

AVANGRID'S CEO on Decarbonization and Customers

Another in our series of interviews of utility CEOs
on how decarbonization helps meet customer goals.

In collaboration with Guidehouse, in this case we talked with Dennis Arriola,
CEO of AVANGRID



utilities are heavily invested in a decarbonization journey as a pathway to a clean energy future for their customers and the communities they serve. More utilities are setting net-zero targets by 2050 or earlier. They will need to change their strategy, investment and divestiture plans, business and regulatory models, products and services, and operations and people to capitalize on the opportunities of their decarbonization journey.

Recently, we, meaning PUF's Steve Mitnick and Guidehouse's Dan Hahn, talked with an inspiring utility CEO about what he is doing to help customers decarbonize, the impacts, and the most promising paths to decarbonization for the companies and customers.

We heard from AVANGRID's CEO Dennis Arriola, on his perspectives and tangible actions the company is taking to meet decarbonization and customers' decarbonization goals. We hope you find the conversation interesting and meaningful as you think about how you are helping your customers decarbonize for the future.

– By Dan Hahn of Guidehouse

PUF's Steve Mitnick: What's exciting in the AVANGRID world?

Dennis Arriola: I joined the company at a strange time in our nation's history. It's been an atypical onboarding process because during the first month before I relocated, we managed by Zoom and Teams videos.

Since I moved to Connecticut in September, we have still been remote, so I did a virtual listening tour of the company and met with over four employees. As I've gotten to know the team virtually, and as I look at AVANGRID, it is an exciting time for the company, as with the platform we have and the footprint, we are in the sweet spot of the clean energy future. There's not another company like ours that has both the clean energy aspects as well as the connectivity.

We serve about 3.3 million customers. We're in twenty-four states, primarily through our renewable generation business. We're the third largest renewable generator in the country. That's a secret that we need to be telling more often.

And we're growing. We have a portfolio with a pipeline of new projects, both onshore, but also increasingly offshore, and we're definitely positioned to be the U.S. leader in offshore wind. We've got some exciting projects we can talk about off the east coast.

I look at our footprint and we're in good states. We're in the Northeast – New England, New York, Maine, Massachusetts, and Connecticut, where we have our headquarters.

With the announcement of our merger transaction with PNM Resources in New Mexico, we're going to be adding two states to our Networks business. We're operating in New Mexico and in Texas through our renewables business, but with the PNM merger, we'll have a solid and successful footprint in New Mexico and Texas, adding approximately eight hundred thousand customers.

From an energy transition standpoint, and the change of administration, we are in a sweet spot. It's not just what's going on in Washington D.C., but it's consumer preference, public

We're operating in New Mexico and in Texas through our renewables business, but with the PNM merger, we'll have a solid and successful footprint in New Mexico and Texas, adding 800,000 customers.

policy, technology, and with the renewed push to address climate change, we're in the right areas at the right time with quality assets and good people passionate about serving customers and continuing to grow the business.

PUF: Is there a lot of upside potential?

Dennis Arriola: We think so, both on the basic utility operations in New Mexico and Texas, as well as on the generation side. Texas is the largest renewable state in the country. A lot of people think it's California, but it's Texas.

The prospect to continue to grow there with additional clean energy is exciting. PNM Resources has generation within their rate base and a big part of the strategy in the next several years is the transition out of coal and to bring on new, clean energy.

We like it from two aspects. One is, if it makes sense for our customers to continue to have our company continue to grow the portfolio of generation and hold it in rate base, we love it. We're experts in it. We've been in the business for a long time.

But if it makes sense from a regulatory and customer standpoint to have more renewable generation outside of rate base, we're there too, and we're already operating in the state. We know the customers, the regulation, and we know how to do these projects and run them at a low cost. We feel we're in a win-win situation there.

PUF: New Mexico had some legislative reform of their regulatory process recently.

Dennis Arriola: The referendum that just passed was supported



A wind turbine is assembled during construction of the Buffalo Ridge Wind Farm in Elkton, South Dakota.



Technician on top of a turbine at the Big Horn Wind Farm in Bickleton, Washington.

by the governor but doesn't take effect until 2023. Our job is to work with whoever's there, including the staff.

We've already reached out as part of the merger approval process.

