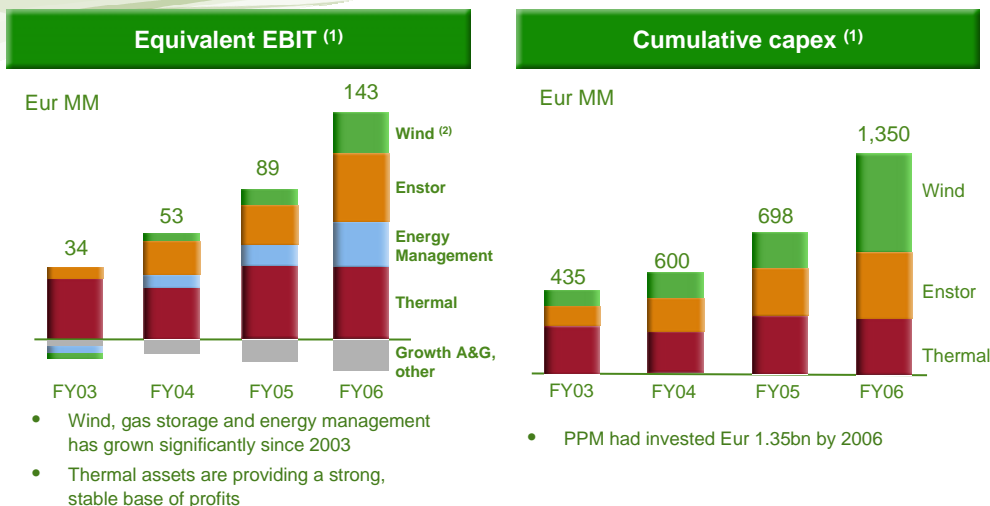
PPM is a world class renewables player with substantial gas storage assets



