AVANGRID, Inc. was formed through a merger between Iberdrola USA, Inc. and UIL Holdings Corporation in December of 2015. Iberdrola S.A., a worldwide leader in the energy industry, owns 81.5% of AVANGRID. The predecessor company was founded in 1852 and is headquartered in New Gloucester, Maine. It was incorporated in 1997 in New York under the name NGR Enterprises, Inc. AVANGRID began trading on the NASDAQ in 2010.

AVANGRID, Inc. is a diversified energy and utility company serving approximately 3 million electric customers in New York, Connecticut, and Maine and 1 million gas customers in New York, Connecticut, Massachusetts & Maine. It has a nonregulated generating subsidiary focused on wind power, has acquired three wind farm projects. This resulted in a $181 million net capital investment, and a total expected cost of $1.2 billion. If construction resumes in 2022, completion is expected in 2023. Our estimates and projections do not include AFUDC.

Two key legal matters are pending. The companies have appealed the ruling to the New Mexico Supreme Court, and expected a decision in early May. However, the New Mexico commission requires the legislature to approve a transmission line that is expected to cost $1 billion. If construction resumes in 2022, completion is expected in 2023. Our estimates and projections do not include AFUDC.

The stock is untimely, but has a strong dividend yield that is above the utility mean. The drawbacks are subpar dividend growth potential and (mostly) difficult regulatory climates.

Paul E. Debbas, CPA
May 13, 2023

We have used our 2022 share-net-estimate for AVANGRID from $1.95 to $2.30. This is near the midpoint of the company’s guidance of $2.20-$2.38. First-quarter profits topped our $0.80-a-share estimate. However, the key factor was a restructuring of an offshore wind joint-venture partnership which now has AVANGRID taking full ownership of some projects. This resulted in a $181 million aftertax gain. We are including this in our earnings presentation, but because this is an unusual item, we estimate that the company’s earnings will decline in 2023. Investors should note that the company is facing uncertainties about solar energy due to inflation, possible tariff increases, and supply chain delays. The stock price is down 12% year to date.

Two key legal matters are pending. AVANGRID has agreed to acquire PNM Resources (the parent of electric utilities in New Mexico and Texas) for $4.3 billion in cash. However, the New Mexico commission rejected the proposed combination. The companies have appealed the ruling to the New Mexico Supreme Court, and extended the merger agreement to April 20, 2023. Our estimates and projections do not include PNM Resources. AVANGRID is appealing a referendum in Maine that requires the legislature to approve a transmission line in the state. A decision from the Maine Supreme Court is expected this summer. As of March 31st, the company had spent $561 million on the project, with a total expected cost of $1.2 billion. If construction resumes in 2022, completion is expected in the second half of 2024.

Central Maine Power got some good news. Due to the utility's improved service, the state regulatory agency removed a one-three percentage-point penalty that had been imposed on the allowed return on equity. This raised the allowed ROE to 9.25%. AVANGRID is adding offshore wind projects. Its first project is under construction. Capital spending contracts are mitigating current inflationary pressures, but there is still construction risk.