I've had an opportunity to speak with some of the Commissioners in both New Mexico and Texas and it's like in Washington, D.C., where we don't make a distinction. We will work with them, collaborate, brainstorm, do our job, be professional, and provide our services to our customers.

Dan Hahn: The customer centric aspect of decarbonization is driving the agenda for many of our energy providers in this country and globally. Share what AVANGRID is doing around helping your customers drive toward decarbonization.

Dennis Arriola: There are a couple of issues. You've seen this with our company, but other companies as well, if you look at what technology is doing to provide new information, and more rapid information.

Smart meters in some parts of the country have been around for almost a decade, but we're just getting to that aspect in New York, where in our most recent rate case, we received the approvals to start investing in smart meters.

What does that do for our customers? It provides timely information so that they know how much energy they're using in real time. If there's going to be real-time pricing in that market, then customers will have better information to make efficient and the best economic decisions for themselves.

For our larger customers, they're getting additional access to clean energy. You could see clean energy tariffs coming into place, similar to what's happening in California. So as people want to transition and make socially responsible purchasing decisions, they can by purchasing cleaner energy.

What's going to be different for our customers going forward, and you see this advancing more in some states than others, is transportation. If we, as a country and globally, want to make a significant impact in emissions and clean air, we want to make sure that we consider all the environmental benefits of clean energy, and it's not just emissions.

It's also clean air. When you examine the transportation market, specifically local transportation with the cars we drive, but also the heavy-duty vehicles, the ability to decarbonize or reduce the amount of carbon through electric vehicles and charging stations represents the infrastructure we're positioned to help build and enable.



At AVANGRID, it's not just ESG, it's ESG and F. The F is financial. You cannot be a long-term sustainable successful company if you don't have all four.

It's also what's possible with natural gas and predominantly renewable natural gas; both are opportunities to better serve our customers. We've only scratched the surface of the opportunities to deliver efficiencies to our customers – from a technology perspective with smart meters and our progress in transportation along with green hydrogen and the fleet of renewables. It's an exciting time.

PUF: In New York, the state wants to push hard on being leaders, whether it's hydrogen, vehicles, and you mentioned offshore. Are you going to push it?

Dennis Arriola: Our premier renewable energy project is Vineyard Wind – America's first utility scale offshore wind project. We're resubmitting our application to the Department of Interior to get the final approval soon, working alongside our partner, CIP.

We announced in the last thirty days, that we'll be using a new series of large blades on our turbines from General Electric. We'll be working with an American company to create what will be the premier offshore wind facility. It's an exciting development for renewable energy.

PUF: A lot of investors are ESG oriented. Is your parent company hearing this too?

Dennis Arriola: It's interesting, because having been from California where ESG has been mainstream for some time before it was even labeled ESG, I'd say that it's in my DNA; but it's also an important part of AVANGRID and our parent company.

One of the issues we recognized in the last six months as we were revisiting our strategy and reviewing all our assets to shape our future operations, there are a lot of companies that when they talk about ESG, it's a capital E for environmental and the S and G get limited attention.

But our approach is more balanced. It's about having an environmental direction and strategy that you want to take, but it's also about balance because you need the right governance issues and principles in your company, and you also have to focus on how your company and employees impact society. What are you doing in the communities you serve? Are you investing? For our customers, do they feel like the employees represent who they are?

Finally, at AVANGRID, it's not just ESG, it's ESG and F. The F is financial. You cannot be a long-term sustainable successful company if you don't have all four. If you forget about the fourth one, you won't be in business long-term. For us, as we think about investments, as we think about priorities, we think of capital E, capital S, and capital G, plus capital F.

Dan Hahn: To your credit and your investor relations committee that has to create the optics around this, the ESG and F is unique. I'm sure the bankers tell you that too.

Dennis Arriola: We want it to be much more than a slogan.



Dan Hahn

I've been in the industry for a long time, so I know if it's just a slogan, it won't last.

If it's part of the upfront filter of your strategy, of how you make decisions, of how you allocate capital, of where you start new services to make sure they're complimenting what you're doing, then it'll be long lasting and truly sustainable. Our definition of sustainability is that ESG and F. It's not just the E.

Dan Hahn: How do you define success when you talk about decarbonization, about ESG and F? Is it earnings related? Is it CapEx growth related? Is it people and talent related? There's a

broad spectrum of how you define success as an organization, not only internally, but also to your external stakeholders and customer base.