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

3

75% of new investments in wind energy



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

4

Agenda



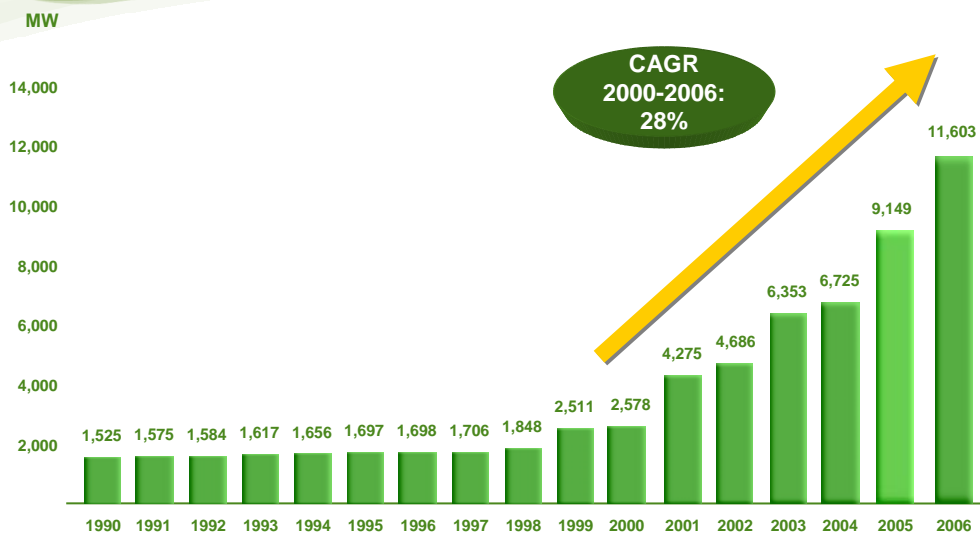
US wind

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

7

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

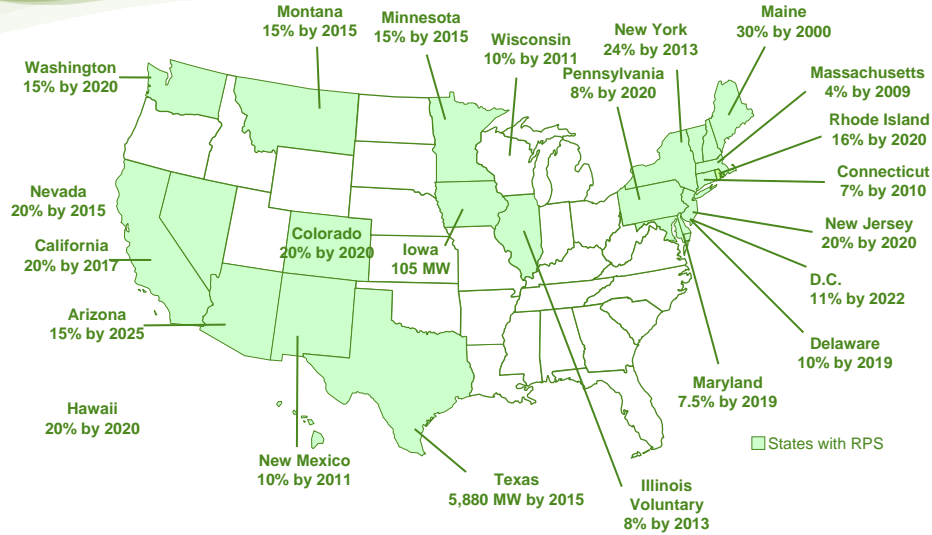
- An income tax credit is allowed for the production of electricity from qualified wind energy facilities and other sources of renewable energy
- Eur 15/MWh for 10 years; indexed to inflation; locked-in at plant completion
- Current legislation expires 31/12/08

Modified Accelerated Cost Recovery System (MACRS)

- Allows investment to be depreciated over five years
- 20-25% of project value
- Available continuously since 1987

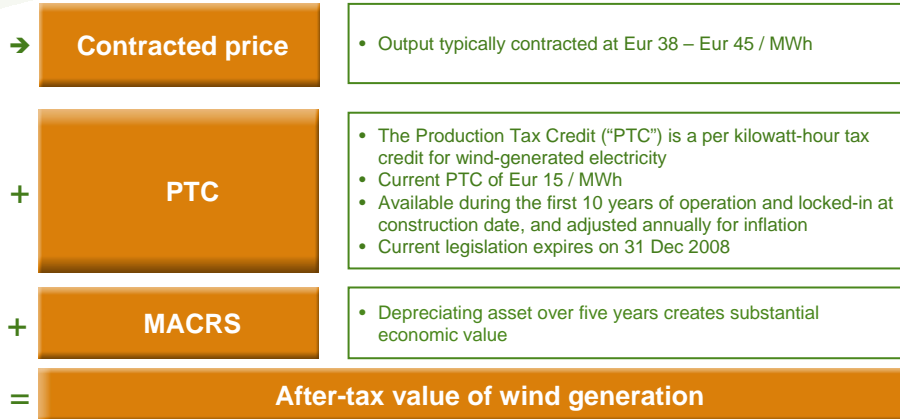
8

Renewable Portfolio Standards are set by most states



9

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



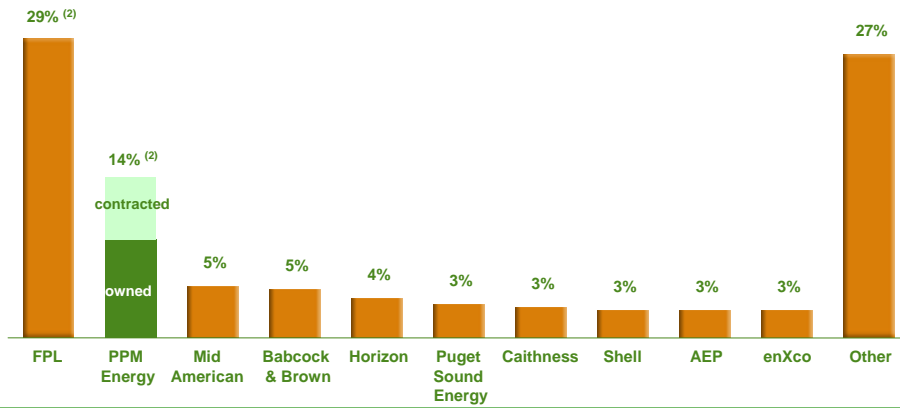
Government support is expected to continue to be reflected in a PTC or PTC-like mechanism and MACRS benefit

