

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

<b>IN THE MATTER OF THE JOINT APPLICATION</b>	)	
<b>OF AVANGRID, INC., AVANGRID NETWORKS, INC.,</b>	)	
<b>NM GREEN HOLDINGS, INC.,</b>	)	
<b>PUBLIC SERVICE COMPANY OF NEW MEXICO</b>	)	
<b>AND PNM RESOURCES, INC. FOR APPROVAL OF</b>	)	
<b>THE MERGER OF NM GREEN HOLDINGS, INC.</b>	)	
<b>WITH PNM RESOURCES, INC.; APPROVAL OF A</b>	)	
<b>GENERAL DIVERSIFICATION PLAN; AND ALL</b>	)	<b>Case No. 20-00222-UT</b>
<b>OTHER AUTHORIZATIONS AND APPROVALS</b>	)	
<b>REQUIRED TO CONSUMMATE AND IMPLEMENT</b>	)	
<b>THIS TRANSACTION</b>	)	
	)	
<b>AVANGRID, INC., AVANGRID NETWORKS, INC.,</b>	)	
<b>NM GREEN HOLDINGS, INC., PUBLIC SERVICE</b>	)	
<b>COMPANY OF NEW MEXICO AND PNM</b>	)	
<b>RESOURCES, INC.,</b>	)	
	)	
<b>JOINT APPLICANTS.</b>	)	
	)	

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**ORDER REGARDING AVANGRID SERVICE QUALITY ISSUES**  
**AND MANAGEMENT AUDITS**  
**AND SUSPENSION OF THE FILING DATE FOR STATEMENTS IN OPPOSITION TO**  
**THE MAY 7, 2021 STIPULATION**

**THIS MATTER** comes before the Hearing Examiner upon the recent discovery of enforcement actions and measures involving Avangrid, Inc.’s electric utility subsidiaries and the discussion of those issues and other matters at the status conference held on this date. Being fully informed, the Hearing Examiner **FINDS** and **CONCLUDES** as follows:

On May 6, 2021, the Connecticut Public Utility Regulatory Authority (“PURA”) assessed a \$2.1 million civil penalty against United Illuminating Company (“UI”), one of Avangrid, Inc.’s four electric utility subsidiaries. The civil penalty relates to the finding in the PURA’s April 28, 2021 decision that UI failed to satisfy performance standards in its response to Tropical Storm Isaias in August 2020. The PURA’s April 28, 2021 Order separately reduced UI’s authorized return on equity for the same failures and ordered the performance of an independent

management audit to review the extent to which UI's organizational structure, under Avangrid, Inc. contributed to the failures.

Avangrid, Inc.'s recent filings with the U.S. Securities and Exchange Commission ("SEC") (see Attachments 1 and 2) disclose the assessment of an additional \$23 million in penalties and cost disallowances for poor service in the last 16 months for Avangrid, Inc.'s other electric utility subsidiaries -- Central Maine Power Company, New York State Electric and Gas Company and Rochester Gas and Electric Company. The penalties and disallowances relate to the utilities' imprudent responses to storm events, to customer service issues and to disconnection notices that violated commission rules.

A forensic audit has been performed in Maine regarding the customer service issues,<sup>1</sup> and a separate management audit (apparently similar in purpose to the recently-ordered management audit in Connecticut) has been ordered to investigate the extent to which the company's organizational structure contributed to the problems. The Maine Public Utilities Commission said in its February 19, 2020 decision, "The audit will help answer the questions of whether there is something endemic in the management structure that has led to a drop in the quality of [Central Maine Power Company's] customer service over the past several years and, if so, what can be done to avoid this in the future."<sup>2</sup>

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<sup>1</sup> The forensic audit in Maine attributed the customer service issues to inadequate planning for the implementation of a new billing system and inadequate staffing. See Final Report, Forensic Audit of CMP's Metering and Billing Systems, December 20, 2018, Executive Summary at <https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/ViewDoc.aspx?DocRefId={2376EC46-FB45-4281-B4FB-9B018EF2066A}&DocExt=pdf> and complete report at <https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/ViewDoc.aspx?DocRefId={C9762A14-D8F6-447E-BFD6-0DE24CF663B0}&DocExt=pdf>.

<sup>2</sup> Order, Docket No. 2018-00194, Maine Public Utilities Commission, February 19, 2020, at 4. <https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/ViewDoc.aspx?DocRefId={7FE3C1AB-89E0-4ED1-889D-3575E3356CB0}&DocExt=pdf>

The Joint Applicants have failed to disclose any of the penalties and disallowances in the current proceeding, despite their relevance to this case, i.e., the risk that the adequacy of PNM's service may deteriorate under the direct or indirect control of Avangrid, Inc. The failure is also significant, given that Avangrid, Inc. has considered the issues to be sufficiently important to include them in its reports filed with the SEC.

Significantly, too, the anticipated organizational structure of PNM and the various levels of Avangrid, Inc. affiliates have been a much discussed issue in the testimony filed in this case. But Avangrid, Inc. has failed to disclose the pendency of the management audits in Maine and Connecticut that review the extent to which the organizational structure may have contributed to the failures in those states.

