



KNOW THE FACTS

In November 2020, Public Service Company of New Mexico (“PNM”) and Avangrid applied to “merge” their companies at the NM Public Regulation Commission (“PRC”). Avangrid and its Spanish parent company, Iberdrola, operate a worldwide energy conglomerate with approximately \$36 billion in assets and operations in 24 U.S. states. On August 9th the PRC will hear public comment about the proposed merger.

Why should you care? Because the PRC's decision in this case will have a profound impact on the everyday lives, economic prospects and climate resilience of New Mexican families and communities.

PNM has been granted monopoly control over electricity for nearly 70% of NM residents in exchange for regulation by the PRC. Now the PRC will decide if the merger of PNM and Avangrid/Iberdrola, known as Joint Applicants, is “in the public interest.” Specifically the PRC must decide 1) whether the merger is beneficial to utility customers; 2) whether the Commission’s jurisdiction will be preserved; 3) whether the quality of utility service will be diminished; and 4) whether the merger will require ratepayers to improperly subsidize the other financial escapades of Iberdrola, the parent company.

While two dozen intervening parties originally opposed the merger, some, including the NM Attorney General, have signed a settlement agreement in exchange for various concessions. The remaining parties, including New Energy Economy, continue to oppose the merger because we have concerns about the following important issues:

How will the merger affect rates in NM?

PNM's decisions related to investment in the Four Corners Power Plant were imprudent and full cost recovery of \$300 million would negate any and all possible rate benefits of the proposed acquisition. The merger agreement requires that PNM “abandon” the plant and securitize its undepreciated assets in the plant. The resulting abandonment filing not only means that ratepayers must pay \$300M plus interest on everyone’s bill, amortized over 25 years, for PNM’s illegal investment, but also results in extending the life of the coal plant due to the terms of the illegal sale of the plant to NTEC.

Joint Applicants originally proposed trickling down \$24.6 million in “rate credits” to PNM’s customers over 36 months, then raised that benefit to \$50M in the settlement. Over a three year period this averages to \$45 per resident. Compare this to four very important metrics:

- *PNM Resources stockholders will receive in excess of \$255 million just for holding PNMR stock certificates.* That windfall produces no customer benefit whatsoever, but merely enriches shareholders, the 1%.

- *PNM's senior management will receive a combined \$38 million in executive compensation if shareholders approve the proposed merger.* Combined with premiums on shares owned by executives, that amount exceeds \$80M – a distribution that is hardly fair, just and reasonable or in the public interest!
- *No agreement to a rate freeze.* The law says when a regulated monopoly proposes a merger, the applicants must agree in advance to a rate freeze for a certain period of time. Not only have Avangrid/Iberdrola refused to agree to a rate freeze, they have refused to state when they will file their next rate case and in what amount. Their \$50M “rate credit” is not only minimal to begin with, but without knowing what rate increases are planned for the near future, this alleged “benefit” is entirely unquantifiable.
- *The \$50M “rate credit” is completely arbitrary and is not commensurate with other recent PRC decisions.* When compared to the rate credits offered in prior merger cases, the appropriate amount of rate credits for PNM’s customers should be between \$75 and \$125 million.

PUBLIC COMMENT WILL TAKE PLACE VIA ZOOM ON AUGUST 9TH AT 9:00AM

How could the merger affect electricity reliability in NM?

Avangrid subsidiaries in Maine, Connecticut and New York provide an instructive record: worst reliability in the nation, worst forced outage rate (brownouts and blackouts), among the highest residential rate charges, and numerous violations for safety, billing, customer service and communications failures. After Avangrid/Iberdrola purchased Central Maine Power it has been at the very bottom of customer satisfaction surveys among all utilities in the U.S. for three years in a row - 2018, 2019, 2020!

How could the merger impact progress towards New Mexico's renewable energy goals?

From the beginning Avangrid/Iberdrola was sold to New Mexico as renewable energy experts, but we found out that not only is their energy load primarily gas and nuclear, 20,000+ MW compared to just 8,500+ MW of wind and only 2% solar, Iberdrola meets just two of 10 climate tracking disclosure measures and is behind the sector average for phase-out of nuclear and gas according to Climate Action 100. The climate crisis demands more than greenwashing.

How can Avangrid/Iberdrola be expected to operate?

When this merger agreement was filed we were hopeful that Avangrid/Iberdrola might represent a positive shift from PNM's chronic mismanagement, but it has become clear that Avangrid/Iberdrola's leadership is in fact corrupt and capable of serious misconduct, which poses a significant danger to New Mexico. For example:

- There are more than a dozen accusations of fraud, bribery and harassment against top management at Avangrid/Iberdrola currently being investigated by the Spanish High Court.
- Avangrid, via its subsidiary Central Maine Power, used its money and political influence to kill a pro-rooftop solar bill and a community owned power bill supported by 75% of the people in Maine.

- In pursuit of approval for a transmission line across the pristine North Woods to move hydroelectric energy from Canada to Massachusetts, Avangrid's PAC spent more than \$20M on private detectives to follow citizen petition gatherers, lobbying, advertising and more to subvert the Maine political process.
- During the discovery process the Hearing Examiner was forced to suspend all hearings and order Avangrid/Iberdrola to provide a comprehensive list of penalties, violations and enforcement actions by state and federal regulatory agencies they had previously failed to disclose. Avangrid finally produced upward of 2500 pages of documentation detailing more than 200 violations at eight subsidiaries, and upward of \$60 million in fines and disallowances for safety violations, billing errors, customer service and worker safety violations, among others.
- Although a majority independent Board of Directors is legally required by NM utility law, Avangrid/Iberdrola insists that the parent company will control the board, which will certainly put the concerns of New Mexico utility customers below parent company profits.

Past behavior is the best indicator of future action. The evidence demonstrates the lengths Avangrid/Iberdrola will go to control the business of its subsidiaries, harass, fend off and eradicate competition, spy on and personally attack opponents whether they are judges or other business leaders or citizen petition gatherers, or engage in other underhanded nefarious and fraudulent activities.

Avangrid poses as an ethical renewable energy company, but its goal is control and profit for its Spanish owners, not the public good. The conduct of utility companies has real and significant implications for the well-being and safety of customers. The merger agreement must be evaluated not only on the financial implications of the deal, but also its potential impact on quality of service in New Mexico and the human and environmental cost if that quality is diminished.

Sign up for public comment in Case 20-00222-UT by emailing Ana.Kippenbrock@state.nm.us before August 9th

YOUR VOICE MATTERS



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Addressing the Climate Challenge
With Bold Solutions

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