10

Ten key players account for three quarters of the activity



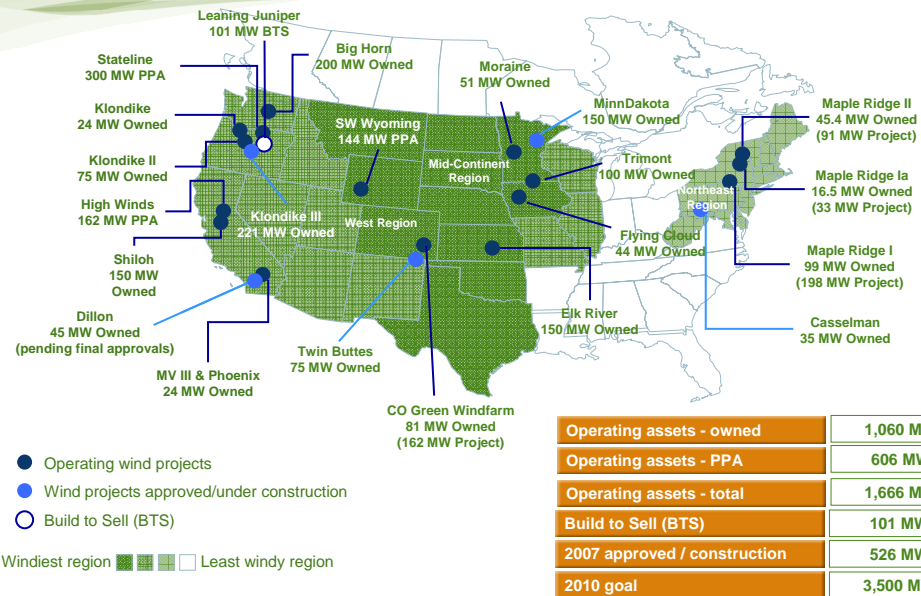
% installed capacity (1)



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

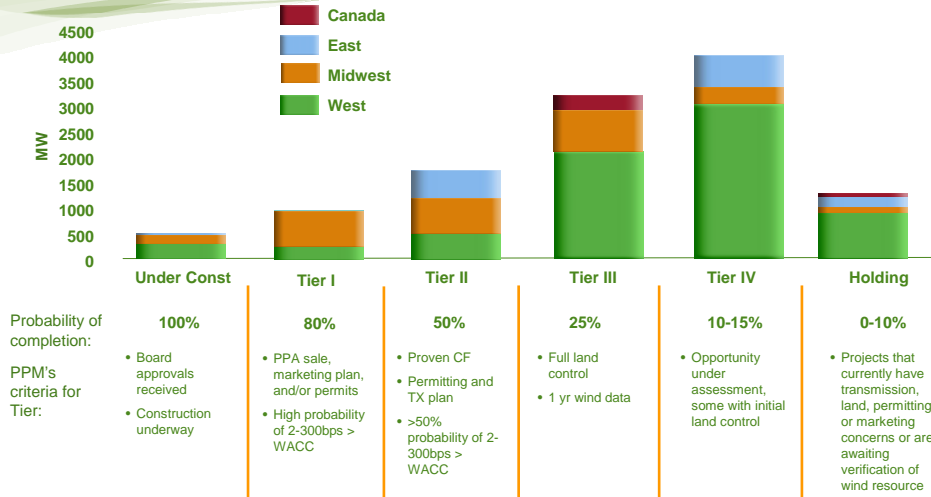
(1) As at 31 December 2006
 (2) Adjusted for 606 MW of contracted capacity provided to PPM by FPL
 Source: AWEA

PPM has a unique pan-US platform ...



- Operating wind projects
 - Wind projects approved/under construction
 - Build to Sell (BTS)
- Windiest region [dark green] [medium green] [light green] Least windy region

... and an impressive wind pipeline



PPM controls a significant 11,200 MW pipeline

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

Agenda



US wind

US gas storage

US energy management

US thermal

15

US gas storage key messages



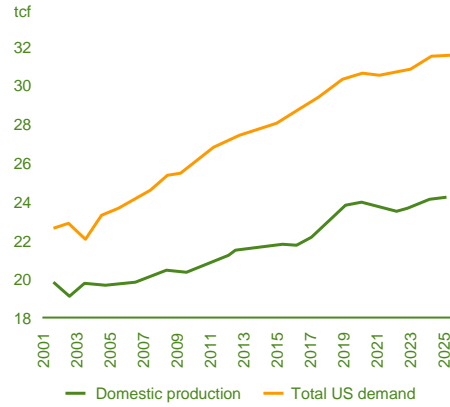
- **Attractive fundamentals in gas storage**
- **PPM has demonstrated track record**
- **Well positioned for continued strong growth and premium returns**

