AVANGRID

2022 Long-Term Outlook Update

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PRESENTATION

Alvaro Ortega

Good morning to everyone. My name is Alvaro Ortega, Vice President of Investor Relations and Treasury at Avangrid. Thank you for joining us today to discuss Avangrid's Investor Day and our 2022-2025 Long-Term Outlook.

Presenting today are Pedro Azagra, our Chief Executive Officer; Patricia Cosgel, our Chief Financial Officer; Catherine Stempien, President and Chief Executive Officer of Avangrid Networks; Jose Antonio Miranda, President and Chief Executive Officer of Avangrid Renewables; and Sy Oytan, Senior Vice President, Offshore Projects.

If you do not have a copy of our press release or presentation for today's call, they are available at our website avangrid.com.

During today's call we will make various forward-looking statements within the meaning of the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, based on current expectations and assumptions, which are subject to risks and uncertainties. Actual results could differ materially from our forward-looking statements if any of our key assumptions are incorrect or because of other factors discussed in Avangrid's earnings new release, in the comments made during this conference call, in the Risk Factors section of the accompanying presentation, or in our latest reports on filings with the Securities and Exchange Commission, each of which can be found on our website avangrid.com. We do not undertake any duty to update any forward-looking statements.

Today's presentation also includes references to non-GAAP financial measures. You should refer to the information contained in the slides accompanying today's presentation for definition information and reconciliations of non-GAAP financial measures to the closest GAAP financial measures.

I will now turn the stage over to Pedro.

Pedro Azagra

Good morning to everybody here. I'd like to thank Chairman Galan for being here as the main shareholder of our company. Congratulations for the (inaudible) a benchmark speech and a pleasure to have been 22 years in the group with you.

I think welcome to all of you. I have many former colleagues, many friends, many former bosses here as well, so a pleasure for me to be here in this new role with some of you and all of you here, so thank you very much for coming to the Stock Exchange here in New York.

I think last week is was my first 100 days being CEO of Avangrid and more than 22 years in the Iberdrola Group that we are very proud of being part of. I think over those 100 days I have met probably more than 1,000 employees. I have been with many legislators, many governors, many attorney generals, many public commissioners, both commissioners, senior staff, staff people, so from that point of view I think I have been trying to meet everybody that I could in the first three months being in this new position that I have now.

I think I am comfortable to say that we have achieved certain things that I am very proud of in this short period of time. Some good news, we have the NECEC ruling, which I think is something we were expecting, but finally it is there. Something that is fair, very important for the U.S. energy policy and for some states energy policy. I think we have filed, as you know, several rate cases in New York, in Connecticut and in Maine, and we have had a track record of efficiency, reliability that we will comment later.

Finally, we have continued our progress, especially in the Vineyard Offshore Park that we are developing, the first high-scale project of offshore wind in the U.S. I am very happy about the things we have accomplished in the period of time and in the many last years that we have been together in Avangrid and Iberdrola USA before.

I think our plan for 2022 to 2025, or 2023 to 2025 is basically something to incorporate the feedback we have got from many of you, what we think are the real challenges that we have, and try to (inaudible) something very simple, our histories to deliver. I think we are here to work hard, to make sure that everything we say, we deliver. That's going to be our simple and clear purpose.

I think you all know Avangrid, so I'm not going to spend a lot of time on this, but we are mainly a regulated utility networks company. We have, as you know, over 7 million people being served across the Northeast. We are right now also working in closing a transaction in New Mexico with PNM. We have right now a presence in more than 22 states in renewables, 8.5 gigawatt of installed capacity. I think I am very proud of the first movers into the offshore wind arena in the U.S. with 2.4 gigawatt contracted right now and being the first company with a larger scale project in offshore wind.

I think we are very proud, as I mentioned before, being part of the Iberdrola Group. That brings synergies, efficiencies and best practices, and that's something we have to deliver on.

When I refer to our more than 7,300 employees I would like to highlight the team. I think we have put a team together for these new stages ahead of us. I'm very proud of the team. The first comment I will make is trust us; succession is here. It doesn't matter who of us may not be here in the future, we have a plan. There is an immediate reaction putting a new person in charge, so we are very comfortable we have the right team at the first, second, third level, and therefore succession is guaranteed going forward, and we have a great team all over.

Just to mention the skilled team that we have, I'm going to try to mention some examples and background of all of us to give you the comfort that the team right now is the right team, as we did in 2008. We have almost the same team for 15 years. I think we're trying to put a team also for a lot of years ahead of us.

Patricia Cosgel, she is more than 20 years with experience in utilities, investor relations and other finance related areas.

Kyra Patterson, she is our Chief Human Resources Officer, 20 years. She is also an Navy veteran and more than five years specifically in the utility industry.

Catherine Stempien, our Networks CEO, as you know she was President and CEO before of Utilities. She has legal, regulatory and M&A background in utilities, more than 25 years of experience.

Jose Antonio Miranda, we met him in (inaudible). He has a long-term background also in the offshore, onshore and turbine world. He has been with us now for some time, also taking care of the solar and onshore wind business. We thought it was appropriate at this time as we have in the rest of the world one head to take care of all the renewable business, both onshore and offshore.

Kim Harriman, she takes care of our government affairs. She has more than 20 years experience in the public commission and in administration in New York, so very proud of having her with us in the team.

Scott Mahone, our General Counsel, again, another U.S. Army former veteran. I think he is our general counsel and secretary, more than 30 years of legal expertise. Unfortunately, we have many litigations going on; this is the reality we have in our business. I think we are not shy of that and we have the right resources and I think certain recent decisions going in the right direction.

Ignacio Estella, Corporate Development, he is more than 25 years doing many transactions. Also, very comfortable on that front.

Frank Reynolds, our CEO for Connecticut, very proud of you having Frank as CEO of our Connecticut business. Very good relations with the AG, with the Governor, with the Commission, so from that point of view also an honor to have Frank who has been for so long, and is also a former Army veteran.

Trish Nilsen, we just appointed her. The first woman ever to become our CEO in New York after more than 175 years. I think she has a very strong track record in operations, very successful in store management, (inaudible) New York, so from that point of view also congratulations. I'm very proud of having you here.

Joe Purington, I'm very happy he came back with us to CMP, after more than 35 years of experience and most of those also at CMP. Also, I think we have the right person to take care of our main operations.

Basically, as you can see, together probably more than 300 years of experience in the sector. One third of the leaders have been probably a couple of decades or more in the group and that's why internal succession, internal promotion is key. We intend to do so because most of the times the best options are internal and therefore we're going to show that to you as we have done recently with a couple of decisions we have taken.

Finally, just to give you how much we care about gender, ethnicity, how much we care about nationality, veterans (inaudible) different backgrounds, we have right now 30% of my team are women compared to 20% a year ago; 17% are people of color compared to 10% a year ago; four are veterans that served in the Army or Navy, including me. In addition, our Board has right now 27% women representation, which is well above the U.S. energy average of 19%.

I think sometimes here you have not delivered (inaudible) track record. When we're looking at our creation of Avangrid, when we merged Iberdrola USA and UIL, basically we believe it has been a story of growth and evolution.

The growth at Networks, we have grown our rate base since then by 36% to almost $12 billion. I think PNM will add additional presence in a couple of states, in New Mexico and Texas. I think we have increased our capacity in renewable by 60%, and we have passed 8 gigawatt of installed capacity. We have wider spread presence in the U.S. That's something we're going to focus and optimize to make sure we are not distracting resources and properly focused in the appropriate areas going forward.

I think our (inaudible), we are serving right now more than 2 million homes across the U.S., which is beautiful, and we have this 25 gigawatt pipeline that gives us comfort for creation and the opportunities growth and value creation.

I think we have led the U.S. offshore, our sector, as we have done in Europe as well. From that point of view, thanks to investments we did at the right time, paying very little money, I think we are now developing those assets with almost no entry cost. That's why we are very comfortable on the Vineyard project. It will be disclosed today in detail so you are comfortable everything is on track and that's how we do these projects here and in the rest of the group as well.

I think our capitalization market cap has grown by 60%. Since 2015 net income has grown by 85%, over $400 million increase compared to our 2015 pro forma midpoint comparing that with our midpoint this year. This translates to a very compound annual growth of more than 9% in this figure, which is especially in the last two years material growth.

On an adjusted basis, I think we have a compound rate approximately since 2015 of 7%, and EPS, we are right now more or less around 6% growth in those years to now.

I think from the first half of 2020 we focused on the last two years. We have increased our EPS by 54%,w which is a compound growth rate of 24%.

I think these are some examples of the achievements we have done in the recent years, to give you the comfort that that's what we try and that's what we are intending to do going forward as well.

I think we are going to give you just a feeling of what we are contributing from a GDP and value creation to the states and the country that we serve here in the U.S. I think we have invested approximately $40 billion in the last 15 years in the U.S. I think our impacts in the U.S. economy are simple: we have more than 7,000 direct jobs. I think we have a PwC report that each of those jobs translates more or less roughly into 70,000 indirect and additional jobs created in the U.S through us. This includes in these jobs direct and indirect jobs. Most of these jobs are in the states where we are doing business. We estimate in New York around 18,000; 10,000 in Maine and—sorry, 10,000 in Connecticut and 8,000 in Maine.

I think these investments are going to continue and therefore the current rate cases being proposed, our estimate that it will be around 8,000 jobs additional being created in these states according to these parameters used by PwC.

I think our investment in offshore, just to give you some guidance how when we hear the President of the U.S, when we hear other officials and people speaking about offshore and the contribution to worth and to wealth and job creation, etc., we estimate more or less around 38,000 job created during the years of construction, and more than 2,000 permanent long-term jobs.

I think in addition our activities have contributed around $10 billion to the country GDP, according to the PwC report.

We also support the local economies through our purchases of goods. I think this is an important message, this approach we have followed in the group for more than 20 years. We need to be local, where we can be local in purchasing. We have made, for example, last year more than $3.4 billion in purchasing and around 96% of this has been from U.S. suppliers. We are very proud of this that now we can see all these American, all American. I think some us were already delivering for some time with this approach, being local.

I think we go to the business mix. I think unfortunately I like to compare with our peers. You need to take decisions when you invest and probably this is the time also to compare ourselves.

I think we are very proud of being part of the energy transition that the U.S. has. We have the opinion that it doesn't have any comeback. Of course we have power people, people making a lot of money in gas, people trying to delay transition. It doesn't matter; we are going to continue. We think there is no coming back and the route (phon) will continue. We need support from politicians in permitting. We need support from (inaudible) to make sure that they have a stable and predictable frameworks. But, the story is simple. It will continue and the world needs that.

I think, you know, as I mentioned, more than 80% of our earnings right now are Networks driven. I think just to give you a feeling, 80%-plus of our investments will be Networks, so I think that's very consistent what we have done and what we are doing.

I think we're one of the top three renewable companies, as you know, in the U.S. by installed capacity, and as you know we are investing in offshore and becoming clearly ahead of people.

When you compare us with other people, I think comparing ourselves with those six peers, over 2 gigawatt contracted in offshore capacity, we are the only ones right now moving into offshore. I think when you compare us to those people, we are the only ones with no coal activities and probably we are with another player there the only one with a real coal-free and almost no emissions generation capacity in place.

I have the feeling that to say that we have a zero coal and we are the only company over 90% emissions-free installed capacity, it's important. I think let's focus on what we have now, what we have next and what we have the following year. Let's not focus on what we promise for 15 or 20 years from now. I think as investors, as banks, more and more restrictions if you own coal, if you are not approaching the right approach into emissions-free, net zero, etc., etc. We will comment on the (inaudible) goals. Very important to know that we are there right now. We believe we are a unique investment opportunity if the drivers are green investments.

Networks is, as I said, the core part of our business. We are mainly a Networks company. I think we service over 7 million customers, people, as I mentioned. We are, as you know, 40% of upstate. We are in all but 16 counties in New York. We serve 80% of the customer base in Maine. So, we have a very strong presence.

Some highlights—and I think I will have both Catherine and Patricia later to comment in more detail—but we have right now 1.5 million of smart meters, which is 40% of our total meters, and we expect by 2025 to have 90%.

I think in the last four months we have provided as you know, rate cases in three states. We are very comfortable there. We are proposing very technically what those states need, and what they need is us to continue in the modernization of those grids; we are putting the right things on the table. Of course, you know we will have PNM as a good addition if we close that transaction. Modernization and digitalization are critical. That's why enhancements in our ability is one of our main focuses.

Cleaner portfolio, I mentioned that before. Ninety percent plus emission-free portfolio for us. That's twice as much as the two other leading renewable operators, and this is probably six or more times than any of all those other six peers that I mentioned. That's why I believe we are a very, very unique investment opportunity.

I think when you look at those two renewable operators, fossil fuel resources account roughly for 50% of their mix, not for us. That's why we believe we are a unique opportunity in terms of that.

Our CO_2 emissions intensity, as I said, six times less than our peers that we mentioned in this page, which are the six peers that we would like to compare with.

We are very committed to ESG goals. We will comment on that later. Therefore, you know, I think we should continue the path that we have had of leadership, but again, focusing on what we have right now and in the near future. No (inaudible) goals, but basically you don't know how they are going to deliver.

Let's move now probably to what you are expecting, which is what are we going to do going forward for the next three years, 2023 to 2025?

I think the first thing is we are not doing something strange. I think when you look at the U.S., the U.S. is very committed on a couple of—of three or four actions; we really match them. I think we are supporting the federal government (inaudible). In their transition energy policy, we are there. You see us supporting offshore wind. You see us supporting electrification of the networks. I think we are next to all of them and in a position to deliver.

Just to give you a feeling, the Biden administration, they are targeting right now to decarbonize the U.S. power sector by 2035. We are committed to that, but today we will make an announcement about committing Scope 1 and Scope 2 by 2030, so we are again moving ahead of other targets. Our targets include a plan how to get there with the things that we can control. From that point of view, that will be nice for us to make that announcement today.

I think we have Infrastructure Investment and Jobs Act and we have had Inflation Rate Action Act. It seems to me that those are also two important pieces of legislation that have been passed, hundreds of billions of committed financings. Again, helping on the predictability and stability of regulation, of cash flows, of funding. That's something that we need in the U.S. and globally.

We will discuss our strong presence, as you know, in networks mainly, and of course we have also renewables, but again, 88% you will see of our investments are in networks, which is what we are very comfortable with. Therefore, our driver is going to be Networks and very objectively, very well analyzed case-by-case in Renewables, to make sure that is only when they contribute value.

Again, I want to mention here as always, in this hydrogen opportunities that we are going to have, very good support by the federal government of (inaudible) dollars. It seems to me that, again, we are in a unique position to benefit and seek out opportunities as we are already doing in the group.

We are going to benefit from that. We're going to lever on our synergies, best practices and efficiencies with the group, and just to make sure we are ready also to benefit from the green hydrogen dynamics that we have ahead of us.

I think just you all know this very well, the infrastructure bill and then you have Inflation Reduction Act. Our infrastructure is mainly focused on networks. I think it allows us to help support the grid resiliency and modernization, transmission, EV charging, supplemental funding for low income customers, funding also for (inaudible) programs in terms of hydrogen. I think a good package, and that's what you expect in the current dynamics and we are happy about that.

I think when you go to IRA, some highlights. First of all, 10 years of predictability, that's important. Second, transferability. You know that some of you are banks and you make nice money with the tax equity but it's very nice now to have a new market to be able to transfer our tax credits. I think you have options right now to choose PTCs and ITCs. I think you have support also if you go to the local purchasing for additional 10% in offshore. I think overall, I think positive things. We expect to have some positive impact that we are still analyzing in the P&L. I think we are expecting also some net positive in cash every year going forward. We expect probably $100 million a year or around those numbers of cash proceeds by selling our tax credits. So, it seems to me positive news that we have around this Inflation Reduction Act.

Hydrogen, you know the $3 per kilogram, that's exactly what you need to make sure that that's a business that can be developed, so also happy.

The minimum tax, it has some additional tax payments, but because on the applications that we have in the other decisions that are in this legislation, then that is positive; we believe that every year there will be a net positive impact in cash, which is also helping right now. As you know, cash is important and we are very focused always on cash and (inaudible), so positive that our goal will be a cash positive conclusion.

What are we working right now and will work the next three years to make sure we will deliver, as we have almost always done at the group level in the last 22 years, and (inaudible) we have some. I think we have a good track record in Avangrid since it was created in 2015.

The first one is we are going to confirm our guidance for 2022. It stays 2020 (inaudible) $2.38 per share. We believe that always we want to make sure we deliver, so we are not changing this guidance right now. We may have challenges as always in the last quarter; it's a quarter that we need to monitor networks, store management, potential penalties, or working very hard in the rate cases proposing ideas. Catherine will comment on that. Just to be prudent, we want to make sure we deliver, so we prefer to maintain right now the guidance as it was.

