

# PNM buyer's track record snarls merger

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Power lines cross a segment of BLM land in central New Mexico. (Aaron Wilson/Albuquerque Journal)

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Utilities run by Connecticut-based energy giant Avangrid have faced about \$25 million in fines over the past 16 months by regulators in three Northeastern states because of customer service problems and other concerns.

Now, New Mexico Public Regulation Commission hearing examiner Ashley Schannauer wants Avangrid to address concerns before he decides on next steps in public hearings on Avangrid's proposed merger with PNM Resources.

If the deal is approved by the PRC, Avangrid will acquire PNMR and its two utility subsidiaries – Public Service Company of New Mexico and Texas New Mexico Power – in an all-cash transaction valued at \$4.3 billion.

Schannauer raised the Avangrid utility issues Tuesday morning in a “status conference” with lawyers representing 22 parties involved in the merger case. He originally convened the meeting to decide whether forthcoming public hearings should focus on a settlement agreement that PNMR and Avangrid have reached with half of the intervening parties, or instead discard the settlement and focus on a broader examination of whether the proposed merger is in the public interest.

Schannauer said that parties in the case haven’t addressed issues raised by regulators in the Northeastern states where Avangrid utilities now operate and that they need to before deciding how to proceed with merger hearings.

“I don’t recall seeing anything about these matters in this case,” Ashley told conference participants. “It’s clearly relevant. Will there be similar problems in New Mexico if this merger is approved?”

Schannauer cited a May 6 decision by Connecticut regulators to fine Avangrid’s electric subsidiary, United Illuminating Co., \$2.1 million for failing to adequately prepare for and respond to Hurricane Isaias, which left hundreds of thousands of homes and businesses without power for days last August.

Connecticut’s Public Utilities Regulatory Authority also ordered a \$1.3 million reduction in profit allowances for UI, which serves 340,000 local electric customers, plus a management audit of the utility by independent firms, according to local news reports.

After reading about the fine on UI, Schannauer said, he researched U.S. Securities Exchange Commission filings and found a “host” of other regulatory actions against three other Avangrid utilities in Maine and New York totaling about \$23 million in penalties and disallowances for cost recovery imposed over the past year and a half.

“That’s \$25 million in penalties and disallowances for poor service,” Schannauer said. “... All of this is news to me.”

Some parties in the PNMR-Avangrid merger case have cited low customer satisfaction ratings for one Avangrid electric subsidiary, Central Maine Power Co. But there’s been no mention of “enforcement actions” against Avangrid utilities in written filings by parties in the PRC hearings, Schannauer said.

The poor ratings come from national market research firm J.D. Power, which has published an annual study for more than two decades on business customer satisfaction for nearly 90 utilities across the U.S. CMP has received the lowest ranking in the survey for three years in a row, achieving a score of 692 on the study’s 1,000-point scale in the last survey published, in November.

A Journal search of online news reports confirmed two other large fines against three Avangrid utilities in Maine and New York since 2019.

That includes a \$10.5 million settlement between two Avangrid subsidiaries – New York State Electric & Gas and Rochester Gas & Electric in upstate New York – with the state’s Public Service Commission. That settlement, announced in December 2019, emerged from a commission investigation that determined the companies failed to comply with state-mandated emergency response plans during two storms that hit the Northeast in March 2018.

Also in 2019, the Maine Public Utilities Commission fined Avangrid subsidiary CMP \$10 million for mishandling of its billing system and customer service, according to the Natural Resources Council of Maine. The fine was reportedly the highest ever imposed by the PUC against a utility.

“The commission has not in recent history – and probably never before – seen complaints against a utility reach the numbers they have here, nor the kind of public skepticism of customers’ utility bills that has been raised against CMP in the last two years,” PUC staff said at the time, according to the Natural Resources Council.

Schannauer said he would order Avangrid and PNMR to address the Northeastern utility issues in a written filing, followed by written responses on those matters from other parties in the merger case, before overseeing another status conference to decide on how to proceed with public hearings. “Am I the only one troubled by this?” Schannauer asked the participating parties.

PNMR attorney Rick Alvidrez said Avangrid has provided “lengthy explanations” in response to discovery questions about the issues raised by other parties in the case.

“The parties were satisfied with those explanations,” Alvidrez told Schannauer. “They didn’t include them as issues in (written) testimony.”

Avangrid attorney Brian Haverly said he has responded to all inquiries by intervening parties.

“I’ve given lots of discovery about other utilities that Avangrid owns,” Haverly told Schannauer. “We have nothing to hide. Tell us what you want to know, and we will give the answers you would like.”

However, in his written order Tuesday afternoon instructing the companies to address the issues raised, Schannauer said their failure to previously disclose Avangrid’s regulatory penalties show they’ve been “less than forthcoming” in their application for merger approval.

**“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 transparency by which Avangrid and PNM would conduct their business in New Mexico if the merger is approved,” Schannauer wrote in the order.**