16

Supply shortfall driving sustained high gas prices and volatility

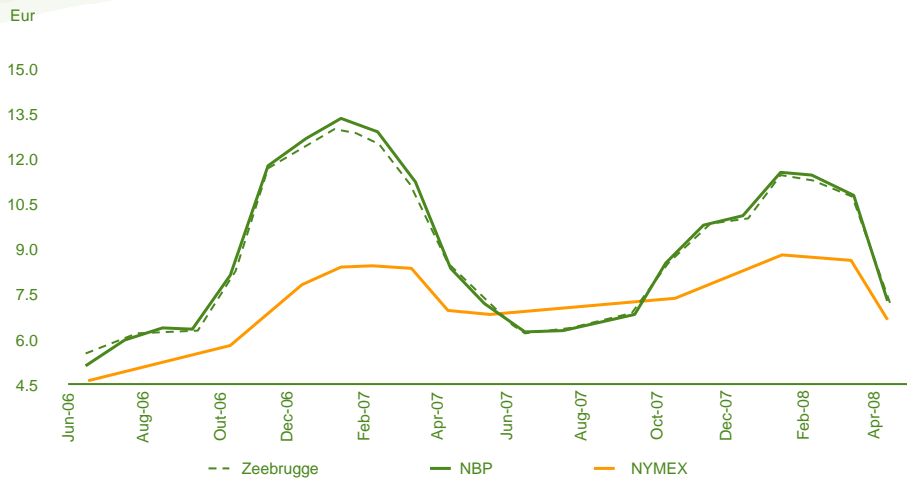
- Continued demand growth
- Supply lags demand, with growing imbalance
- Shortfall met by Canadian imports and LNG
- Increasing long-haul gas, with potential geopolitical risks, drives high gas prices and volatility