I think from 2023 to 2025 we are going to invest $14.6 billion, mainly in our regulated business. More than $4 billion of that is the equity purchase of PNM and almost $2 billion of that is the capex that PNM will incur in the years '23, '24, and '25, depending on when we were to close that.

I think this base case that includes PNM and the transmission line in Maine, I think we are thinking that we will expect 6% to 7% EPS growth compounded growth rate on an adjusted earnings per share through 2025, starting with 2022 as a base.

I think our long-term look, basically maintains right now what was announced in November '20 with one additional capital increase of $1.9 billion, a little bit less than we said at the time, and this will be expected right now to be done in 2024.

If the transaction of PNM was not to close, this capital increase will not be needed, and even we will have excess capital from the previous capital increase that we did. So, from that point of view, this will be subject to that happening.

I think it's important to mention that in addition I think we are going to consider no less than $2 billion of asset rotation. I think as I mentioned before we have a very big asset portfolio, more than $40 billion of assets. We have been in the group for 20 years, as you know rotating assets probably more than $50 billion or $20 billion already asset rotations at the group level. We think it's the right thing to do. You have many assets, many dispersed asset base in renewables. We're going to analyze one by one. We're going to analyze every single asset we have in the portfolio and if we conclude some of those assets add more value selling them than keeping them, we're going to do that. From that point of view, this is in addition. That's something that still no specific decisions have been taken, but the history proves I think we are very comfortable also to focus on this.

I think just to give you some additional headlights, I think we're going to focus on looking for partners in our existing offer (inaudible) as we have done in the U.K. in East of Anglia, as we have just announced in Germany with Wikinger. These are very big projects. I think it's important for us, we don't have enough financial muscle to do everything by ourselves, so we are going to look for partners. We already are in (inaudible) partnering, but in the other two offshore projects we are developing right now, we are going to look probably up to 50% partnership as well to get other people to come with us and share those projects with us as we are doing in other parts of the group.

I think in terms of onshore business, which is onshore wind and solar, I think just for the period of ’23 to ’25 we are seeing also very important prices paid for those assets. So our idea right now, in order not to use many of the resources that we need for other purposes in the group, in Avangrid in this case, I think we’re going to look probably for a 40/60 partnership, Avangrid having 40% of that pipeline to be developed in that period. I think sometimes we will keep 100%, sometimes we’ll sell 100%, but for modeling purposes I would probably assume we own 40% and 60%; this is around 700 megawatt. It will be explained later. I think that’s probably the base case that we should use.

Additionally, and we will comment on this later, I think we have, for example, the case of Kitty Hawk. As you know, more than 2,000 megawatts of this is offshore wind in the Carolinas. I think because of the turbines expansion and becoming larger and larger—it’s unbelievable now—you are all invited when we have next year the first electricity production of the Vineyard project in Massachusetts to come and see them in person. I think many of you will be impressed when you see that for the first time. I think we’re going to see also some partial sale of some of those leases because just with an increase in the turbine size we are actually selling a little bit and keeping the same amount of (inaudible) what we had before. We’re going to be opportunistic there and sell some of those because there is a good market right now for leases.

It seems to me that that is something making our strategic plan realistic with different options, being prudent from a financial point of view, and again, this is a value-driven plan. Most of it is Networks investment, and again, we are being prudent. We will comment later. Patricia will comment on the networks. I think we are estimating just in base case a projection of our current investment in Networks, which is different from the rate cases we have. We have five, so we have room there if we were to get additional (inaudible) recognized, etc. We are prudent even in the base case we are putting, but we believe this is the right thing.

2023 to 2025 investments, I think I mentioned this before but just roughly it’s $14.6 billion investment; $4.6 billion is the purchase equity of PNM, and then we have almost $2 billion also which is the capex we are assuming for PNM in those years. From that point of view, I think the rest is (inaudible) billion dollars, and as you can see 88% is Networks and the rest is the Wikinger 50% of the project and then those 700 megawatts that we assumed only 40% affecting us.

In terms, I would say, of describing investments, steady, secure and stable growth. I think that is something we’re going to focus.

I wanted to show this page just to show that the last three years have been a top up, an increase in our capital expenditure networks, and the next three years we thought PNM, as you can see, basically we maintain those numbers. Very consistent with the past, which I think for the base case is very prudent of presenting this. Our growth rate that we’re going to have in the rate base is going to be material, so we’re going to have probably 70% increase from the $13 billion we have right now to $22 billion if we were to close PNM, but if we were not, you know, to close PNM it would be a 23% increase, which is a very material amount as well. From that point of view I think we are very focused on Networks, that you know is the main portion of our business.

Although we have a workshop later which is going to focus on ESG goals, I thought it was just important to mention two or three or four examples.

I think, as you know, we have committed, as I mentioned before. Now we’re making an announcement which we’re going to be aligned with what we can get and aligned with the group as well. We are very comfortable to say Scope 1 and Scope 2, we're going to target 2023. That's the objective we have right now. Again, we're making just a comment on everything that is controlled by us. We cannot control the states, their energy policies. We trust what they say, but in the things we are (inaudible), it's important.

Just to give you a feeling, our direct emissions is 7% in Scope 1, which is basically one asset mainly. I think Scope 2 is 1% of our emissions, and Scope 3 is basically the electricity we are putting into the networks which does not depend on us. That's why I think Scope 1 and Scope 2, a good announcement today. We are moving to 2030. Again, we want short-term decisions, short-term proposals and short-term objectives (inaudible) 2040 and beyond that nobody knows where they are going to come from.

As you know, SEC potential new rules will come; we will have to look at them. We are trying to anticipate these objectives based on what we think may be those rules, but again, it will be subject also to confirm what exactly those rules say and if we need to change something, but right now it seems to me we're very comfortable.

The second comment I would like to make is the emissions. I think, as you know, we are reducing very materially our emissions, so I'm very comfortable about that, that we're going to get what we need.

Next, we are targeting right now 35% of our executive positions held by women. I think the women that we have in the company, they are working very hard. They are making their way up; very pleased about that. You can take a look at our team. I'm very proud of the promotions we have done and the appointments, so from that point of view, just to remind you, Avangrid again has been named as one of the world's most ethical companies, and in '22 it was also one of the just nine honorees in the global energy and utility sector.

I think we have been one of the top companies which managed to get the America's Most Just Companies, and again, one of the top five utilities there, so we are very happy.

We are a member, as you know, of the S&P Global Clean Energy Index and FTSE4Good Index, so compliance leadership it is (inaudible) since '19. So, very happy about all these recognitions that we have done.

Again, we are targeting $300 million by '25 of diverse suppliers. As you can see, we are trying to put things here and 100% of the fleet with free emission, you know, a target by 2030. Very aggressive goals? No. I think it's something that is realistic. We want to get this done and usually the sooner the better.

Management focus. Probably a page you've seen with me before when I met with all of you in the last two, three months. I think we're going to be focused in many things but mainly we're going to have Avangrid, one culture, one company. Very proud of being part of the Iberdrola Group. I think we need to look for efficiencies all the time, and I think we need to be prudent from a financing point of view and make sure the ratios are okay. I think we have huge legal matters that we are dealing with, so we are going to be focused on closing both the transmission and the PNM transaction.

Networks, we have rate cases. I think we have operational excellence targets. We have challenges, but I will say the way I see right now in New York, the way I see Maine, the way I see Connecticut, I am very pleased. Where we were in 2008, where we are right now, when we are right, the Chairman and I, we had less than 5% actual ROE; I don't think we are there right now. I think probably the teams have done things very well. Again, we have good relationships. I think we have probably 20 or 30 litigations in Albany when we arrived; I think probably we have (inaudible) one, but we don't have 20 or 30. From that point I view I think the dynamic is different. I think we are very comfortable dealing with those regulators. We have good connections, and again, trade unions, relationships, legislators, we are just focused on that. This is where we need to be. I can tell you the team and I are 100% all the time in Albany, Hartford and

Augusta because that's where the decisions are taken. We are also downtown in Manhattan because that's where the New York regulator is, but we are here hanging around in other places that we have to be and I can tell we're going to be there as often as needed.

I think with that I will pass to Catherine so she can explain to you the next three years in the Networks business.

Catherine Stempien

Thank you, Pedro, and good morning everyone.

It is great to be with you here today, and as you've just heard we have a lot of exciting things and focus on Networks that I'd like to discuss with you.

Just to level set, our business in Networks spans across four states – New York and New England, and includes eight utilities with a total average rate base of $11.7 billion as of the end of 2021. On the electric side, it makes up three quarters of our total Network's rate base. In 2021, we delivered close to 37,000 gigawatts over our system of 71,000 miles of distribution lines and another 9,000 miles of transmission lines.

Moving to the gas business, we delivered 193 million dekatherms last year through our 23,000 miles of distribution pipeline and another 125 miles of transmission pipeline.

While our presentation focuses mostly on the future, I want to highlight a few of our recent successes, and these successes bolster my confidence in our ability to execution on our plan.

First, in operational excellence, we invested $2.2 billion last year with a focus on improving the reliability and resiliency of our system. These investments along with improved operations have resulted in a 12% improvement since 2020 in our SAIDI metrics. We have received multiple recognitions from EEI on our storm response across all of our jurisdictions, and the AGA has recently recognized NYSEG and RG&E for their outstanding best in class leak repair performance.

Next, our focus on customers has resulted in financial benefit for our customers and for the company. We provided over $100 million in government assistance directly to our customers who have been economically impacted by COVID, thereby reducing our arrearages. Our strong customer performance in Maine resulted in the lifting of the 100 basis point ROE reduction at CMP. We continue to meet or exceed all of these metrics.

Finally, we continue to invest in our communities. Whether it is piloting our first renewable natural gas supply in New York system, or providing $10 million of economic development funds in New York that have supported over $500 million in customer investments, these investments create economic value in our local communities and are aligned with our ESG&F commitments.

Our success relies on four strategic pillars to enable the clean energy transition: operational excellence, customer service, stakeholder engagement and financial strength with our employees being the foundation of everything we do. We focus on these areas to continue to deliver on our mission of providing safe, reliable, and affordable energy.

On the operational excellence side, we are driven by the continuous improvement and modernization of our grid. We have established three main areas of focus to become effective and more efficient: improving our field productivity, modernizing and standardizing work practices, and unlocking the power of advanced data analytics.

We are already seeing the benefits of a number of these initiatives that we began implementing in 2020 and 2021. As examples, we have achieved a 20% increase in on-site time for electric field activities, and we have realized a 6% reduction in our non-storm overtime.

Looking to the future, we have a plan to deploy 3,200 mobile devices to our field workforce by 2025 and able to further improve our productivity and efficiency.

From a modernization perspective, since 2020 we have installed over 800 automation field devices to improve the reliability and service to our customers, and we have centralized our control centers in each jurisdiction to improve remote operations capability. By 2025, we plan to have 75% of our substations automated and 95% smart meters installed across our network.

As far as standardization goes, we are gaining efficiencies by standardizing our materials specifications and consolidating contracts across our jurisdictions, and of course, being a part of the larger Iberdrola family and leveraging our global purchasing power, we have achieved an additional 10% savings in materials and products than we would otherwise have achieved on our own. Those savings directly benefit our customers.

In the gas business, we are accelerating our cast iron and bare steel replacement program in Connecticut with a 25% increase this year over 2021. We also have a hydrogen use case study in progress as we explore opportunities to take advantage of Southern Connecticut Gas's strategic location along the I-95 corridor with access to the seaport in Bridgeport.

Lastly and perhaps most exciting, we're leveraging the power of advanced data analytics to better inform our decision making, investment prioritization and system planning. We are using this approach to identify and prioritize where our investments will have the biggest impact on improving reliability and reducing operating costs. Such prioritizations are the driving focus behind our plan to improve our overall quality of service by 5% by 2025 and will set the stage for accelerating improvements by 2030 to improve our customer service and enable a clean energy transition.

Moving on to customers. Customers are at the center of what we do in Networks and their expectations are changing. They want even more reliable energy, but they still want it at a low price. So our strategy, as we redesign the customer experience, is to increase customer satisfaction and lower our costs, and we're going to do this by focusing on three main areas: digitalization and transformation, innovative solutions and technology, and clean energy pilots to accelerate adoption and provide options for our customers.

Using a combination of design thinking methodology, new digital and customer experience talent, and an end-to-end operational focus, we're transforming our core customer touchpoints. We've identified five customer journeys and we'll be redesigning each of them by 2025. We are focused on things like proactive communications regarding outages, paying bills and the move in/move out experience.

Speaking of improving the customer bill paying journey, we are targeting to almost double our ebill penetration by 50% by 2025. As with operational excellence, the use of technology and enhanced data analytics will continue to play a key role in improving the customer experience and lowering our costs. We have recently upgraded our web and mobile app platforms, bringing new capabilities and easier interactions for our customers. We have also just completed and upgrade to the customer relationship management and billing system in New York. It's a significant accomplishment for the team and it lays the foundation for the full realization of AMI benefits to our customers that they will enjoy once that rollout is complete in 2025. Additionally, we're using enhanced data analytics to continue to improve self-service adoption with the goal of increasing this to 70% by 2025.

Finally, we're advancing a number of clean energy pilots and programs throughout our rate case proposals to make it easier for our customers to transition to clean energy and realize the benefits of electrification while guarding against the risks of constantly changing technologies. For example, we are proposing web-based assessment tools for school bus and fleet electrification that will allow our school districts and our commercial customers to assess the feasibility, benefits and costs of electrifying their fleets. Similarly, for residential customers, we're piloting managed EV charging programs that provide customer incentives for allowing utility control of their EV charging to reduce impacts on the system peaks and improve system efficiencies.

Finally, we're examining federal legislative options like the IRA to help our customers access funding to accelerate the adoption of heat pumps throughout our service territories.

Pedro mentioned earlier our focus on a number of key strategic elements in Networks, including stakeholder engagement and strengthening our relationships with regulators, government, legislators and communities in which we live and serve. This is our third strategic pillar.

Our stakeholder engagement approach is centered in three key areas. The first is enhancing the overall stakeholder engagement from a business and regulatory perspective. Last year, we established listening councils in each of our jurisdictions. These councils involve members of the local business, customers, academic communities in which we serve. Our operating company presidents meet at least quarterly with each of these councils, gaining valuable insight to enhance our connection with our local communities, but it's not just the listening councils to which we share information. We have put a priority on sharing information about what we're doing with all of our stakeholders. As an example, we have had over 160 touchpoints with state and local officials, regulators, customer groups and other key stakeholders ahead of filing our recent rate cases.

We have also broadened our local outreach and collaboration efforts. We have expanded our local community relations organizations to increase our presence and support across our service territories. For example, in Maine, we are collaboration with Spectrum Generations and AARP to better serve our aging community. In New York, we continue to partner with the City of Ithaca to help support them in achieving their goal of carbon neutrality by 2030, and we're also proposing municipal EV charging pilots in our New York and Connecticut rate cases to make charging available to those who don't have access through home charging.

Finally, our engagement in strategic partnerships. We have partnered with a number of top tier universities across our service territory, including MIT, Yale, Cornell, Binghamton University, Rochester Institute of Technology, University of Maine, and the University of Connecticut. We have also developed strong talent pipeline for technical jobs such as line workers through our partnership with local community colleges. And our local labor groups have been partners with us on these initiatives and on developing job-specific training. We have seen great results already from these strategic partnerships.

I want to spend some time on our rate cases now. We will be having some time in the breakout sessions after our main presentation to focus on the rate cases, but because they are so important to our fourth pillar of financial strength, I'm going to spend some time setting the stage for you here.

Please note, I'm going to focus on what we have requested in our rate cases, not what we are building into our financial plan. Patricia will speak more to the forecast.

Rate case results, as you all know, are often the product of significant negotiations, balancing priorities and compromise. We have filed rate cases in each of our jurisdictions that we believe support the needs of our system and the various legislative and regulatory mandates that our states have put in place, while keeping customer affordability front of mind. We look forward to discussions with our various stakeholders and regulators to see if we can reach productive resolutions in these cases, such as what we have already done in Massachusetts rate case. But we're prepared to litigate these cases fully if necessary.

First in New York. We made our four rate case filings at the end of May with an overall total bill increase of approximately 13%. Approximately 40% of this requested increase is driven by the residual rate pressure from our 2019 rate case and joint proposal agreement settlement. This includes items like expiring amortizations associated with the Tax Cut Act of 2017, other expiring amortizations, and rate levelization shaping mutually agreed to in our existing rate plans.