Instead, the Joint Applicants' testimony has been less than forthcoming on these issues. Staff witness, Evan Evans, cited the results of J.D. Power's 2020 Electric Utility Customer Satisfaction Studies, which ranked Central Maine Power last among the 128 investor-owned electric utilities surveyed for residential customer satisfaction.<sup>3</sup> In rebuttal testimony, the President of Avangrid, Inc., Robert D. Kump, described improvements the company has been making in customer service at Central Maine Power Company but cited only the J.D. Power survey as the reason for the improvements.<sup>4</sup> Mr. Kump omitted any reference to the regulatory proceedings in Maine. The February 19, 2020 order of the Maine Public Utilities Commission reduced the company's return on equity for its customer service failures and provided that the reduction will continue until the company proves over a rolling 18-month period that its customer service has improved to acceptable standards (resulting in a disallowance of at least

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<sup>3</sup> Rochester Gas & Electric Company ranked 1st among the 12 midsize electric utilities surveyed in the East region, but the United Illuminating Company ranked 11th in that group. New York State Electric and Gas Company ranked 17th of the 18 large electric utilities surveyed in the East region. *See* Evans Dir., at 19.

<sup>4</sup> Kump Reb., at 27-29.

\$10 million). Mr. Kump also omitted any reference to the management audit required by the February 19, 2020 order.<sup>5</sup>

The foregoing issues were discussed at the status conference held this day. Based upon that discussion, the Hearing Examiner finds that the scheduling of further proceedings in this matter should not take place until after the Joint Applicants provide further information on the issues. The service deficiencies of Avangrid's electric utility subsidiaries are relevant to the Commission's review of the potential impact Avangrid's influence will have on the adequacy of PNM's service if the merger is approved. The Joint Applicants' failure to disclose this information to the Commission in this proceeding is troubling and is also relevant to the credibility of their witnesses' testimony and the transparency by which Avangrid and PNM would conduct their business in New Mexico if the merger is approved. The results of the management audits in Connecticut and Maine will help the parties and the Commission understand the impact of Avangrid, Inc.'s organizational structure on PNM's ability to provide adequate service if the proposed merger is approved.

A final issue discussed at the status conference entailed a notification by counsel for the County of Los Alamos ("Los Alamos") and M-S-R Public Power Agency ("MSR") that those parties have reached an agreement to join in the Stipulation filed on May 7, 2021 in return for an additional provision that serves their interests. That further agreement was reached after the May 7, 2021 deadline for the filing of a final stipulation. Los Alamos and MSR were notified that they would need to file a motion asking for leave to achieve their purpose. Other parties thereafter requested an extension of the five-day deadline under 1.2.2.20(B)(2) NMAC for filing

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<sup>5</sup> Order, Docket No. 2018-00194, February 19, 2020, *supra*, at 137.

statements of opposition to the May 7, 2021 Stipulation until after the motion(s) of Los Alamos and MSR are addressed and a further final version of the stipulation is filed.

**IT IS THEREFORE ORDERED:**

1. The Joint Applicants shall file a response with affidavits providing the information requested in Attachments 3 and 4 by May 18, 2021. The Joint Applicants shall also propose in their response a process to incorporate the results of the management audits from Connecticut and Maine into the record of this proceeding and a proposed procedural schedule for the remainder of this case.

2. Parties shall file responses to the Joint Applicants' filing by May 25, 2021.

3. A further status conference is tentatively scheduled for May 28, 2021 at 9:00 a.m. through a Zoom videoconference. Attendance through the Zoom platform will be limited to the parties' attorneys. The status conference will be made available for live viewing by others on the Commission's YouTube platform, the link to which will be posted on the Commission's website at the start of the status conference.

4. The deadline for filing Statements of Opposition to the Stipulation filed on May 7, 2021 is suspended until further Order.

**ISSUED at Santa Fe, New Mexico, this May 11, 2021.**

**NEW MEXICO PUBLIC REGULATION COMMISSION**

*/s/ Ashley C. Schannauer*

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**Ashley C. Schannauer**  
**Hearing Examiner**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE JOINT APPLICATION OF )  
AVANGRID, INC., AVANGRID NETWORKS, INC., NM )  
GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY )  
OF NEW MEXICO AND PNM RESOURCES, INC. FOR )  
APPROVAL OF THE MERGER OF NM GREEN )  
HOLDINGS, INC. WITH PNM RESOURCES, INC.; )  
APPROVAL OF A GENERAL DIVERSIFICATION PLAN; )  
AND ALL OTHER AUTHORIZATIONS AND APPROVALS )  
REQUIRED TO CONSUMMATE AND IMPLEMENT THIS )  
TRANSACTION )**

**Case No. 20-00222-UT**

**CERTIFICATE OF SERVICE**

I CERTIFY that on this date I sent via email to the parties listed below a true and correct copy of the Order Regarding Avangrid Service Quality Issues and Management Audits, and Suspension of the Filing Date for Statements in Opposition to the May 7, 2021 Stipulation.

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**DATED** this May 11, 2021.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

*Ana C. Kippenbrock*

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**Ana C. Kippenbrock, Law Clerk**