EIA US supply / demand forecast



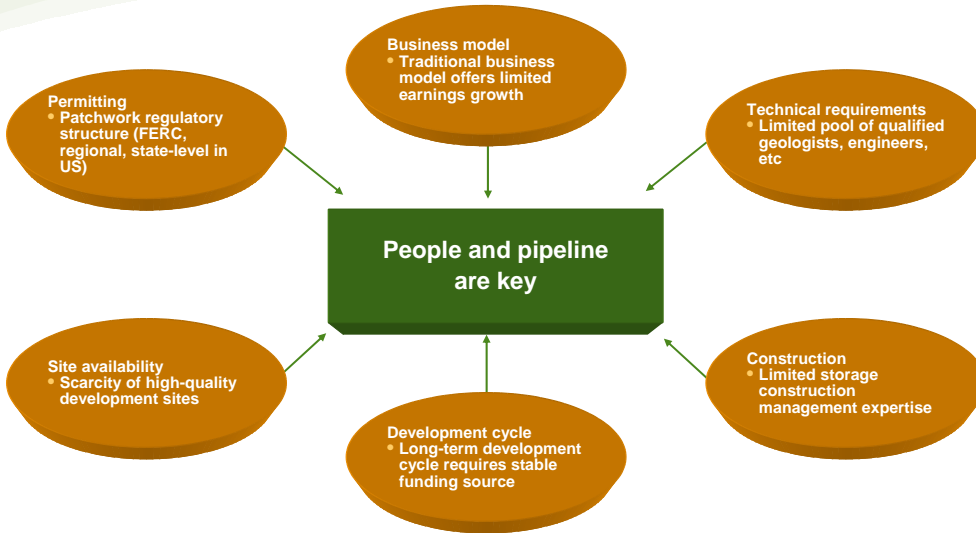
17

Potential for increased summer/winter spread



18

North American Gas Storage has significant barriers to entry



19

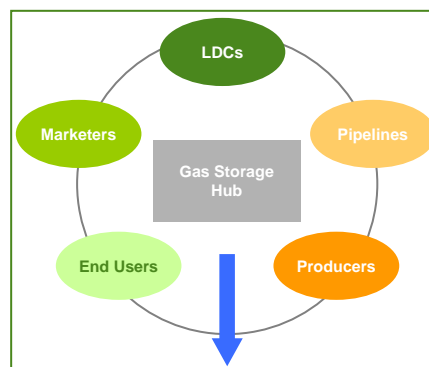
PPM pursues innovative business model

Business model

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

Business advantages

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

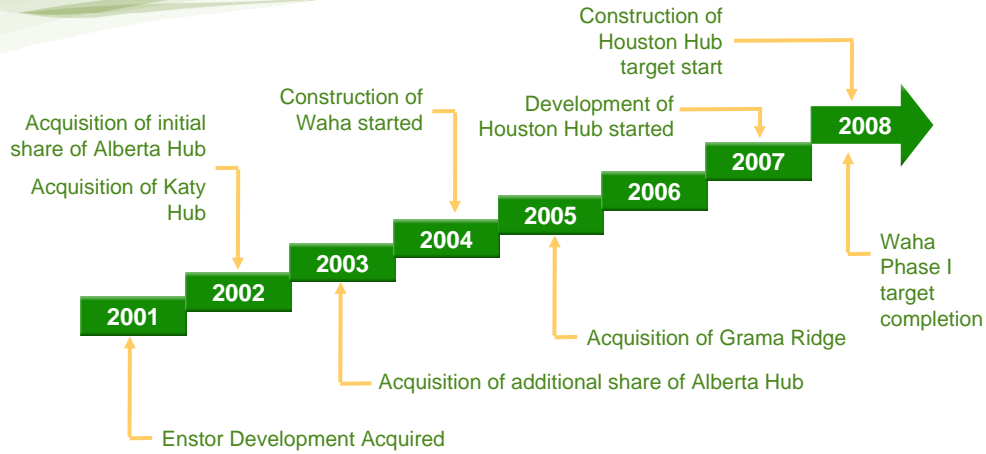


Enstor Services

- Firm storage
- Parking and loaning

20

PPM has grown by 0.3 bcm p.a.



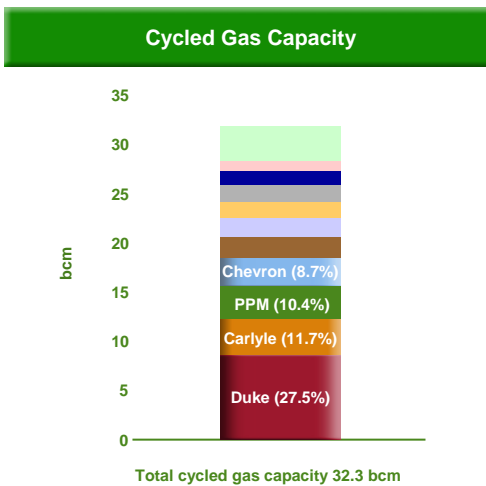
Furthermore, there is 0.9 bcm ongoing development and construction at Waha (0.3 bcm), Grama Ridge (0.2 bcm) and Houston Hub (0.4 bcm)