The regulatory requirement in New York is the filing of a one-year rate request, however, we strongly support a multi-year rate plan and have included an $8.6 billion investment plan covering 2023 to 2026 in our filing. This includes $2.9 billion investment plan to support the Climate Leadership and Community Protection Act, or CLCPA. As the CLCPA Phase 1 and Phase 2 investment proposals are currently being considered by the commission under a separate proceeding with no specific date provided at this point for a decision. For those who are not aware of the CLCPA, Phase 1 investments are those that have both a local reliability and renewables capacity benefit associated with them. They are investments that are included in our long-term system plan to address reliability needs, however, they were not included in our near-term five-year investment plan. The Phase 1 investments were identified as needing to be accelerated for New York to meet its ambitious climate goals of 70% renewable generation by 2030. Phase 2 investments are those that have a renewables capacity benefit and as such are intended to be recovered across the entire state if approved, not just recovered by our NYSEG and RG&E customers.

In addition to these CLCPA projects, our investment plan is focused on improving the reliability and resiliency of our system through asset renewal, automation and modernization through the use of technology. We have also included some unique proposals in light of the current economic conditions. For example, the filing includes a symmetrical inflation tracker proposal that includes a voluntary 2% reduction in the escalation rate as part of our overall 5% distribution rate mitigation for our customers. From a process standpoint, we are currently in the middle of the discovery process with staff and intervenor testimony expected in just a few days on September 26. We will file a rebuttal testimony on October 18 and hope to start voluntary settlement negotiations shortly thereafter. We expect to have new rates effective in May of next year, just as our existing rate plan is expiring. It is part of our overall strategy to realize our allowed ROEs as we minimize lag time between rate cases.

Looking to Connecticut, we just filed our UI rate case a few weeks ago. This will be the first distribution rate increase for our customers since 2019. We have been able to deliver significant rate stability to our customers while managing our strong operational and financial performance. But we know customers, asking for them for an increase is always a challenge. That's why prior to the filing we completed our stakeholder outreach efforts with more than 40 touchpoints which started back in June. We explained to stakeholders that our levelized approach across the three years results in an overall 5% total bill increase per year, which is lower than the current rate of inflation. And speaking of inflation, our proposal again includes a symmetrical inflation tracker.

Our filing includes a capital plan of almost $600 million for 2023 through 2026, prioritized to address asset condition replacements, reliability needs, and resiliency improvements in the system. UI currently has top quartile reliability in the country and we would like to maintain that level of service for our customers.

From a process standpoint, we expect to see staff and intervenor testimony in early December and file our rebuttal testimony is expected before the end of the year. New rates are expected to be in place in September of next year as PURA now has a 350-day procedural schedule in place.

Finally, in Maine, we filed our rate case proposal for a three-year rate plan last month with a 4% total bill increase in the first rate year. Again, we know asking for customers for an increase is always a challenge, but even with this proposed rate increase, CMP will still have among the lowest rates for any investor utility across all of New England. The investment need in Maine is significant. As in New York and Connecticut, our proposal strikes a balance between the need and customer affordability. The proposal includes a capital plan from 2023 through 2026 of almost $800 million with an additional $25 million to $30 million per year in capital trackers, predominantly for broadband make-ready and CCI telecom pole replacements that we are required to make.

Like New York and Connecticut, our capital plan is focused on addressing asset condition replacements and improving the reliability and resiliency of our system. We have already begun introducing more automated devices on our system such as reclosers, and to minimize the amount of time our customers are without power during an outage.

From a process standpoint, we expect to receive staff bench analysis and intervenor testimony in December followed by our rebuttal, and new rates are expected to be effective in August of next year.

Moving on to my last slide, I am excited to say our NECEC project to bring 1200 megawatts of clean hydro power from Quebec to New England continues to move forward. Recapping briefly, the clean energy project brings significant benefits to the area including a reduction in regional CO2 emissions from electricity generation of 3 million to 3.6 million metric tons annually. Other environmental benefits include establishing 50,000 acres of Maine land conservation. Financially the project drives increased employment and provides significant local property tax revenues across the route and $200 million in transmission network upgrades. Additional socioeconomic benefits to Maine residents include expanded fiber optic broadband availability, heat pump support, rate relief and low-income programs.

Three weeks ago we received a positive Maine Supreme Court decision as the retroactive application of the Maine referendum against the project was declared unconstitutional. The case is now remanded to the trial court. Central to the proceedings will be a determination of how much we have invested in good faith since receiving all permits to start construction. Next up is a court conference, next Monday on September 26. We are also awaiting a decision regarding the Bureau of Public Land Litigation involving a 0.9 mile land lease.

Construction has been on hold since November of 2021 and continues to be as we await the final court rulings. Importantly, all permits and approvals are still valid and the Maine DEP permit suspension is expected to be lifted upon court action.

Our next presenter is Jose Antonio Miranda, President and CEO of our Renewables business.

Jose Antonio Miranda

Thank you, Catherine. Good morning everyone. Thank you all for being here in this event today with us.

Let’s now have a closer look at our onshore renewable business, meaning onshore wind, solar, PV and battery storage. Before getting into detailed plans, please allow me to spend a moment to share with you the foundations it is based on.

We are the third largest renewable operator in the U.S. with a track record of around 20 years of operations. During this time, we have built a fleet of 8 gigawatts of wind which clearly make us the reference in the sector.

In the last years, we have entered also the solar space as the technology and the market evolved. We are becoming a relevant player and we will be reaching 800 megawatts of operational capacity by 2023, which currently have three projects under construction; each of the projects over 200 megawatts with all panels secured.

We have one of the largest development pipelines in the U.S. with 19 gigawatts of onshore projects located over 27 states. Our experience provides us with a deep understanding of the U.S. market and the local communities we operate in, allowing us to develop in the most competitive sites. Out of the 19 gigawatts, 5 gigawatts are very mature and ready to support our growth plans.

Our internal capabilities and expertise for energy management and operations allow us to expect the most of our operating fleet, that as I said before is the third largest in the U.S. With presence in eight markets we have a very well diversified risk balance portfolio with 85% of the production price covered, 70% via long-term PPAs, and the remaining 15% with hedges.

In this regard, our internal trading desk experienced team makes it possible for us to (inaudible) the move to the market opportunities, always based on a prudent approach and focused on helping to system reliability as the main principle. As we demonstrated, during the program with a (inaudible) event last year (inaudible).

This principle also drives us to optimize the maintenance of our assets. In the last years we have been able to consolidate the performance of our fleet at a level of over 97%, and we reduced 10% our operations and maintenance costs, significantly improving the levels from 2019, confirming us as a world-class operator.

All the above is supported by being part of the Iberdrola Group, the pioneer company of renewables and a worldwide leader in the electricity sector.

We are growth company by nature. We are 100% committed to profitable growth with a disciplined approach focused on value creation and committed to deliver to our customers. In the middle of a difficult supply chain environment, we have updated our growth plans in the 2020 to 2025 period to accommodate to this reality. The various unexpected market constraints caused by pandemic, new geopolitical environments, in addition to our quite restricting importing rules made challenging for the industry the delivery of the projects without facing some extra costs and delays. We are glad to remind and to highlight that despite all these macroenvironments we announced recently a COD of 201 megawatts project, Golden Hills, in Oregon state. We are in final construction and commissioning state in another two solar projects in Washington state and Oregon state, totaling another 405 megawatts.

For the upcoming years, as we are accompanied even by value creation, in order to maximize the value of our growth, we think that the momentum is right to plan for possible partnership structures where a partner could own up to 60% of the new assets to be incorporated into our fleet. This is nothing different to what we have done in the past, always very attentive and actively looking to create additional value by incorporating strategic partners. We see now a positive momentum due to the important appetite for growth and the limited availability of solid projects in the later state of development.

Based on this, our plan for 2023 to 2025 is to install 1.3 gigawatts of new capacity which, under the partnership structure, will equate to 700 megawatts of owned capacity. The projects planned for 2023 are already full contracted and in advanced construction. For 2024 and 2025, with 1 gigawatt of expected growth, we are already in advanced negotiations for 700 megawatts with different offtakers, and we see a lot of traction and appetite for PPAs.

We also see the market (inaudible) the new PPA prices needed to cover the increasing costs and interest rate hikes experienced by this industry and by many other industries.

We are prepared to keep growing at even an accelerated path beyond 2025. As I mentioned before, we have a very strong pipeline in development with competitiveness and value is now solidified by the support of and then stability that IRA brings to Renewables, which is unparalleled in our recent history as we never enjoyed a 10-year tax credit stable horizon in the past.

The bigger portion of the pipeline is made of solar, in line with the higher growth projections for solar in the market and the high demand we see from our customers. The increase in the tax credit levels, as well as the ability to select the best option between ITC or PTC provides excellent conditions to convert our solar pipeline into projects.

We are also incorporating storage in our pipeline, and we can confirm that we have already developed 1.5 gigawatt of pipeline of batteries and we will keep doing so in every single new development, bringing optionality and being ready to respond to our customers' needs.

Regarding wind, we are experts in operations as well as development, and we are excited to see the support that the IRA brings to wind by introducing tax credits when they were to expire before by 2025. We have a 3 gigawatt pipeline which we are already growing as a clear priority, and we are confident that no one else is better positioned than ourselves to do so.

With the PTC extension for wind, repowering opportunities are also becoming more attractive again and we have a very large fleet to possibly execute on the best ones. We are currently examining in detail the best options within our fleet to boost this value.

Again, being part of the Iberdrola Group position us to enjoy access to all the best technologies available and to continue ensuring that our pipeline is developed under the best-in-class standards.

To finalize this presentation, please allow me to share some long-term vision pillars that reinforce our positioning to maximize our value proposition and further accelerated growth beyond 2025.

As I said earlier, we are always looking for strategic partnerships to maximize the value of our business and we believe that in the current environment there are a lot of opportunities for it, and we will be attentive to them.

Also, I shared at the beginning of this presentation some important improvements have been obtained into the operation of our fleet in the last years, but this is a continuous improvement effort. We work every day with a focus on cost efficiency and our operations keep investing in innovation and digitization to solidify our world-class competitiveness in this field.

The development of the domestic supply chain is a great opportunity to cement the solid growth in the future, and IRA is granting an environment where we should see the domestic content grow, for the benefit not only of this country but the benefit of all the industry.

In a volatile environment with gas and energy prices at unprecedented levels in the last decade, our trading desk is always balancing the risks and looking to monetize all the opportunities that the market offers, fully attentive to that.

Finally, I'm also happy to announce that we are working very closely with CAISO to join the Energy Imbalance Market in WECC in the next year. This will consolidate even more our leadership in the northwest region and will allow us to continue reducing our costs and optimizing the integration of our assets, in particular for the whole system as well.

Last but not least, being part of the Iberdrola Group will surely allows us to tap into many differing opportunities. It is difficult to foresee all new technologies and opportunities that the future will bring to us, but it is easy to understand that being part of the Iberdrola Group will grant us privileged access to them by leveraging Iberdrola knowledge and capabilities.

Let me now go for offshore. Let's go now to devote some time to the offshore business.

As Pedro discussed, Avangrid aspires to become a leading sustainable company in the United States, and as part of that effort we are proud to pioneer the U.S. offshore wind industry with our first in the nation Vineyard Wind 1 project.

Avangrid has been at the forefront of the U.S. offshore wind industry from the start, having the vision of the untapped potential long before the U.S. market took its current shape. Guided by that first mover strategy, we acquired our entire portfolio of 6 gigawatts before the U.S. offshore wind matured, securing lease areas of exceptional quality with high windspeeds and access to premium markets at a fraction of the cost that you can see now in our current federal options.

Lease area 501 totaling more than 166,000 acres was acquired in 2015 for just over $150,000. As a point of comparison, in the recent New York Bight auction, lease area 539, 25% smaller, sold for $1.1 billion.

While we advance the construction of Vineyard 1 with our joint venture partner CIP, Avangrid is capitalizing on leases to take advantage with the development of our two other New England projects, Commonwealth Wind and Park City Wind, as a single 2 gigawatt project, the largest in the New England region.

As a proud part of Iberdrola Group, a leading offshore wind company with a global pipeline of 38.5 gigawatts, we are leveraging on their experience, synergies and supply chain network to drive efficiencies in our portfolio in U.S.

With that, I will hand it over to Sy Oytan, our Senior VP, Offshore Wind Projects. Thank you.

Sy Oytan

Thank you, Jose Antonio. Good morning everyone. My name is Sy Oytan. I am the Senior Vice President for Offshore Projects. Let's dive into the offshore projects in our portfolio.

The 806 megawatt Vineyard Wind 1 project is located 15 miles out of Martha's Vineyard and it will utilize 62 units of GE Haliade-X wind turbines. The project of 20 year PPAs with Massachusetts electric distribution companies. Each turbine has 13-megawatt capacity and the project has received all federal, state and local permits. The project also achieved financial close in 2021 and its Capex remains the same as planned at the moment.

Leveraging some of the strongest wind resources in the United States, the project short-term payback with levered IRRs in the low teens for this project. Vineyard Wind 1's levelized PPA price exceeds the levelized cost of energy, which is a basic indicator of financial viability.

Additionally, the project closed supply chain contracts with market-leading partners last year, insulating the project from the current volatility in the global market. Notices to Proceed have been issued to contractors and suppliers, and as of now the components are being produced. Onshore construction began last year and towards the end of the year we will begin the offshore cable installation as well.

Looking ahead to the next year, we will begin installation of the foundations, which consists of the monopiles which we will pile into the seabed and on top of those the transition pieces, then the wind turbines, offshore substation and lay cables.

We are projecting delivering first power to the grid late 2023, achieving commercial operation in 2024. Las month, we announced that Avangrid will lead the operations and maintenance of the project, tapping into Iberdrola's global expertise to become the first offshore O&M operator in the U.S.

Vineyard Wind 1 is a turning point moment for the U.S. and launches a brand new American clean energy industry that will create thousands of jobs, improve our energy security and help address our climate emergency.

Moving on to Park City Wind and Commonwealth Wind projects, the experience we have gained through the development of Vineyard Wind 1 has informed our approach a we move forward with the development these two projects. Commonwealth Wind will provide 1,232 megawatts to Massachusetts, while Park City Wind will deliver 804 megawatts to Connecticut. However, we will build both projects as a single (inaudible) project. This will allow us to benefit from significant synergies by having a single project team to design, permit and manage, a single procurement that can leverage the benefits of economies of scale, and a single construction and installation campaign that will minimize the number of mobilizations and ensure efficiency in installation.

While we have the team, experience and global network in place to build these projects successfully, we are not insulated from the significant challenges facing all infrastructure projects in the U.S. and globally. These include inflation and higher interest rates, supply chain shortages, problems with resources and escalation of the commodity prices, unfortunately.

As both Park City and Commonwealth Wind were bid at a time of 40 years of inflation stability, we are working hard to examine every opportunity to improve the business case of both projects. One key step we are announcing today is a one-year extension of the commercial operation dates of Park City Wind and Commonwealth Wind to 2027 and 2028, respectively. This extension, which is provided for in our contracts, positions Avangrid to take advantage of critical advancements in wind turbine technology, including turbines capable of producing between 17 to 20 megawatts. When you compare this with Vineyard Wind 1, which is at the cutting edge today, the turbines that will go into the water are 13 megawatt capacity.

Additionally, we are exploring whether the project can benefit from an additional tax credit for domestic content contained in the Inflation Reduction Act. Preparing to request a modest PPA adjustment with Massachusetts and Connecticut officials to reflect the current economic realities, assessing the potential for hedging to lock in the most favorable exchange rate possible, and exploring the establishment of partnerships on the projects to share the investment requirements.

We are confident that we can create additional project value and improved economics as we move forward with the development of these transformational projects.

Looking further south of New England, our Kitty Hawk Wind project offers tremendous opportunity for Virginia, North Carolina and the rest of the mid-Atlantic region. With continued advancements in wind turbine technology, we are now projecting the Kitty Hawk Wind lease area has the potential to produce not 2.5 but 3.5 gigawatts of clean, reliable power to the region. The project is in advanced stages of permitting with our federal permits for Kitty Hawk North submitted in December 2020, and Kitty Hawk South submitted this past April.

I'd like to also elaborate on the high quality of this lease area. The project represents the best value of any offshore lease in the region, much like the lease area 541 where Vineyard Wind 1 is located. Avangrid had the vision to enter this market before the U.S. offshore wind boom and we secured the Kitty Hawk lease area totaling more than 122,000 acres for only $9 million in 2017. In comparison, recently the two lease areas auctioned by BOEM this past May each being approximately 55,000 acres, were leased for $155 million and $160 million, respectively. With greater wind speeds, significantly greater capacity and a lower cost of lease acquisition, Kitty Hawk Wind offers the most compelling offshore wind project deal in the region, and the project is currently exploring various pathways to markets in the region.

With that, I will hand over Patricia Cosgel, our Chief Financial Officer.

Patricia Cosgel

Good morning everyone. Thank you for joining us today.