Dennis Arriola: We think about success overall as a journey. It's not one point in time. I think about where we want to be going forward, and I want AVANGRID to be known as the leading sustainable energy company in the United States.

What does that mean? That means wherever we decide to play, we want to be the leader. Of course, the leader doesn't always mean we're the largest, but it means you're purposeful, and you're directed at being the best you can be.



Employee inside a wind turbine tower at the Klondike Wind Farm in Wasco, Oregon.

In renewables, are we going to be the largest? We don't necessarily have to be, but you have to have scale and be high-performing in each segment of the value chain. When you're identifying projects, when you're leasing land, when you're constructing, when you're operating, in every aspect of that business, you have to excel. You can't be mediocre. That's success for me.

In the utility world, it means serving your customers and anticipating their needs. You also have to be a proactive solutions provider to the regulators and the policymakers, not wait for them to come to you.

When you have hiccups, and you will, you fess up, fix it, and go forward. You make it right. You don't hide behind the laws and say it wasn't our fault.

I think about success as creating an environment where employees want to be. They're excited about being a part of this journey. They feel they're being treated right. They feel from a diversity and inclusion standpoint, this is a company they can be proud of.

A successful company cares about its customers and does the right thing, invests in the communities, and gives them an opportunity to be part of that overall journey.

With that comes the financial side. That's an area, candidly, where AVANGRID hasn't delivered as much as we should've in the past. That's changing. We're creating a culture of accountability. We're creating a culture of delivering on commitments.

We're creating a culture of high performance, and that attracts people, which allows us to deliver results. There's a multi-dimensional yin and yang that has to come together. You can't just have the assets – you have to have the people. In order to have the people, you've got to have the cultural environment. All these parts work together.

PUF: Where is this company going to be five or ten years out?

Dennis Arriola: Over the next five years, we're going to be investing over twenty billion dollars once we close the transaction with PNM Resources.

We'll be investing over twelve billion dollars in the gas and electric side of our business – what we call Networks. We will be upgrading our infrastructure to make it more reliable and efficient and to accommodate for future energy needs like EVs.

We plan to invest eight billion dollars in our renewables business with a good amount of that going into offshore, where we are positioned to be the leader. Over that five-year period, with twenty billion in CapEx, we expect that on a compounded annual growth rate basis, we can grow our bottom line earnings six to eight percent annually over the next five years.

That's not a wish, we have a plan to do it. There are projects behind it, and rate cases that have been approved and supported. It's about making sure we allocate the capital to the right places, run our business efficiently, fix challenges we've had, and take advantage of new opportunities like green hydrogen and transportation.

We're going to be investing a lot. We're fortunate we're part of the Iberdrola family, because you've got without a doubt, the premier global renewable company in the world that we can leverage, both from a financial standpoint, but more important from a human capital standpoint. This is a great time to be in the energy business and I'm proud to be a part of AVANGRID. **PUF**

Texas is the largest renewable state in the country. A lot of people think it's California, but it's Texas.

AT THE NARUC WINTER POLICY SUMMIT FEBRUARY 10:

80 is the New 60: Decarbonization and Innovation Pave the Way for Second License Renewal for Existing Nuclear Plants

Sponsored by the Committee on Electricity

The U.S. Nuclear Regulatory Commission is authorized by the Atomic Energy Act to issue operating licenses to nuclear power plants for 40 years with additional renewals of 20 years per renewal. Most of the existing nuclear plants in the U.S. have already applied for and received one license renewal to operate for 60 years and will need a second license renewal to continue generating electricity into the future. Second license renewal enables the current fleet to continue to operate to the 2045 to 2065 timeframe and provides a carbon free energy source as the grid decentralizes and advanced sources of carbon free energy are developed, demonstrated, and deployed. This panel will examine the motivation as well as innovation for obtaining a second license renewal, the reasons why utilities make the decision for continued operations, and the research and development work that laid the foundation for second license renewals.

Moderator: Hon. Matt Schuerger, Minnesota

Panelists: Heather Feldman, Director, Innovation in the Nuclear Sector, Electric Power Research Institute, Bruce Hallbert, Director, Nuclear Safety and Regulatory Research Division, Idaho National Laboratory, Doug True, Senior Vice President and Chief Nuclear Officer, Nuclear Energy Institute, Hon. David Wright, Commissioner, U.S. Nuclear Regulatory Commission