21

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



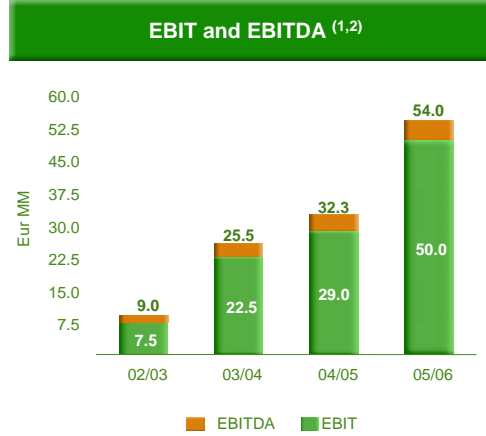
PPM well placed in expanding market

22

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



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

23

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

24

Agenda



US wind

US gas storage

US energy management

US thermal

25

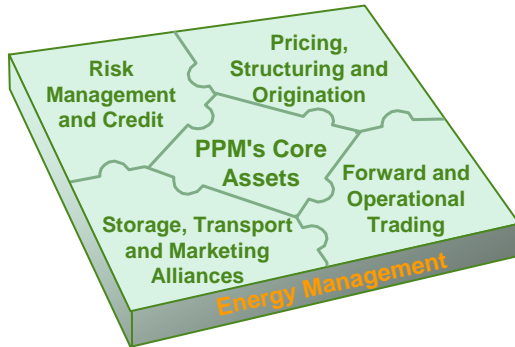
US Energy Management key messages



- **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**

26

Energy Management's role



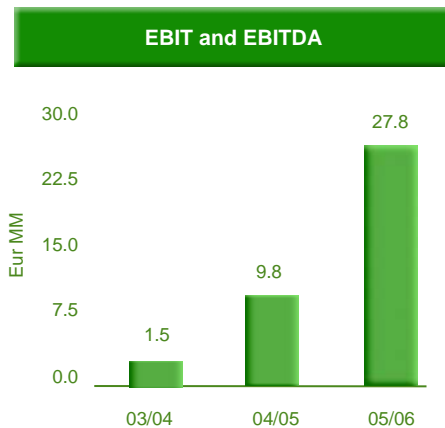
- Builds upon PPM's existing asset-based businesses
- Optimises value from core assets
 - Minimises risk by forward hedging and balancing asset positions
- Creates value through expansion into closely related activities:
 - Portfolio optimisation
 - Storage
 - Transportation / marketing alliances
- Demonstrated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

Combination of asset management and trading skills

27

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



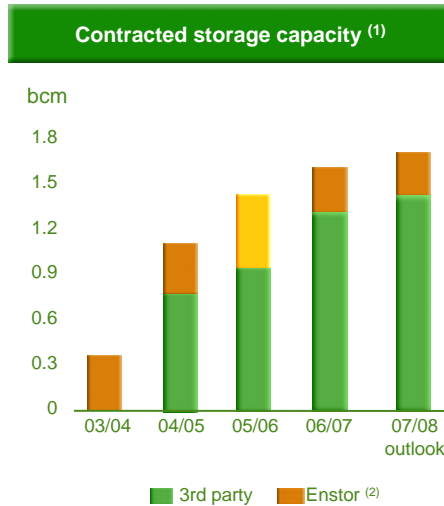
Stable and growing trading related earnings

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

28

Contract Storage - a building block for growth

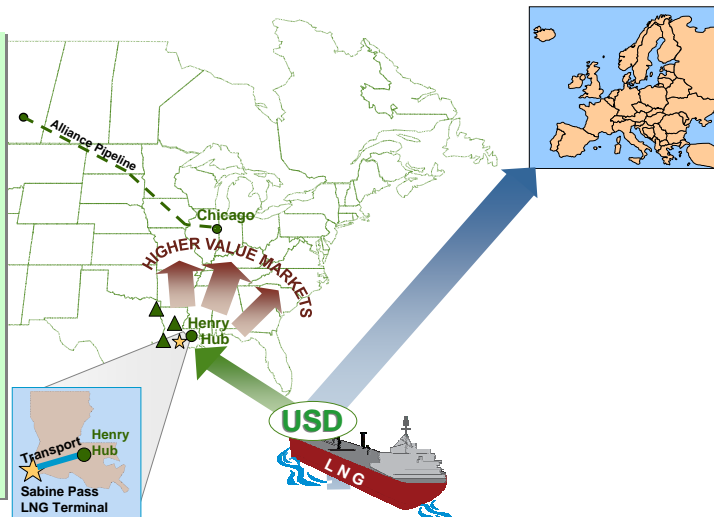
- Strategically located storage
- Capitalised on low cost storage in FY04/05
- 1.6 bcm currently
 - 0.3 bcm from Enstor
 - 1.3 bcm from 3rd parties
- Supportive market fundamentals
- Further growth targeted



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

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

Agenda

US wind

US gas storage

US energy management

US thermal

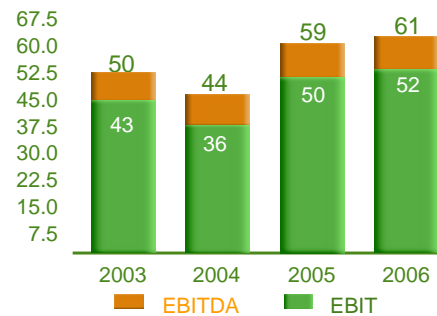
US thermal generation: fully contracted through mid-term at robust margins

Description

- Portfolio of generating assets
 - Klamath Cogeneration (506 MW¹)
 - 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

Eur MM



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**

33

Agenda



Appendix

34

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

35

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

36