The strategies that we've developed for our businesses form the basis of our long-term financial outlook and our funding strategies, which we'll be presenting to you today. Starting in 2022, we are firming our guidance today for 2022 of $2.20 to $2.38 a share, and we're using the midpoint of this guidance range of $2.29 to serve as the basis of our long-term compound annual growth rate of a CAGR through 2025 of 6% to 7%. At the midpoint of that CAGR, that's about $1.2 billion in 2025.

The core of this growth, as we have discussed today, is our Networks business where we have conservatively not updated our Capex and ROE assumptions compared to what we made in the recent filings in the various states that we operate in. We do believe that those are well supported and necessary filings, but those rate proceedings are still in the very early stage and they have not been finalized.

For assumptions in our outlook, we assumed capital spending at our historical levels as we have—Pedro had discussed before, and we also assumed ROEs on average across the plan around our current levels of ROEs except for New York where there is a recent regulatory decision for another utility.

We are committed to our PNM and NECEC transactions and they are included in our plan; PNM starting in mid 2023 and NECEC which is expected to start construction in 2023.

Since we are commonly asked for contributions for certain of our key projects, we wanted to provide you today with some highlights. Our NECEC transmission project we expect net income of approximately $25 million in its first year of operations in 2025. That's at the project level, but it's also important to know at the Avangrid level it's offset in the first year by the debt that we are acquiring to fund the capital contribution into that project. But that project has an escalating PPA with a 2% annual adjustment and we have amortizing debt costs so the trajectory of earnings is positive as we go year-to-year.

For our Vineyard Wind joint venture project, we are expected to generate earnings attributable to Avangrid of about $70 million in its first year of operations in 2025, which is largely impacted by the investment tax credit that it receives in the early years.

Our long-term outlook assumes onshore renewable partnerships of 40% to 60%, as we have discussed today, and we have assumed net income of approximately—pre-tax net income of approximately $15 million in 2024 and 2025 each for those project partnerships.

The other assumption in our model includes the sale of our portion of our Kitty Hawk lease area in 2023, and as Sy noted, because of the recent Carolina lease auctions and the superior quality of our lease area, we expect a pre-tax earnings benefit in the range of $100 million-plus for that sale in ’23.

Finally, we have extended the timelines for our Park City and Commonwealth Wind projects by one year so the capital spending the economics of those projects are actually beyond the 2025 period that’s in our long-term outlook.

Importantly, while not included in the outlook we are seeking partnerships for these projects as a key strategic initiative. We are also assuming, importantly, that we will be issuing $1.9 billion of equity in 2024 in this project, which compares to the $2 billion of equity that we announced with our 2020 long-term outlook, and it’s also not necessary with—only necessary with the closing of the PNM transaction.

Finally, we’ve also identified but are not including in the outlook opportunities for additional partnerships and sale opportunities. These are what we’ve talked about; Pedro mentioned earlier of over $2 billion that could defray our funding needs entirely, the $1.9 billion, but balanced with maintaining our strong credit metrics.

Moving to the next slide, we wanted to highlight the high percentage of Networks adjusted net income in our overall business mix, and by the time we reach 2025 that mix will increase to over 80% Networks.

We also wanted to identify some of the key sensitivities in our business mix, which as you would expect include distribution and transmission ROEs and changes in rate base. Because we’ve been conservative there are some potentials if we are able to get additional allowed ROEs or additional investments approved in our rate cases.

In Renewables, we have sensitivities for merchant prices and net capacity factor, and we also included an interest rate assumption sensitivity.

Over the next three years in our long-term outlook our growth will reflect a disciplined capital investment plan of about $10 billion. Networks Capex explains about 80% of our Capex in 2023 through 2025 where we will spend $8 billion including our estimates of ongoing Capex for PNM, advanced meter infrastructure, grid resiliency and other distribution and transmission capital spending to support reliability, resiliency and delivery of renewable energy. We’ve also assumed approximately $675 million of Capex for our NECEC project.

As I noted, our Networks Capex assumptions are conservative. On average, our Capex assumptions are approximately in line with our historical spend and additional approved capital from the rate cases that we’ve filed will provide incremental investment opportunities while addressing important customer needs and state policy objectives.

On Onshore Renewables, we will spend approximately $200 million per year with our planned partnership growth initiatives, and on Offshore Renewables we will spend over $1.2 billion for our portion of the Capex for the Vineyard Wind 1 project after removing transaction costs and other fees and approximately $1.4 billion of tax equity.

An important part of our capital plan and our financial performance is related to our Networks business where our investments and our acquisition of PNM Resources will increase our rate base from 2022 to 2025 by $9 billion to $22 billion, a 19% CAGR.

For a breakdown, the Avangrid investments will increase the rate base by $3 billion or 22% from 2022, which is a 7% CAGR, and PNM will add approximately $6 billion.

NECEC, a separate subsidiary of Networks and not part of any of our regulated utilities rate base will add $1.4 billion of assets, representing the $1.2 billion of Capex that we had previously announced, plus capitalized AFUDC.

Turning to our Renewables business, over the next three years we expect to grow in a disciplined manner, further diversifying by making investments in onshore wind, solar and offshore wind. We expect to increase installed capacity by 1.1 gigawatts from 2023 to 2025, which include 100% of a solar project with approximately 240 megawatts of installed capacity in 2023, and that's where we have an existing PPA. It also includes 403 megawatts of offshore wind in 2024, which is our 50% ownership of the 806 megawatt Vineyard Wind project, and an additional 418 megawatts which is our 40% of the approximately 1 gigawatt of onshore wind and solar projects we are developing with the 40/60 partnership structure in 2024 and 2025.

Next we look at our key risks and mitigations.

As part of the process of developing our long-term outlook and our funding strategies, and as you've heard today from our businesses, execution is a priority for us. This requires ongoing management of our risks by monitoring our environment, planning and preparing, engaging our stakeholders and communicating, and doing the continuously as key risks continue to evolve over time.

Some of the key risk mitigations that we highlight on this page include rate cases, which we need to address via capital needs and the costs of running our businesses and providing safe and reliable services: PDAs that reimburse for curtailment impacts that we have seen increasingly impact our businesses; PPA contracts and hedges on our renewable projects; supply chain risk mitigation by locking in contracts at the time of negotiation; renegotiating existing contracts to address current market pressures; the procurement of our onshore supply for our 2022 and 2023 projects; and the cost mitigation with cost escalators in contracts and regulatory adjustment mechanisms in our utilities.

Our next slide is our strategy for financing in the long-term outlook period. We are focused on balancing our expected earnings and our cash flow along with the various financing options that we have, our access to liquidity and our focus on our investment grade credit ratings. We will continue to finance costs effectively with our access to diverse funding sources, including green financing. In fact, we are currently ranked the third largest green social and sustainability bond issuer among utilities in the U.S., and ninth overall across all sectors. That's with our $2.9 billion of green bonds that we've already placed.

Our diverse funding resources also include tax equity and some project financing in our plan for our Renewables projects including offshore.

Last year, we closed on $2.3 billion construction and term loan financing for our Vineyard Wind 1 project and we recently executed final terms and conditions on $1.4 billion of tax equity financing for that project.

We also have opportunities in the long-term outlook to generate value through Renewable assets sales and project partnerships, which we have mentioned today. These will raise approximately $150 million to $160 million during the long-term outlook period that will strengthen our balance sheet and/or reduce or eliminate equity needs. And as we have announced, in our outlook we expect to issue $1.9 billion of equity in 2024 and we are evaluating other funding opportunities outside of the outlook such as additional divestitures and partnerships.

Finally, we also, with the Inflation Reduction Act, and as Pedro mentioned, we have the opportunity to look at the benefits of the transferability options because we have some existing tax credits that are not part of any tax equity structures; that's approximately about $100 million of tax credits at this moment.

Moving on to the next slide, which is our Sources and Uses of Funds, we wanted to start with 2021 and 2022 because we had a big capital raise there, and to show you what we did with those funds. We had cash beginning the period, we had cash from operations, and we had the equity raise of $4 billion. That was used to repay an intercompany bridge loan from our parent company of $3 billion, $3.3 billion, and also to fund the Capex during that period and our dividends.

Moving on to 2023 to 2025, we expect to generate or raise approximately $17 billion from a combination of cash from operations predominantly, as well as debt and $1.9 billion of equity that I mentioned, which will fund the PNM acquisition, our $10 billion capital investment program and our dividends.

Our credit ratings are very important to us. With our predominantly regulated business mix, access to multiple sources of funding, strong liquidity profile and the backing of our parent, we are committed to maintaining solid investment grade ratings, both at Avangrid and each of the utilities.

In our long-term outlook, we plan to continue to maintain metrics within our current rating thresholds, and we show on this slide where we expect to be around in 2025, which is consistent to what our historical ratios would have been prior to our equity raise, and also to point out without the PNM transaction those ratios are actually even stronger at about an 18% threshold and the cash flow metrics.

We also again highlight, though, with these additional incremental opportunities that exceed $2 billion for asset sales and divestitures, these could be used to help to strength our balance sheet and improve our credit metrics.

Finally, we have strong liquidity to help provide financing flexibility to our plan. We currently have liquidity facilities totaling $4.5 billion, plus we have a $4.3 billion Iberdrola commitment letter for the funding of our PNM Resources transaction. And we have executed agreements for $575 million of utility debt financing that will fund later in the year. We will also consider additional liquidity once the PNM transaction closes.

Our financing outlook assumes that we maintain our existing dividend of $1.76 per share through 2025 and a targeted payout ratio of 65% to 75% payout over time, subject to our Board’s approval.

In summary, we will remain focused on efficiently funding our disciplined growth strategy; managing risks, especially keeping in mind the challenging macro environment for us and for our customers; maintaining access to liquidity; and focusing on our investment grade credit ratings.

With that, I’m going to turn it over to Pedro for closing remarks.

Pedro Azagra

Thank you very much all of you for presenting in the team. Just three or four messages. The first one is we think we are presenting a prudent growth. I think when you see our file rate cases (inaudible) to what we have in the base case, so we need to make sure that (inaudible) what we’re presenting right now, but I think we want to be prudent and present a growth that we are comfortable to deliver.

The second comment that I’d like to make is you’ve seen our prudent social and financial approach. I think we are commenting on this $2 billion-plus asset rotation. I think if that happens, clearly the capital increase will materially be reduced or even will not happen. I think I’m also comfortable we need to work there.

Finally, you know, quarter by quarter. I think our objective is to deliver, so we’re going to go quarter-by-quarter, year-by-year to make sure you know that that’s what you believe in us.

One last comment from me is the sum of the parts. I think when I see transactions going on right now in renewable front, I think when I see some multiples in Network companies, when I see valuations for the pipelines in offshore and onshore and solar, I have the feeling that we are very comfortable right now with big gap, and that's why some of the transactions are going to be to make sure that that value that we are missing in the sum of the parts is there, because I think we have a material (inaudible) to improve the value we have right now.

Thank you to the team. Thank you to all for coming. We're going to do a small break now and then we'll move into Q&A. Thank you very much.

(Intermission)

Alvaro Ortega

Now, we're going to begin with a Q&A. There are a couple of microphones around the room, so just raise your hand if you want to ask a question, and we will hand it over.

Insoo Kim

Hi. Insoo Kim, Goldman Sachs. Just first question, trying to—thank you for all the details, and it definitely gives us a good sense. But I was trying to, I guess, dissect it a little bit on the growth side of things for EPS and rate base. Just without PNM because it's still pending, or we'll see what happens with that. Just based on the contributions from the Networks business as it is and the renewable portfolio, how do you see that EPS growth trajectory?

What I mean by that is, I guess, 7% rate base growth of Networks with some upside because that does include the rate on your rate case filings. But seems like the 6% to 7% includes everything kind of going as planned. So, trying to reconcile that difference, and if you have more color on what the base case growth would be without PNM.

Pedro Azagra

I think if I can answer that question. I think if we were not to do PNM, I think probably we're at the bottom of the range. But I think what we should think about as well is our expectation on the rate cases, okay? Let me give you one example. You have CLCPA. Those are the climate-related investments in New York. We are assuming zero, okay? And that's an obligation. So, I think something should come from there.

Second comment is if we go to that, worst-case scenario PNM is not happening. I think we have a track record of doing probably more than 120 transactions in the last 20 years in the Group, but I have the feeling we'll find projects and potentially opportunities to be put on the table. I think we're a group probably with a track record of putting projects and projects on the table.

I think our base case right now is that we have a change in the public commission as you know, as of January 1. I think we are working very well, and I will recommend to all of you to read the Supreme Court's filings. I think if you read them, probably you will realize that we have, we believe, a very strong legal position in New Mexico.

Again, we don't comment on some opponents we have. Comments. I think we just focus on the legal procedure. We feel we have a very strong case. So, our base case is that it should happen.

Remember, we have a track record of doing many, many deals in the U.S., probably more than any other utility. Again, we reached an agreement with 23 out of 24 parties in New Mexico, which is not easy, and we still didn't get it through the first time. You've seen many other decisions in the public commission in New Mexico in a certain direction. Again, it's not our problem. I think we just want to make sure that we get it approved. We think we have a strong legal case. So, our base case is we should keep PNM.

Insoo Kim

Just to clarify, when you say bottom end of the range without PNM, that means the 6%?

Pedro Azagra

It will go to 6%. Yes, we will go there. But again, then we will not need the capital increase that we have put into the model. Then probably we will have $1 billion excess capacity from the previous capital increase we did last year, so I think that will be the moment then to put other projects on the table. So, I'm assuming that without doing anything else. I have the feeling that between now and '25, we'll be able to do other things as well.

Insoo Kim

And then just my second question. On offshore wind, I know you've had partnerships before with Vineyard Wind. It seems like now with the Kitty Hawk, potential lease sale and looking for partnerships in Park City and Commonwealth. I guess, to me, it seems like a little bit of a shift in strategy, just given offshore wind was more of the core renewable driver for AVANGRID over the past few years. What factors led to making these potential moves in the future?

Pedro Azagra

I want to answer that one as well. We're very consistent with the last 20 years that we have done at the group level. I think I mentioned East of Anglia, I mentioned Wikinger, and those are two of our three existing operational assets, and we already have partners in two of them. The first one, we already had it since the beginning with (inaudible) in west—WODS.

But I think in the case of the U.S., you know us, we have so many opportunities. There is a moment we need to have financial discipline. So, this is about sharing the amount of investments we have on the table. I think we're very comfortable with the projects. I think as Sy mentioned, in the case of Vineyard, everything on track. We're very happy there. We already have a partner with CIP.

I think when we look at the other two projects, you see the world. Commodity price is going up 50%, 100%. As you can imagine, we need to put on the table some changes, because otherwise, the numbers do not work. Those changes are very modest as opposed to going ahead now with those projects again. We feel comfortable that in the turbine negotiations we're doing in the interconnection's optimization, putting the two projects together in order to get synergies, and discussing with the public commissions and the distribution companies, some additional help, I think we should be able to put it on the right track.

Again, I think we are now moving one year later the COD. Again, why? Because we are not past this mess that we have in the world right now. So, this is not the moment to contract certain things and delays on certain decisions. But I think the up to 50% partnership, we have done it all over the group. It's a financial discipline. We don't have enough resources to do everything we have on the table.

But it doesn't change anything. We're not exiting any business. We are very comfortable there. We think we were first movers which is what we have done most of the times in many things. I think when we see

PNM transactions, normally people say it was a very low multiple paid, that is years of relationships and years of seen the future together with many other utilities. Same thing in our agreement with CIP that I renegotiated. As you know, it was almost no money being paid compared to other transactions. Same thing in Europe with Vattenfall. I think the partnership approach with these so big projects I think is needed from a financial point of view, but nothing that we haven't done in the group.

Male Speaker

Thank you. All right. Good morning to you, and thank you, Pedro. Well done. Maybe if I can just come back in the vein of thank you for everything thus far and perhaps asking for more as we are known to do. Why not provide a longer-term outlook vis-a-vis some of the offshore dynamics here, right? Thinking about 2027, 2028, how do you think about the earnings contributions eventually from offshore as they step up here and how that would impact the longer-term outlook? I know you just gave a little bit of a sensitivity about some of the puts and takes here, but how do you think about some of the offshore upside eventually?

Maybe to that point, if I can, if I flip to Slide 59, there's a five-year ITC contribution from Vineyard. Can you talk a little bit more quantitatively about what the offshore contribution you're disclosing there is and especially post-ITC?

Pedro Azagra

I'll answer the first one, and then, Patricia or Sy, if you want to comment on the second one.

I think the first one—I agree with you. I think when we decided what percent we had the doubt of whether going to 2030, and then show the full thing. Our experience has been in recent years that I remember doing a five-year plan, and then people saying, “Well, you're announcing five years because you're not going to deliver the first year, so we'll sell you and come back to you two years later.” Oh, no, no, we didn't say that.

I think in this case you see the world right now, very few companies are even going beyond one year. I think we thought giving three years is to give comfort that we are very comfortable on where we are. I think when we start moving into ’26 to ’30, then with existing rate cases we will have to put there new rate cases, which are not there, so we think it will be challenging to put it there.

I think in offshore, I agree. We have moved especially to projects one year. Basically, to avoid this way because we have to put on the table some things now and get it done. So, I think for me, the 2026 ambition, I think that shows the terminal value, okay?

When you see the sum of the parts, I'd love to use the clear way multiples for our onshore business. I think you have now probably many, many dollars ahead in our valuation. That's why we're going to show value creation. Some of our utilities, this feeling about we are in the wrong place. No, we're doing very well in those jurisdictions. So, let's get recognition for that. I think that's what my terminal value is also an additional value there because we're going in the right direction.

It was more prudent way of saying let's put three years, that very few people dare to go three years. But again, I'm very comfortable to go to 2030.

Patricia Cosgel

Yes, and just on the Vineyard Wind trajectory that we kind of have in the back, and as I mentioned today, the first full operations is—the contribution to AVANGRID is about $70 million on a net income basis. You can see from the graph, it's around that amount for about the first five years, and that's heavily influenced by the investment tax credit because we are doing a tax equity there, and that's the five-year recapture period.

We wanted to highlight that because there is that big step-up with the ITC. We haven't provided, and we're not going to do one-off information that goes out beyond five years in our long-term outlook. But we'll continue to update you as it becomes more closer to those time periods, it becomes more and more relevant.

I think in terms of looking at the other offshore projects, not necessarily going to look exactly the same because now we have some things to consider with the Inflation Reduction Act. There's some evaluation of maybe the transferability of credits and comparing that to the ITC. Even onshore, we have some of those comparisons to make ITC versus PTC, and what's the most economically viable. And as we're looking for partners, kind of what works for the partnership structure as well.

So, you need more to be to determine there, especially as we wait for and we get more guidance from the IRS on that.

Male Speaker

Got it. Actually, did you just allude to transferability and domestic contents or just the transferability as being part of that?

Patricia Cosgel

I didn't mention domestic content, but domestic content is another thing that we need to look at, including for offshore wind as well, because that's something we're definitely taking a look at for both the Park City and Commonwealth Wind projects. Again, the details will need to be provided with the guidance.

Male Speaker

Sorry, Patricia, super quick on asset sales. You talked about it at length. What's sort of assumed in the outlook versus what's the incremental? Clearly, you guys are looking to offset a good chunk of this equity, but the question is how much is already there?

Patricia Cosgel

What's in the outlook through 2025 are the 40% to 60% partnerships for our onshore Renewables assets. That's about in 2024 and 2025, pretax about $15 million in each year. So, it's not significant. But the other thing would be the Kitty Hawk sale, and that's a pretax about $100 million in 2023.

Male Speaker

All right. Both of those are in there and then…

Patricia Cosgel

Yes, and then the $2 billion-plus is over and above and the opportunity.

Male Speaker

Excellent. Thank you for that.

Pedro Azagra

The local content, which is important for offshore. Let's keep in mind, local content means more expensive. That's why there are things we're analyzing because it's good news. But if you move to local content, it may be more expensive, so that's why you need to trade it off. I think we have some time to work on that.

Paul Fremont

Thank you very much. Paul Fremont with Mizuho. It looks like Vineyard is $49.50 per kW. Is there sort of any update that you can give us on Park City and Commonwealth in terms of cost to construct?

Pedro Azagra

I don't know, Sy, if you want to comment? But I think in terms of Park City and Commonwealth, we are negotiating the turbines, great news of additional capacity, bigger turbines. So, one of the optimization we're working on, but we still haven't finished. So, we don't have it right now. But if you want to comment?

Sy Oytan

Sure. $49.50, you mean dollar per watt, right?

Paul Fremont

Per kW of capacity.

Sy Oytan

Okay, for kW. We project those two projects would be lower due to economies of scale. I mean, we can't pronounce any figures right now, but when you think about the economies of scale, one project is 800 megawatts, Vineyard Wind 1. The other two projects, 2 gigawatts. There's significant economies of scale and synergies that we're trying to tap into. Logically, it should be lower.

Jose Antonio Miranda

Maybe, also, I should add, as Pedro commented before, it will depend also on the domestic content. Finally, if we go for it or not, and that could add some additional cost into the figures. So, depending on domestic countries as well.

Sy Oytan

Yes, exactly. I compared basically the same supply chain as Vineyard Wind 1. If we go to a U.S.-based supply chain, it will be higher, but we need to quantify the ITC benefit in the Inflation Reduction Act based on that.

Paul Fremont

In terms of Capex, how much Capex for the two other—for Park City and Commonwealth are included through '25? Or is most of the Capex that you would do because you're pushing out the commercial operation date, is most of that Capex...

Pedro Azagra

Most of the Capex should be down in '25. There's almost no Capex between now and ’25.

Paul Fremont

So, it's beyond ’25?

Pedro Azagra

It’s beyond. Yes.

Paul Fremont

Okay. That makes a lot of sense. Also, you're including, I think, NECEC in your ’23 through ’26 earnings. Is it also included in your Capex numbers for the be $8.6 billion for AVANGRID stand-alone?

Patricia Cosgel

Yes, that’s $675 million Capex in that period.

Paul Fremont

Of incremental Capex, right?

Patricia Cosgel

Right.

Pedro Azagra

Correct. Almost $0.5 billion invested already.

Patricia Cosgel

Yes.

Paul Fremont

Right. That’s it. I think that’s it.

Pedro Azagra

(Inaudible). Right next to you.

Steve Fleishman

Thank you. Steve Fleishman at Wolfe. A couple of questions. Just first on the asset sale assumptions. One of the other things that's in the plan is that partnerships for the offshore wind in terms of—is there any gain or benefit assumed in the numbers from that or too unknown at this point?

Patricia Cosgel

Right.

Steve Fleishman

Okay.

Patricia Cosgel

Correct. We're assuming we're looking at it and will be done, but we don't have anything in the plan.

Steve Fleishman

Okay. One thing you mentioned on Park City and Commonwealth Wind among the things you're reviewing for the economics is contract renegotiation. Could you talk about that and how critical is that to move forward with those projects?

Pedro Azagra

I think three months ago, we took the conclusion there are some changes in commodity prices, etc. So, we put a team together. I think, Sy, would you comment on some of the examples of the work streams that we have right now so you see how we do these projects.

Sy Oytan

Yes. Happy to. PPA renegotiation or modest negotiation is not the only tool that we are working on. There are synergies, economies of scale, grid improvements. Basically, using the same team for permitting and developing the project and all kinds of engineering optimizations are being worked on at the moment, and also the impacts of Inflation Reduction Act.

So, PPA-related negotiations with the authorities is just one of the six or seven tools that we have, and we already kicked this off. Honestly, in my personal opinion, every offshore wind developers will try to do that in the U.S. because at the time of bidding, the conditions were extremely different compared to now.

Pedro Azagra

I think if you compare the projects in the U.S. with other projects in the U.S., when you win a PPA, you don't have everything approved. So, now you need to move into the permitting processes, which is one of the things I think we've been working with at least with BOEM, DoE, Secretary of Commerce. Basically, the permitting process in the U.S. is a little bit the other way around.

I think in Europe, when you win an auction, you have all the permits. So, you start building the following day. I think that's why you get these PPAs, you have an agreement, but if the world changes and you have the steel prices going up 100%, you need to say, "Hey, it's not going to work based on my assumption." It's not the case for us like that.

But I'm going to give you one example, not just the revenues that potentially we may need in addition, which is the turbines. If we are moving now to turbines of probably even 20 megawatts, that basically means we're going to have additional space in the current leases for an additional project. That's a huge value creation. That's exactly what we're looking into right now.

This is not just about going and say, "Hey, I need the room that we have in the legal PPA. I need that." No, that will be a portion of that, but there are many other things we're doing. I think we're getting probably synergies and efficiencies in three or four or five items already, but there's still many more to come. So, it's a full negotiation and optimization of everything.

Steve Fleishman

Just to close the loop on that, Vineyard Wind is not subject to these pressures just because everything was locked up or is there any risk that, that also is...

Pedro Azagra

We always have contingency, a cushion. I think right now we have enough cushion for anything that may happen because these are projects with, as you know, involving billions and billions. I think right now, we are very comfortable. We are on track with everything we've done.

Steve Fleishman

Okay. One last question, different topic. Could you just go through on the PNM merger or kind of where things stand? What are the key things to watch from here? If you don't win in the courts, how does that progress?

Pedro Azagra

Okay. PNM I think is quite simple. We filed, as you know, and three or four other parties in support as well in the Supreme Court. Basically, been in disagreement with the decision of the public commission and many things that happened during the process. We thought it was not in accordance with law. I think we filed briefs. I think there were reply briefs. Maybe I'm not using the right legal word, but those filings that you do and answer.

I think the next step is going to be the oral hearing. We don't know when it will happen. The Supreme Court is not a schedule established, but we hope it is in the upcoming months. I think in those oral hearings, we expect to get questions to see how we are asked, and the other parties are asked. I think based on that, just wait for a decision. So, I think you've seen several decisions already in Supreme Court in relation to with public commission decisions in New Mexico.

I think the next step will be—there is a new public commission being appointed on January 1. There is a committee right now created. They will have to propose to the governors a list of commissioners and there will be three new commissioners, and they will join on January 1. I think that's probably the summary.

I think our expectation will be to wait to see in the hearing where do we see the judges' questions going. Based on that, next year when the public commission comes, it's analyzing potential settlement, potential renegotiation I think that will be it, but we need to be subject to how the hearings go with Supreme Court.

Steve Fleishman

Thank you.

David Frank

Hi. David Frank with Walleye Capital. I had two questions. One on the equity and the asset sales because you have $2 billion that you've potentially earmarked of additional sales. Is the thought that those sales would be—if they take place, would be used to reduce required equity? What role, if any, do you envision your two largest shareholders playing in an equity issuance if that is to come to fruition? And then I had a question on PNM also.

Pedro Azagra

The answer in the first one is yes. I think we don't want to say that there will be no capital increase. I think we're going to focus in the base case, assuming they already announced capital increase. This is not a new capital increase you will already announce before. But I think we have taken the decision to review our portfolio as we have done in the group many times, almost every strategic plan. I think we are identifying at least no less than $2 billion of potential sales. I think when those happen, if those happen, then the impact will be less capital increase or not at all.

The two shareholders. I mean, I think we have the (inaudible) investment authority here present. I think they invested, as you know, last year. I think, Iberdrola, they also invested more than $3 billion last year when we did the first capital increase. I think when the time comes, we will see who comes. But probably the most important thing is the first comment. I think we're going to be very committed to that as a review and then try to put on the table $2 billion-plus asset sales.

David Frank

Great. Just my other question on PNM. You're not assuming any renewable conversion Capex are you in your forecast of growth? In other words, PNM has to convert their fossil fleet, and there's going to be a lot of renewables constructed in New Mexico. Or do you have any assumption for that? If not, could you talk about what the potential could be for Renewables in New Mexico in terms of megawatts of investment or something?

Pedro Azagra

I think in the Capex that we are assuming for PNM is the one that they gave us. As you know, they have the two coal power plants being shut down, and basically, they have to replace that. Probably the most important thing for PNM is they have to spend, I don't know how much, it's probably a couple of billions. I'm speaking by heart right now, but in infrastructure. So, probably the rate case to get that back that was delayed because of the merger is probably the most important thing.

I think we're very committed to New Mexico. I think we're working with the Navajos. We're working with an oil company. We're analyzing hydrogen opportunities from renewable opportunities. So, it seems to me that probably more than PNM is the new company. But we are very keen on that transition that you mentioned in New Mexico. Remember, we already have invested almost $0.5 billion in Renewables in New Mexico? It's not out of radar to analyze that. Nothing like that is put into the model right now, okay? That will be in addition.

David Arcaro

Hi. Dave Arcaro from Morgan Stanley. I was wondering if you could talk about the repowering opportunity. We've got a long-term now visibility into the tax credits for wind and you've got a big installed base of wind with some of which that have PTCs that have expired. How do you think about the repowering opportunity for the existing fleet?

Sy Oytan

Yes. Thank you for the question. If we look back in the previous years, you see that many repowerings were done when the 60% PTC was up, so now we have 100% PTC. After some years, they went by and the fleet is more depreciated. Logically, the opportunities for repowering are increasing, as you say. So, what we have is a very large fleet, 8 gigawatts, and we will check for every opportunity we see that is right in order to maximize the value. I think it's fair to say in general terms that the opportunities for repowering are increasing.

Pedro Azagra

Okay. I can add. Repowering, hydrogen, and battery storage, so from that point of view, it's being reviewed—everything right now, and in Networks as well, so not only in renewals.

David Arcaro

Got it. That makes sense. Then just following up on the partnerships in offshore wind projects, wondering what timing might make sense strategically. Would that be before the projects come online, bringing somebody before construction and to help finance? Or would this be after they're de-risked and bring somebody in on the back end?

Pedro Azagra

Because we're moving the projects in the model and in the base case beyond ’25, it really doesn't affect at all, so it's probably more from an optimization point of view. I think if we were to get a partner right now, we will get probably lease payments as you see happening right now. I think if we wait to have everything tied up, probably it's a different premium, because you already know everything that is going to happen, so it's going to be probably an optionality. Let's see, the partners when they want to join and what is the most interesting value proposition, so we have time to take our decision.

David Arcaro

Thank you.

Richard Sunderland

Hi. Rich Sunderland, J.P. Morgan. On NECEC, could you just speak a little bit more to the path forward in terms of what you need to evaluate from a construction standpoint, where those stand, and permanent financing. All those considerations, both to restarting construction, and then putting the project in service?

Patricia Cosgel

Sure. As Pedro already said, we've already spent about $500 million on the project, so there's a significant amount of work that's already been done. We're projecting another over $600 million, $700 million to complete the project. We have contracts in place already for all of the major items as well as for work to complete those items.

Those contracts were put on hold when the referendum was passed last November, and so we're now in the process with the Supreme Court ruling to start gearing back up again and touching base with all of those vendors and contractors to restart construction. We would anticipate that construction would restart in 2023.

Again, we're waiting for that final kind of court process to go through where we have a hearing with the trial court judge on Monday, and then the additional Supreme Court decision on the lease component which we're anticipating at any point.

We're just at this point, as I said, restarting the conversations with our vendors in the contracts we have in place and to start that construction again. Our construction right now, the contracts that we have with the electric distribution companies have an estimated or have a contractual completion date by August of 2025. We've got that date out there, but we'll continue in conversations with both the EDCs on our construction schedule as well as with our partners in Hydro-Quebec as well as with all the vendors.

Richard Sunderland

Thank you. Circling to the onshore portfolio, I'm curious how you think about the interplay between the capital going to PNM, and if PNM doesn't come to fruition versus the backlog and the ability to deploy more capital on the onshore portfolio. Would you look to advance more of those projects on a faster basis, revisit the 40-60 partnership, or would nothing change at all?

Sy Oytan

Yes. Well, first of all, we have to say that in, specifically, in New Mexico, we have an important mutual (phon) pipeline to develop in the future, right? The growth in the onshore will be, of course, determined for the value creation as well as the partnerships. It's going to be our guiding star. Depending on how we see that the value is going to be created by either having a partner at a different rate or not, we will select the right choice.

Pedro Azagra

I think in terms of accelerating, we don't make it subject to PNM. We always accelerate as much as we can everything.

Richard Sunderland

Effectively, there's no capital constraint as you see the ability to execute on the onshore side, and I guess really what I'm getting at is what's changed in your thinking in terms of the partnership structure versus 100% ownership previously?

Pedro Azagra

I think exactly the 40%, 60% we're proposing is because we think we cannot do everything, so that's why for this period, okay? You know that we have the huge offshore investment, huge rate cases capital expenditure coming, so we needed to say we're (inaudible). That doesn't mean we're not going to develop. We'll continue to develop. I'm sure you know we'll come back with some assets being sold, build (phon) on the 40-60 we're proposing. I have the feeling we're going to do so as soon as possible.

If we continue developing, then we'll continue selling, but we will continue getting partnerships. So, this will not stop. But I think it's prudent to tell you that the 700 megawatts that I think we're putting in the model is to be prudent. Beyond that, more to come.

Richard Sunderland

Thank you, and one final one for me. The $2 billion of potential incremental sales, do you envision that as one formal process and a final figure coming out of that or separate discrete processes over time? I'm just thinking of the timing there versus a more defined time on the equity and when you might have a final financing plan there.

Pedro Azagra

I think I will be open to any option. I think we're going to review the whole portfolio. I think we have ESG goals. I think we have asset value hidden in our company that we believe should be put on the table, so some of the parts (inaudible) becomes obvious that we have that value creation there, helps you with the price targets that we can sell assets at the right price. I think we're going to go in different paths, and just bring as much value creation as we can.

Richard Sunderland

Thank you.

Paul Zimbardo

Hi. Thank you. Paul Zimbardo, Bank of America. Just hoping you could comment on what merchant power assumptions are in the ’23, ’24, ’25 outlook. I know it's a relatively small piece, but there's been a step function change increase in power prices since you gave the last outlook.

Patricia Cosgel

I think we'll have more detail in the fact book as we typically put and you see in the early years, we have more of it hedged, but it's typically we have up to 85% between contracted and hedged assets. But then if we look out at the further years, it looks like it's getting smaller, but the hedges are usually 12 months or short-term period, and we'll continue to target the 80% to 85% range for PPAs plus hedges.

Paul Zimbardo

Okay. How about on a dollar per megawatt hour basis? Just power prices all (phon) have increased pretty significantly.

Pedro Azagra

Yes. As you know, 70% of all our prices is covered by PPAs, and then there is a 30% that is exposed (phon). Normally, we have felt very comfortable with a kind of 15% hedge and a 15% floating. There are some areas where hedging probably is not a good solution, because there could be basis or curtailments. At the end, hedging is also a commitment to deliver. Of course, we are very prudent in the way that we manage our portfolio, as we said before.

But yes, it's true that in the part that is merging in the last year, we've seen prices going up, and that is something that always in a very prudent manner we are picking up. Yes.

Paul Zimbardo

Okay. Great. With the 6% to 7% CAGR, should we think about that as fairly linear? I know there are some more lumpy pieces like New England Clean Energy Connect, some of the offshore. Is that kind of linear or more lumpy?

Patricia Cosgel

I think that it's not necessarily linear. I think that in the first year, looking at—recall that in 2022, this year, we have the big $181 million from our offshore wind restructuring gain. So, the transition between the first two years, I think preliminarily, we're looking at 2023 to be more aligned with what we're seeing in 2022, more in the $2.20 and $2.40 range. But then beyond that, we'll get up to the 6% to 7% CAGR.

Without the offshore wind lease, there is an increase, but given the fact we have that gain in 2022, it's not really—you can't really look linear from ’22 to ’23, etc.

Paul Zimbardo

Thank you.

Steve Fleishman

Thanks. Steve Fleishman, again. Just on the regulatory, the Network side, and the financial plan. Could you maybe give more color on what's in the financial plan versus what is not? Is it mainly this CLCPA or is it other things too? If it's mainly the CLCPA, can you give us some sense of when we're going to know more about that and whether that could end up in the plan?

Patricia Cosgel

Should we start and then (inaudible) put it together?

Yes, in the plan in our long-term outlook, we don't have the CLCPA. The Capex in our Networks business is really aligned with what our historical spend levels are, so really supporting the ongoing resiliency, reliability, AMI infrastructure, grid reliance, grid improvements. So, that extra amount, which includes CLCPA and some additional enhancements for transmission spending that we have filed in our rate cases are not included. That was really, again, to be conservative to align to our current capital spending levels. We will get more color on the rate cases as we proceed through the process.

Catherine Stempien

Yes, so I'll just add on. I think there's a tremendous amount of opportunity to invest in our networks. But as Patricia said, we wanted to be conservative in the plan. Our rate case filings are asking for significantly more Capex that's needed for that asset renewal and modernization of the plan. But the plan has more traditional spending than what we've been having. So, it's really the balance with the regulator kind of what we believe needs to be done on the system, how to meet their clean energy goals, always balance with the affordability for our customers, and that's the challenge that we have moving forward because the needs on the system are great.

Now, when we think about the CLCPA and the timing of that, on the one hand, it's uncertain. There's no particular timeline that has been set forth by the commission, but a couple of data points. The commission has already ruled on a national grid Phase 1 CLCPA plan, so that's an indication that the commission is certainly acting and reviewing those petitions.

We know that through conversations, it may very well be that they do the Phase 2 planning ahead of our Phase 1 plan, so the Phase 2 is the part that's going to be socialized across the entire state. So, we're just working with the commission as well as with our filings as we move on. We included all of those in our rate case filing, so that the commission just continues to know that those are the options as they really determine for New York, what its path is and how aggressive it's going to be in hitting its targeted goals.

Pedro Azagra

I think that's it? Okay, so I think we have now workshops, as you know, on three different topics.

Thank you very much for you all coming. Thank you for the team for the work you have done. A pleasure to meet all of you today and thank you.

Alvaro Ortega

We have lunch coming now. I don't know, 11, maybe 10 minutes, and then we can start the workshops a little bit earlier. So, you hold for a minute, it will be provided in the main entrance. Thank you.

Pedro Azagra

Thank you. I expected more questions.

(Lunch Break)

ESG+F Workshop

Alvaro Ortega

Hello, everyone, again. Hope you enjoyed your lunch. We will continue now with our breakout sessions. We have planned workshops for today: ESG+F, regulated utilities rate case management, and offshore wind case studies. They will be led by our Management team.

We will make various forward-looking statements within the meaning of the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 based on current expectations and assumptions, which are subject to risks and uncertainties. Actual results could differ materially from our forward-looking statements if any of our key assumptions are incorrect or because of other factors be discussed in AVANGRID's earnings new release and the comments made during this conference call in the Risk Factors section of the accompanying presentation or in our latest reports and filings with the Securities and Exchange Commission, each of which can be found on our website avangrid.com. We do not undertake any duty to update any forward-looking statements.

The first workshop is ESG+F presented by Laney Brown, VP of Sustainability; Kyra Patterson, our Chief HR Officer and Environment, Health, and Safety; and Scott Mahoney, AVANGRID's General Counsel and Corporate Secretary. Thank you.

Laney Brown

Good afternoon everyone.

Thanks. Good afternoon everyone. We understand the important role we play in delivering meaningful clean energy solutions for our customers and our communities that will help advance progress on climate, economic, and social issues. That's why we've established a sustainable business model and strategy that is centered on ESG+F goals: stewardship around the environment, society, and our own governance and financial strength. Our vision and plan is to be the leading sustainable energy company in the United States.

AVANGRID's sustainability strategy is organized in five key areas of focus: reducing the Company's carbon footprint, conscious actions and social investment, creating a more sustainable and diverse supply chain, investing in our people and our communities, and operating with the highest ethical and governance standards.

We are demonstrating that clean energy is not just a beneficial outcome in the environment and society, but an opportunity to help people and communities participate in the clean energy transition through new jobs and for leading companies like ours to make critical and strategic investments.

AVANGRID has and continues to demonstrate leadership in all aspects of ESG. Our ESG position is not new. For over six years we have maintained emissions intensity levels six times lower than the U.S. average and over 90% of our emission—our generation is emissions-free.

We have led in the carbon neutral commitment with our first goal in 2017. As Pedro referenced today, we continue to expand our carbon neutral commitment within new and net zero ambition. As an anchor institute in our communities, we believe we have a key role to play in society, to improve opportunities for our employees, contribute to the economic development of our communities, and to ensure our customers always have access to safe, reliable and affordable energy service for their energy needs.

Our social compact is reflected in our strong social policies, and our ESG goals reflect our commitment, the foundation of that work and our company as a best-in-class governance and sustainability system. Our governance and compliance work has been recognized consistently with Ethisphere's World's Most Ethical Company for the last four years. Like all of our work, our continual look for—we continually look for areas of improvement on an annual basis. We engaged a third party to assess our governance system and provide recommendations for improvements for the operations of our Board and its committees.

Since our first annual shareholder meeting in 2016, we have received overwhelming shareholder support. In 2022, we had almost 99% shareholder participation in the meeting and all proposals were approved by shareholders indicating strong support for Avangrid's strategic direction and our governance system.

Our the grid sustainable business model puts us in the right place at the right time. our existing footprint of businesses and assets help address the need for more clean energy and demand for green electrification. We are aggressively moving forward with carbon reduction and have committed to our new net zero strategy. We are committed to achieving Scopes 1 and 2 carbon neutrality by 2030, and we'll continue to develop our Scope 3 strategy.

We have a goal of increasing our Renewable install capacity by more than 190% by 2030, supported by our plan to invest $1.8 billion in our Renewables business 2025. These investments also support our commitment to decreasing greenhouse gas emissions intensity from generation sources by 35% by 2025 and 70% by 2030. In addition, we've committed to investing over $160 million in EV infrastructure to install more than 15,000 chargers in make-ready work for light, medium and heavy duty vehicles across our grid by 2030. These ESG commitments are aligned with our long-term outlook. We've also made commitments to greening our facilities by committing to 100% renewable energy in our corporate buildings by 2030 and in our own fleet by converting 100% of our light duty vehicles to cleaner energy by 2030.

Our net zero strategy incorporates our strong position and support for the energy transition. But it's not just a commitment. We have a plan with many initiatives already underway to achieve across all emission scopes to achieve this goal. Significant increase in our generation opacity includes adding new technology solutions, like green hydrogen and storage. Every year we replace an average of 100 miles of leak-prone pipeline, gas pipeline and we are on target as we've talked about earlier, with a increase in investments in pipeline replacement to have 100% of the pipelines replaced.

Our clean vehicle and renewable electricity goals help support our reductions in our Scope 2 emissions. To achieve carbon neutrality, we'll continue to develop our plans to reduce carbon emissions for our one gas generation unit. This facility currently helps balance our Northwestern Renewable portfolio. We continue to evaluate all options including exploring technologies to reduce our gas generation emissions while using the highly efficient unit for managing our growing Renewable fleet.

The path to decarbonization will require investments in new technologies. By 2030, we'll have 48 kilotons of green hydrogen capacity and over a thousand megawatt hours of storage support across our business. We're taking a strategic approach to green hydrogen development, including engaging with the Department of Energy, and building coalitions for its H2 Hubs Program, as well as identifying opportunities to leverage our existing assets to enable hydrogen use cases.

Now I'll pass the clicker to Kyra to talk about our social goals.

Kyra Patterson

Thank you.

Today we've put forward goals that reflect Avangrid's social commitments to safety, equity, supplier diversity, community engagement and a workplace community that reflects the diversity of our customer communities. We are expanding our commitment to include gender diversity. Building from our existing relationship with Paradigm for Parity Coalition, which is focused on addressing the corporate leadership gender gap we have a goal for women in senior leadership positions by 2030 to have representation at 35%. We are maintaining the existing third party pay equity analysis that is performed annually. This helps to ensure that employees are compensated equitably, irrespective of gender identify, race or other personal characteristics.

We've included new goals demonstrating our commitment to the health and safety of our workforce, targeting a 40% improvement in our accident rate and a sustained commitment to our existing ISO 45001 certification. Our training goal describes our priority to support development for all employees in areas like leadership, safety and unconscious bias. We are also highly focused on cybersecurity and are increasing training across the Company in this space.

In the area of supplier diversity, we launched a Supplier Diversity Program earlier this year, with a goal of increasing our annual spend to $300 million by 2025. This program is a key example of the broad social reach and economic development opportunity that we have in our communities.

We are targeting a substantial increase in our corporate volunteering efforts. In 2021, we reached a little bit over 3,000 hours of community volunteering. We are on target at this point in the year to double that number by the end of the year, with a target of reaching 35,000 volunteer hours by 2025.

At Avangrid, we believe that a better business can build a better society. We are proud to say that community investment has been part of our culture for more than a century and we intend to continue that. Since 2002, the Avangrid Foundation has invested more than $32 million in philanthropic giving, grant making and partnerships. Our individual companies give back millions of dollars each year to our customer communities through corporate investment, economic development funds and volunteer time of both our employees and their families.

Throughout COVID-19 pandemic, we continued steadfast in our commitment to protect our workforce, our customers and our communities. We're proud to share that safety, which is an absolute characteristic of our organization, continues to be rated as the greatest strength by our employees in our annual engagement survey.

When it comes to diversity, equity and inclusion, our goal for our workplace community is to reflect the diversity of our communities that we serve. That's why we continue to drive progress in our goals for the diversity of our leadership team. Our Diversity, Equity and Inclusion Council is made up of leaders across our business that reflect the geographies and diversity of our workforce. The council provides stewardship of our DE&I road map and leads in efforts to embed the E&I into our operating norms.

Each year we conduct an employee engagement survey and leaders across Avangrid execute action plans in response to the feedback we received from our employees on the surveys in topics ranging from inclusion and belonging, workplace safety, process technology and team orientation. We create community at Avangrid by providing avenues for employees to build connections, both inside and outside the Company, from and with colleagues to organizations receiving our volunteer efforts.

Building community includes support of a network of employer resource groups. These seven employee-led and executive-sponsored groups lead awareness campaigns, provide opportunities for professional networking and are active in volunteer efforts across Avangrid. Each year we invest in a variety of strategic partnerships with organizations working to advance professional and leadership diversity in our workplace, from talent pipeline programs, to scholarship for students identifying as members of historically underrepresented groups.

We believe that a workplace community full of diverse perspective, equitable treatment and inclusive leaders directly benefits our communities, our customers and our investors.

With that, I'll pass it to Scott.

Scott Mahoney

Thank you.

Avangrid's success demonstrates our unrelenting commitment to the highest ethical and governance standards to ensure we provide equitable access to clean energy. We strive for continuous improvement in our governance and compliance areas. For example, we engage an independent third party to assess our governance and sustainability system and the operations of our Board and its communities and make recommendations to ensure we implement best governance practices. We will maintain this practice of robust annual assessment.

Our governance and compliance goals reinforce our commitment to holding ourselves to the highest ethical standards. Avangrid's compliance program has received a prestigious Compliance Leader Verification certification awarded to companies with best-in-industry compliance programs since 2019, and we are committed to maintaining this certification.

Avangrid is a leader in the U.S. in sustainable finance. We believe that it plays a critical role in expanding our ability to provide affordable clean energy and take action to reduce climate impacts. We have set new goals to expand on our leadership position in sustainable financing, with 65% of our debt associated with sustainable criteria by 2025.

At Avangrid, ours is a strong ethics-driven continuous improvement culture that builds on our purpose and values. We are committed to accountability and our success is evaluated by corporate leaders, our Board of Directors, and our external stakeholders. While a controlled company is qualified to take certain exemptions from governance requirements, Avangrid has a majority independent Board and has formed robust communities to assist the Board with its oversight responsibility.

To continue to build on our culture of accountability and continuous improvement, we have adopted a new diversity, equity and inclusion policy, and updated Avangrid's climate change policy to incorporate new emissions goals.

Our Board diversity and independence are also areas where we continue to improve. Today, our Board is 29% ethnically and gender diverse and 57% of our Board is independent of our majority shareholder, Iberdrola. Our efforts to be a good corporate leader have also been recognized by third parties.

For example, for the second consecutive year we were recognized by CNBC and JUST Capital as one of the JUST 100 Companies, and Avangrid was ranked #5 among utilities for its commitment to its customers. Avangrid was also named among the Top 100 Companies on JUST Capital's 2022 Workforce Equity and Mobility ranking, demonstrating our continuous commitment to hiring, training and promoting a diverse workforce. And for the fourth consecutive year, Avangrid earned the World's Most Ethical Companies Award from the Ethisphere Institute.

Avangrid's commitment to sustainability is demonstrated by its use of sustainable financing. We consider sustainable financing critical in supporting funding for our investments. Avangrid is among the top 10 U.S. green bond issuers, with more than $2.7 billion in green bonds issued and outstandings.

I'll now turn it back to Laney for some closing remarks.

Laney Brown

Thanks, Scott.

At Avangrid, we believe that our goals demonstrate our strong commitment to our E, S and the G. We've analyzed a select number of our ESG goals against our peers. The breadth and depth of our ESG commitments, especially when compared with peers, demonstrates our ESG leadership and reflect our unique ESG position.

But we don't think you should take just our word for it. Across the board, Avangrid is one of a shortlist of energy companies that has received recognition not only in environmental sustainability, but also on our ethics, governance and workforce equity; similarly, with the top tier of energy companies for commitments to ESG focused initiatives, such as the U.S. Department of Energy's Better Climate Challenge, the U.N. Energy Compact and Paradigm for Parity.

From our initial carbon neutral commitments in 2017 to our new net zero strategy today, we've committed to leading the way in the energy transition. We believe that our strong track record of ESG commitments and execution, coupled with our comprehensive and expanded goals, ensures that we are a key company to lead this important work.

Thank you for the opportunity to present our ESG goals and plans in more detail. We'll open for questions.

I think hearing none. We'll now a five-minute break prior to the next workshop for the regulated utilities rate case management. Thank you.

(Intermission)

Regulated Utilities Rate Case Management - Workshop

Kim Harriman

Good afternoon everybody. This is Workshop 2 on Regulated Utilities Rate Case Management. Welcome. My name is Kim Harriman. I am Senior Vice President of State Government Affairs and Corporate Communications at Avangrid. With me today are three operating companies presidents, Trish Nilsen for New York, Joe Purington for Maine, and Frank Reynolds for Connecticut and Massachusetts. I will provide you with a brief overview and then hand it off to each of them to present more fully on the rate case activity in their respective states. The focus of this breakout session is to provide additional detail on our pending rate cases. As you heard, we have seven rate cases pending for our operating companies, NYSEG Electric and Gas, Rochester Gas and Electric, Central Maine Power, United Illuminating Electric and Berkshire Gas.

We filed in each companies' respective jurisdiction this year and we expect new rates for each company in 2023. We have requested multiyear investment plans for each company and proposed more than $10 billion in new capital investments through 2026. As you will hear more detail by company in just a moment, each rate case is tailored to the unique circumstances of its jurisdiction, customer needs, political and regulatory conditions. That said, there are common themes of clean energy transformation and reliability and resiliency-enabling investments that flow through every case.

We have also continued to strengthen our stakeholder outreach. Meeting with more than 160 stakeholders across our jurisdictions before and during dependency of each case. These meetings provide valuable insight as to where we can bring value to individual stakeholders in each case and gives us the opportunity to demonstrate the value of our proposed investment for them.

With that said, I will turn it over to Trish Nilsen to present on the New York rate case.

Trish Nilsen

Thank you, Kim. Hello. My name is Trish Nilsen. I'm the President and CEO of NYSEG and RG&E.

As Pedro mentioned in his leadership introduction, I have been with the company for 30 years and recently have taken on my current role. Prior to becoming the President and CEO, I held various leadership positions in customer service, communications and most recently emergency response where I established strong relationships with our state and local elected officials and regulators. I'm excited to be in my new role and I am pleased to be with you here this afternoon.

In New York, we made our four rate case filings at the end of May, with an overall total bill increase of approximately 13%. As Catherine mentioned earlier, approximately 40% of this requested increase is driven by the residual rate pressure from our 2019 rate case and joint proposal agreement settlement. To recap, this includes items like the expiring amortizations associated with the Tax Cut Act of 2017, other expiring amortizations and rate levelization shaping mutually agreed to in our existing rate plan.

Beyond that, however, our filing is about establishing the path forward to continue to improve our service to our customers. Our investment plan lays the foundation for the future with three areas of focus: improving our reliability, our resiliency and enabling the clean energy transition. We made our one-year rate plan filing, as required in New York, and we look forward to working with staff and the other interveners to pursue a multiyear rate settlement, if possible. We expect to enter into those settlement negotiations after submitting our rebuttal testimony in about a month.

Our filings enable grid modernization, reliability and resiliency investments. They also reflect innovative partnerships with various stakeholders to advance local and state clean energy goals. For example, a geothermal pilot with the City of Ithaca. As Catherine mentioned, the Climate Leadership Community Protection Act, or CLCPA, Phase 1 and Phase 2 investments have been included in our five-year capital plan for completeness as part of the rate case filing; however, they're not included in the financial plan as Patricia outlined.

We have put our customers first in this filing. We're mindful of the impacts of inflation on their pocketbooks and have taken measures to responsibly reduce the rate need for customers in a manner that will neither unduly burden the Company's financial health, nor push a substantial rate pressure into future years.

We further note that the magnitude of the rate filing, along with its proposed 10.2% ROE, 50% equity ratio, and $8.6 billion capital plan including CLCPA, covering 2023 through 2026, are also consistent with a peer New York utilities pending rate filing. For reference, our current allowed ROE is 8.8% with a 48% equity ratio.

Some additional important detail on our four pending New York rate filings. We have proposed new rates effective for one year, starting in May 2023, and we've experienced a strong interest in a three-year plan that would go through April 2026. We are using a historic test year of calendar year 2021 with changes forecasted in rate year for both capital and expense. We are open to an earnings-sharing mechanism and have proposed a carry-forward of our current storm mechanism.

We've increased the test year for inflation with proposed symmetrical reconciliation at the end of the rate year - meaning any variants and actual inflation rates is fully trued-up - and we are proposing to bring NYSEG Electric up to a five-year vegetation trim cycle, which is consistent with other New York peer utilities.

In terms of capital investment, we have included an $8.6 billion investment plan covering 2023 through 2026 in the rate filing. This includes $2.9 billion to support the CLCPA State Clean Energy Goals that we filed as part of our Phase 1 and Phase 2 investment proposals. Again, these proposals are currently being considered by the Commission under a separate proceeding with no specific date provided at this point for a decision.

As we mentioned earlier, our filing also includes various proposals to continue our leadership in clean energy transformation. It includes green hydrogen, geothermal, heat pumps, EVs, battery storage, microgrids, and low-income solar generation assets. And we seek to do all of this while balancing the cost impact to customers via voluntary rate mitigation measures that do not significantly impair the Company's financial health nor stack substantial future rate pressure for customers.

This slide lays out additional detail on the drivers of the New York Company's rate need. As you can see, more than 70% of the overall rate need on a net basis is driven by residual rate pressure usually agreed to by the parties in the Commission in the Company's last rate case and by the need to replace aging infrastructure and flow through the inflation impacts and property tax increases.

Timeline. As Kim said earlier, we have done extremely robust stakeholder outreach in connection with this rate filing, engaging in advance and on an ongoing basis with more than 80 stakeholders. They include local and state politicians, regulators, customers and other interest groups.

From a process standpoint, we are currently in the middle of the discovery process for staff and intervener testimonies expected in a few days of approximately on the 26th. Reiterating Catherine's comments from earlier, we'll file our rebuttal testimony on October 18th and hope to start voluntary settlement negotiations shortly thereafter. We expect to have new rates in May of next year just as our existing rate plan expires. This is part of our strategy to realize our allowed ROE as we minimize regulatory lag between rate plans.

And with that, I will hand it over to Joe Purington to present on CMP.

Joe Purington

Good afternoon. My name is Joe Purington. I am the President and CEO of CMP. I've been in the industry for over 35 years, and in my current role as the President and CEO of CMP for a year. I have a long history with CMP, having worked in the company for over 28 years in various operational roles. I'm a native Mainer with deep roots in the state, where I have the ability to build strong relationships with our state and local elected officials and regulators.

We have been working hard over the last few years to improve our service to our customers. This has resulted in a lifting of the 100 basis point ROE reduction back in February that had been in place since coming out of our last rate case. We continue to meet, or exceed those customer service metrics. We have continued to see improvement in our quality of service and reliability.

As Catherine mentioned, we are focused on building a stronger, smarter and more resilient grid for our customers. This focus and strategy brings us to our rate case filing. We filed our rate case proposal for a three-year plan last month, with a 4% total bill increase in the first rate year. Notably, this is below the rate of current inflation and is anticipated to be below the magnitude of a rate increase requested, which we filed by a peer utility in Maine. The fundamental drivers of our rate case are to improve our reliability and resiliency, which lay the foundation for enabling the clean energy transition.

As Catherine also mentioned, even with this proposed rate increase, CMP will still have among the lowest rates for any investor owned utility in New England. The investment needed in Maine is significant. Our proposal strikes the balance between the need to build a stronger, smarter and more resilient grid and customer affordability. Specifically, we are proposing $778 million in capital investments through 2026, a 10.2% ROE and a 50% equity ratio as compared to our current allowed 9.25% ROE, with the same 50% equity ratio. Our filing also reflects partnership opportunities with other Maine stakeholders, especially in the area of clean energy transformation.

Some additional detail on our pending CMP filing. We are also relying on 2021 as a historic test year adjusted for forecasted capital and expense changes in the rate years. We have proposed an earnings-sharing mechanism and an updated storm mechanism with a lower minus (phon) storm threshold for 50/50 sharing. We have increased the test year for inflation with proposed symmetrical reconciliation at the end of the rate year - meaning any variance in actual inflation rates is fully trued up.

We are also proposing to include service quality standards ultimately approved by the Maine Public Utilities Commission in a comparison—in a companion proceeding. Our proposal includes a capital plan from 2023 to 2026 of almost $800 million with an additional $25 million to $30 million per year in capital trackers predominantly for broadband make-ready work and CCI telecom pole replacements we are required to make. Again, our capital plan is focused on addressing asset condition replacements and improving the reliability and resiliency of our system.

As Kim said earlier, we have done an extremely robust stakeholder outreach program in connection with this rate filing, engaging in advance and on an ongoing basis with more than 40 stakeholders, like local and state politicians, regulators, customers and other special interest groups, like Efficiency Maine Trust, AARP, and the Industrial Electric Consumer Group.

From a process standpoint, we expect to receive staff bench analysis in intervener testimony in December followed by a rebuttal. New rates are expected to go into effect August of next year.

And with that, I'll pass it off to Frank Reynolds, President and CEO of UIL.

Frank Reynolds

Thank you, Joe. Good afternoon everyone. I'm Frank Reynolds, President and CEO of UIL Holdings, which includes our Connecticut and Massachusetts operating companies. I've been with the company for 28 years, and in my current role as President and CEO for over three years now. Prior to taking over as President and CEO, I held numerous senior leadership roles in both gas and electric operations, progressing through the ranks of our company after serving our country for 20 years. I started my career in Connecticut in our gas business and established strong relationships with our local elected officials as well as state and our regulators as well.

In Connecticut, we just filed our UI rate case a few weeks ago. As Catherine mentioned, this will be the first distribution rate increase for our customers since 2019 and first rate case since 2016. Since then, we have been able to deliver significant rate stability to our customers while maintaining our strong operational and financial performance. But we know asking customers for an increase is always a challenge. That is why prior to the filing, we completed our stakeholder outreach efforts with more than 40 stakeholders starting back in June.

We explained to our stakeholders that our levelized approach across the three years will result in an overall 5% total bill increase per year, which is significantly lower than the current rate of inflation. Our plan entails important foundational investments in our electric distribution system, which will enable UI to continue to provide safe, reliable service, while maintaining our top quartile reliability and increasing the resiliency of our system to meet our customers' evolving expectations. Our plan also includes additional investments in clean energy innovation and grid modernization to serve customers and to help the state reach its clean energy goals. Finally, we are asking for a 10.2% ROE and a 52% equity ratio, up from our current allowed of 9.1% and 50% equity ratio.

Our filing includes investments of almost $600 million for 2023 through 2026, prioritized to address asset condition replacements, reliability needs and resiliency improvements on the system. Our plan includes important policy leadership positions that provide support for disadvantaged communities through proposed low-income rates and the state through a proposed economic development rate.

We have proposed enhanced electric vehicle and battery storage programs, coupled with innovative rate design to support those programs as well. Our case includes forecasted O&M and capital spend which escalate over the next three years of the rate plan. We have addressed inflation risk by proposing a symmetrical inflation reconciliation mechanism with an embedded escalation rate of over 8% that we have voluntary reduced by approximately 2% as a rate mitigator for our customers. Our rate case filing maintains important regulatory mechanisms, such as revenue decoupling and earnings sharing mechanism and seeks to increase the Company's major storm reserve by 50%.

We completed our stakeholder outreach efforts with more than 40 touch points over the past several months starting back in June, as I mentioned previously. I attended these meetings and they were well received by all the participants. In each case, we addressed the need for key investments over the next three years and maintained our commitment to provide safe and reliable service to our customers. We discussed that we have submitted a balanced case, which will provide customers with additional resources and services and allow for system investments, all at a bill impact that is lower than the current rate of inflation.

As mentioned earlier, from a process standpoint, we expect to see staff and intervener testimony in early December and follow our rebuttal testimony before the end of the year. New rates are expected to be in place in September of next year as PURA now has a 350-day procedural schedule in place.

And with that, we'll open it up for questions. Thank you for your attention.

Kim Harriman

It's a quiet group. No questions at all? Don't know if I'm supposed to have a microphone. Here we go.

Male Speaker

Yes, thanks. First question just with interest rates continuing to go up, how we should think about the extent you can reflect that in your filings, whether it be the interest cost side or just ROE, things like that.

Trish Nilsen

Each of our rate cases has a proposed symmetrical reconciliation at the end of it. So I think we've considered that and the effects. Certainly, when we were preparing our cases I think we were all at a different point in terms of interest rates, so I think it was a good overarching methodology for us to be—right. So each case has—forecasted has been updated—forecast with the current inflation was at the time of the filing with a projected for each rate case after. But the symmetrical inflation tracker is intended to be a true-up mechanism at the end of each rate case year, which will either go up or down depending on what actual interest rates are. So, what we would anticipate the way that it would work is that we would have rates set based on what our forecast is and at the end of the rate year we would have this true-up. If interest rates were higher that would then be recovered through rates. If interest rates were lower than forecasted, that would be refunded to customers in the next year.

Male Speaker

Okay. What about on the capital structure side? So that would be for the overall rate increase but these ROEs that you're filing for those, there's a formula to it. Could you reflect it in that as well? Is that part of it?

Trish Nilsen

We chose to address it through the inflation tracker.

Male Speaker

Okay.

Trish Nilsen

But I think that that would capture the risk regardless of how somebody dealt with it. You could do it in ROE. We proposed the tracker.

Male Speaker

Okay. And then my second question was—this is kind of like outside of your rate cases, but are any or all of you able to just give a sense of where your overall customer bills are expected to be this winter relative to last year?

Trish Nilsen

Starting in New York, we do anticipate and we're sharing with our customers the supply price impacts that our forecast are going to have impacts for our customers on the electricity and natural gas side. That communication should be forthcoming, I believe, very soon. It affects really both electric and gas because of the generation sources that our electric generation-- our resources use often is natural gas. So we're anticipating that our customers are going to continue to see supply price bill impacts like they have in prior winter heating seasons.

Frank Reynolds

And on top of that, we've started significant outreach to our customers just to make sure that they're aware of the various programs that we have available to help them with any challenges that they may be having in terms of bill payment.

Joe Purington

So Maine, in July, with our annual compliance filing and the distribution component of the bill went down by 2.5% for our customers. The Maine PUC right now is out for bid for the supply, the procurement process. We do expect, just as Trish and Frank have alluded to, that the current supply rate is $0.12 per kilowatt. We expect to see that go up as we've seen in other New England states recently. So, we do have an outreach plan similar to what we did last year that we'll continue to do this year and through the winter months when our customers get hit with those bills.

Male Speaker

Okay. So for the other states, any sense of timing on when we'll get specifics of what the bill's going to look like?

Frank Reynolds

I would say maybe the first quarter of '20.

Male Speaker

Okay, so you're not going to give any sense ahead of time. For example, here in New York City, like Con Ed, I'm a customer, they send something out saying where they expect the bill to be. You're not doing that in your states?

Trish Nilsen

We'll be doing some of that in our communications, yes.

Male Speaker

Okay. Okay, got it. Thank you.

Male Speaker

In New York, I'm curious about the rate case and really the gas side in particular. Been a lot of discussions, data on the gas system. Are you proposing anything different versus the past case or are there any separate discussions that may impact capital in that side of the system?

Trish Nilsen

There are proceedings and activities going on on a regulatory basis and really on a state-wide basis on what is the future of gas in New York, certainly. For us, our focus is ensuring that we're continuing to serve the over 500,000 gas customers that we have in our service area NYSEG and RG&E, which means ensuring that we're meeting our compliance measures on leak-prone, safety, customer inspections. We've done, I think, really an industry-leading job in terms of our cast iron replacements that have happened in New York. I think, for us, it's ensuring that the gas system is running efficiently, that we're investigating and removing any potential gas losses as fuel losses and certainly we are as a team looking at how we can move and migrate to more of a greener gas delivery for our customers.

Kim Harriman

And I think the state—that you're going to see a plan that's going to come out from New York at the end of the year through the Climate Action Council. We anticipate we could see it as early as December or they may take it right up to the wire. That plan will have an outline to how to reach the state's emissions goals, or I should say, law under CLCPA, and that will have further work as Trish mentioned in regulatory proceedings at the Commission as to how to implement the plan.

Male Speaker

Okay, so just to be clear, that's all outside of the rate case, right?

Kim Harriman

That's correct.

Male Speaker

Okay. Great. And then one more on the New York front. Just curious, you expect about some of the legacy impacts that are now carrying through to this current case, curious if outside of the formal application if there are any tools you're focused on that could potentially be offered in the settlement to mitigate some of the impacts this time around.

Trish Nilsen

Certainly going through a rate case during COVID presented some very particular challenges for us, and we've considered those in our new filing. Certainly we're trying to create an environment where we can have a multiyear settlement. We'll see where that takes us.

Female Speaker

I'll just add. In the filings, so there was a 5% mitigation for customers that was included that included things like amortizations or excess depreciation reserves. So those are the things that I would anticipate will be discussed extensively. I would anticipate you would see something from staff when they come out with their testimony next week.

Male Speaker

(Inaudible).

Trish Nilsen

Yes. First I want to be clear. I was talking about inflation trackers and not interest trackers. So on the inflation side, what we've done is as we forecasted our test years we looked at kind of the blue chip fund projection forecast for inflation and I think it depends on each utility and the timing of when that filing was made, but roughly that forecast was a higher interest rate for '23 than what it is anticipated in '24 and '25.

Kim Harriman

Okay. Thank you very much.

Trish Nilsen

Thank you.

Female Speaker

Thank you.

Frank Reynolds

Thank you.

(Intermission)

Offshore Wind Case Studies - Workshop

Alvaro Ortega

So we are going to get going with our last workshop on offshore wind and offshore wind studies. Sy Oytan, Senior Vice President of Offshore Wind Projects.

Sy Oytan

Thank you, Alvaro. Good afternoon, everyone. My name is Sy Oytan. I'm the Senior Vice President for Offshore Projects at valuation. I've been with the Company a little over two years, and I have a track record of developing and building about 6.5 gigawatts of onshore and offshore winds in three continents.

Let's start with the question why offshore wind. As you heard Pedro and Jose Antonio explained earlier today, Avangrid aspires to become the leading sustainable energy company in the U.S. As part of that effort, we are proud to pioneer the U.S. offshore wind industry here with our Vineyard Wind 1 Project and our 6 gigawatt portfolio of offshore projects. Avangrid has been at the forefront of the U.S. offshore wind industry from the start, having the vision and foresight to see the untapped potential long before the U.S. market took its current shape.

Avangrid and Iberdrola are making these investments and leading the way because of this massive opportunity in front of us. As you see in these graphs, aggressive global offshore wind policy targets are set to multiply the offshore wind capacity six times by 2030 and 30times by 2050. Offshore wind has high capacity factor and its seasonal profile is complementary to solar PV and onshore wind in Europe, Asia and the United States.

Basically, in this map, you see Iberdrola's offshore wind pipeline. Iberdrola is a leading offshore wind development company with a global pipeline of 38.5 gigawatts capacity in offshore and we are leveraging their experience, synergies and supply chain network to drive efficiencies in our portfolio and the U.S. industry at large.

Today, Iberdrola is the second largest offshore wind player in the world with about 12% overall market share.

As part of Iberdrola, Avangrid has the benefit of tapping into a network that has demonstrated an ability to deliver offshore wind projects with significant risk management experience. Our Company is a global leader in bid operations and asset management. Today, we have over 11,400 wind turbines deployed, both onshore and offshore, and about 20 gigawatts of wind farm assets in operation. Basically, we have deep knowledge of how to build and operate wind farms, both onshore and offshore.

Again, as a member of the Iberdrola group, we are also able to draw on the experience of a company with a demonstrated record of success in building mega projects that have come in on time, on budget and with exemplary health and safety records. The business leverages expertise from global offshore projects with over 600 full-time employees dedicated to offshore wind, and over 150 of these employees are located here in the U.S. Boston is our headquarters for the offshore wind team, and these whole 600 folks in the offshore means that we have a very deep bench. If you have any issues that were seen in Europe, for example, we can tap into the teams, global teams that we have offices for operational and engineering excellence in London, Madrid, among other places.

Now I'll provide a basic overview of what goes into building an offshore wind project. Offshore wind project consists of seven major packages - wind turbine generators, foundations and foundations have motor powers (phon) and transition pieces built into them; array cables, basically the cables connecting the wind turbines under the seabed; electrical service platform, which is sometimes called offshore substation, that's where the power is stepped up and exported to the land via offshore export cable. Once you make the landfall, power is transported by the onshore export cable to the onshore substation where you basically export the power to the grid. Each package, as you see here, is worth hundreds of millions of dollars for an average 800 megawatt project and they're considered as SAP projects under umbrella of the entire program. Close coordination across packages is essential for every stage of project development and execution.

Let's switch to offshore development cycle. Offshore wind projects have a long development life, key investment decisions are taken three to five years in advance of the commercial operations requiring experience and expertise to successfully execute and construct, and especially in the U.S., development and offtake happen concurrently.

Here you can see the stages of our projects in the development cycle. As we move towards the right of this graphic, the value of a project naturally goes up and the risk goes down. Vineyard Wind 1 Project has received all federal, state and local permits. I'll touch base on that shortly. It achieved financial close in 2021, secured tax equity and also started construction.

Other projects, such as Park City Wind and Commonwealth Wind are in the permitting and development process, and we are also working on the engineering optimization as mentioned in the morning. Kitty Hawk is also in the permitting process, but it does not have a PPA yet. With multiple projects in different stages, we have a pipeline of work to support the business and retain great talent in the U.S.

Let's move to the specifics of our Vineyard Wind 1 Project. Vineyard Wind 1 is a joint venture between Copenhagen Infrastructure Partners and Avangrid and it has 806 megawatt capacity, which is being constructed at the moment.

We always start with health and safety to any meeting or activity during the execution phase of the project. Our goal for Vineyard Wind 1 is no harm should come to any employees, contractors, visitors, vendors, any other third parties or the environment at any Vineyard Wind facilities or sites during execution.

Execution is a complicated project, can only be achieved by a capable and (inaudible) senior management team. This organization chart depicts the senior organization, senior management team. Half of this team is seconded in from Avangrid Iberdrola based in Boston and other half from our joint venture partner, Copenhagen Infrastructure Partners. They all sit in the same office in Boston and it is a diverse team with a long working relationship in the joint venture.

A key factor for successful delivery is the EPC team responsible for engineering, procurement and construction. For each major package I've shown the photos of. There's a package manager, and each package manager have their own team consisting of subject matter experts. Projects developed and constructed directly by the Vineyard Wind 1 package managers and EPC management include the largest offshore wind farms in the world, such as Race Bank, East Anglia ONE, Wikinger, Beatrice and London Array.

Vineyard Wind 1 achieved the first record of decision, which is basically the Federal permitting for a utility scale offshore wind project in the U.S. After that, there's several other Federal permitting processes. They were also completed successfully and it has also amassed the required state and local permits. The permitting process for offshore wind projects in the U.S. is a long process and requires close collaboration with agencies to get projects through approval. We continue to leverage the experience and lessons learned on Vineyard Wind 1 and apply to develop more of our entire U.S. offshore wind portfolio.

In this graphic, you'll see the breakdown of the vessel information by package. The transportation and installation is the heart of an offshore wind project during construction. Vineyard Wind 1 will use a diverse fleet of specialized vessels for the transportation and installation campaign with experienced contractors. All of these contractors have finished more than tens of offshore wind projects around the world, and all of the support vessels supporting these specialized vessels are U.S. flagged.

I would like to go into a little bit of the story board for installation of the VTGs. This graphic illustrates the wind turbine loading process being planned at the port in New Bedford, Massachusetts to the feeder barge. Once ready for transfer, the blades are loaded first, the three blades. Next the tower sections are loaded. There are four tower sections. And then finally, the nacelle is loaded on to the feeder barge and then the feeder barge leaves the port. It goes to the offshore site and the jack-up vessel arrives on site at the installation location. It sets up, basically jacks up on the platform and basically the components are transferred from the feeder barge to the deck of the jack-up vessel, or sometimes it's called installation vessel, then the crane will lift the tower sections into the place. Next, the nacelle is installed on top of the tower, then the cable is pulled through the tower. All these tower sections are sitting on the monopile and the transition piece through the phalanges (phon). Next is three blades are installed, and finally the vessel jacks down and moves to the next location.

Another case study I'd like to touch upon is the East Anglia ONE Project located in the United Kingdom. Iberdrola has put into operation one of the largest offshore wind projects, the East Anglia ONE Offshore Wind Farm in British waters in the North Sea, with an install capacity of 714 megawatts. The project consists of 102 wind turbines. So if you compare this, it's similar total capacity with Vineyard Wind 1, which is 806. This is 714. Vineyard Wind 1 has only 62 turbines because of the capacity of the VTGs being used. This wind farm produces clean energy for 630,000 British homes.

For the timeline, the project, we saw a three-year schedule for construction with construction beginning in the spring of 2017, offshore construction beginning in 2018 and the first wind turbines installed and first powered to the grid in 2019 and full commercial operations achieved in 2020. Very similar to the cycle we are going through with Vineyard Wind 1.

As you can see here, the project supported well over 1,600 jobs during construction and sourced its supply chain throughout the United Kingdom and also Continental Europe. To date, East Anglia ONE has directly facilitated direct investment locally in East Anglia region of the U.K. of over £145 million. Overall, the project delivered a significant economic impact on the local community.

Moving on to health and safety performance, which is very critical other than executing and delivering the project. East Anglia ONE has an exemplary record. The project was held to the highest standard and delivered. This is the same culture and standard for health and safety we're bringing to the Vineyard Wind 1 Project and all projects within Avangrid and Iberdrola portfolio.

This concludes my presentation. Now it's time to answer your questions, if you have.

David Park

Thank you for your presentation. David Park from Mizuho Bank. Just curious how—in your own mind how you think about floating offshore wind, maybe not in terms of whether Avangrid is into that, but I'd be curious how you view it in terms of feasibility, timelines? Is it something that will be developed quickly?

Sy Oytan

In my personal opinion, floating wind is the future. In the past—I mean, I started my career—I'm a mechanical engineer and I started my career with onshore wind. The turbines were very small. It started at 800 kilowatts at that time. I'm talking about the early 2000s. Offshore wind was seen as like rocket science or witchcraft. Everyone thought it's very expensive, very risky. But when you look at it right now, its cost of production is basically less than some conventional methods, because of the economies of scale, because of industrialization, because how many people from oil and gas or from onshore renewables moved into the space. It became a very conventional technology to produce clean energy.

Floating wind will also come to that point. Right now, as Iberdrola, we are investing into floating wind as well. We have a large portfolio off of Scotland and some other places. But right now, in terms of economies of scale, it is time to build the (inaudible) project first. Once all these shallow waters are filled, it's not going to stop basically, and the industrialization will come and in my opinion beyond 2030 the bigger wind farms will be all floating.

Male Speaker

Just some general questions if I may. Just talk generally about sort of the capacity factors that you're seeing in your existing offshore facilities, and then maybe talk about have you experienced any natural disasters or damage to the offshore wind that would require significant repair, and if so, do you contract the repair in Iberdrola or Avangrid or do you have an outside party that will help you repair? And then generally speaking, are you able to insure these facilities at a reasonable cost?

Sy Oytan
In one sentence you just asked five different questions.

Male Speaker

Sorry about that.

Sy Oytan

I can't speak the rest of the afternoon on those. So the first one, insurance, all offshore wind farms are insured. They're—or during the construction, erection or risk or construction risk insurance and during operation they are also insured. Vineyard Wind 1 during the financial closure, we secured it. It's an established market, basically started from Europe. But there are insurers. Very large insurance companies doing that. Okay? So there's that. Just like an onshore wind farm, solar PV or any method of power generation, it's a typical insurance against all hazards.

Natural disasters, I don't recall any. Don't quote me on that, but I don't recall in my whole career any natural disaster impacting any offshore wind farms. Maybe one turbine, you know, just broken down or accidents, something like that. But it is not a big concern for the industry. The reason for that is before you start doing the engineering there's so much time, energy and money spent on site characteristics. You spend basically hundreds of millions of dollars on surveys, on wave measurement, on wind measurement and so on so that everything is designed to cope with the marine environment and also all kinds of hurricanes or problems or so on.

So offshore wind turbines are manufactured and designed at the cutting-edge of the technology. They're not like larger scale onshore wind turbines. The materials are different. They are built to withstand the marine environment, the salt, the wind, everything that goes with it. Because in an onshore wind farm you could have personnel on site but in an offshore wind farm there are months that you do not go to the wind turbines during the winter months and so on. But everything is monitored remotely, basically. There are times when the weather window is good, people go there, do the preventative maintenance and so on.

You also asked about the capacity factors. The advancement of the wind turbine technologies, bigger blades, bigger wind turbines, we are seeing capacity factors being pushed to the limits and it is right now, of course this depends on the wind characteristics, it's possible to see net capacity factors of 50% or higher with the new projects.

And in the offshore locations, on sea, the wind blows more and there's less amount of distractions to the wind flow, basically, and it's naturally a high capacity factor asset.

Does that answer all your questions?

Male Speaker

Thank you. Yes.

Sy Oytan

Okay. All right.

Male Speaker

Thank you. (Inaudible). Currently or in the near future, where do you see, what do you expect or where are you currently seeing bottlenecks, potential frictions in the value chain of developing the offshore winds? Might it come from manufacturing capacity from the wind turbine manufacturers? It may come from shipping industry because it has been a lot upset about the capacity in terms of serving the—installing the vessels or maintenance vessels? It may come from other sources, raw materials? What are the critical points?

Sy Oytan

Are you asking U.S. specific or globally in general?

Male Speaker

Well I'm more interested on the U.S. but I think given the global nature of the supply chain, whatever may happen with manufacturing capacity it may affect (multiple speakers), right?

Sy Oytan

Exactly. That's a challenge. There are more projects in the pipeline by developers than the supply chain can supply, the components, vessels and also manpower. So, that's a known fact. Therefore, for our projects, in order to be prudent, we do long-term planning. We have very close relationships with the supply chain and we also support and we would like to tap into domestic supply chain, especially in the U.S. That's why the Inflation Reduction Act is a very important tool to attract more supply chain into the U.S. However, supply chain is a bottleneck for every offshore wind project in any market. So that's one.

The second one, in the U.S. and globally, as you see in my first slide, this growth is huge. The growth rate, okay? So, the capacity or the aspirations, can the grid take this into is always on the minds of the policy makers, developers, financiers and so on, because typically no one thought about it in the past while building these grids and backbones about offshore wind and typically the backbones and the grid is inland and the grid is kind of weak in the coastal places everywhere, in Europe or Asia or over here in the U.S. Therefore, one of the biggest challenges or the success factor will be how soon these capacities could be connected to the grid. The people will have interconnection or planned the grid upgrades or grid requirements soon enough are the ones that are going to be the realized projects, basically. Because you can have a wind farm but not connected to the grid. There are examples of those in different parts of the world.

Does that answer your question?

Male Speaker

Thank you, yes.

Sy Oytan

Okay. All right. No more questions? Oh, one more.

Male Speaker

Thanks for all the information. Can you just talk a little bit about any of the restrictions you might have during the construction process, whether it be weather related or marine life, and just how that compares to what you've experienced in Europe?

Sy Oytan

The restrictions are very similar. Basically, when you're planning for an offshore wind farm and applying for the permitting and going through the environmental review process, basically, there are endangered species, such as marine mammals and so on, that you have a limited window in some of the—a little bit like dangerous activities, such as hammering the monopiles and so on. So you have windows of time between, for example, from November until May, when the whales are coming. We're not supposed to be doing any of that work.

So you plan all of your campaigns by knowing that and also even during the construction phase, for example, you can do piling only from 9 am until 5 pm. In some markets, that's from 7 am until 7 pm and so on. Those are like little differences, but in Western Europe and also in the U.S. with the environmental regulations and restrictions, there are things that we need to comply due to the federal and state permits that we have received. We have a construction team and a compliance team as well. Basically, we will be building what we have been permitted to.

Male Speaker

Great. The last one was just kind of looking longer term. You've got out there tremendous growth opportunity. How do you think about scaling the business in terms of future lease areas? Obviously the prices changed dramatically. Currently you're an early mover. but with some of these recent prices how do you scale beyond Commonwealth, Park City?

Sy Oytan

We have the Kitty Hawk, which is 3.5 gigawatt as well, so we have enough work for us. But we are looking into and evaluating all the new lease areas. However, we are basically a reasonable investor. If the prices are out of the business case, we believe that we have enough work in front of us and we're not going to be basically a non-disciplined investor and paying those skyrocketed lease prices anywhere in the world. So that's the founding principles of Iberdrola and Avangrid. It has to be—it has to have reasonable cost and also returns, because we have responsibility to our investors, to the shareholders and we need to be able to deliver those projects as well.

Male Speaker

Thanks.

Male Speaker

Just want to ask about GE and the Haliade-X I think it's (inaudible) but anyone (phon) can still use them. Going forward, does that have an impact on future projects, whether it's cost or timing and anything else you can talk to about that?

Sy Oytan

Yes, it's public information that Siemens Gamesa and GE have like a court case and the judge basically carved out Vineyard Wind 1 from the patent infringement case. But I think both parties will appeal and continue their legal battle. Basically, whatever's happening between those two OEMs is not impacting Vineyard Wind 1. As we're going through the wind turbine selection for Park City Wind and Commonwealth Wind Project, GE assured us that the new generation VTGs they have doesn't have this patent infringement issue.

Male Speaker
Thanks.

Sy Oytan

All right. Thank you very much.