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NEW PUC Report Proves Need For Consumer-Owned, Non-Profit, Pine Tree Power Electric Utility ASAP

Last night at 5:00, the Maine Public Utilities Commission released a report, "[Central Maine Power's Management Structure and Affiliate Services](#)," prepared by The Liberty Consulting Group in the wake of a series of massive failures by Maine's largest electric utility.

The report examined whether CMP's management structure has contributed to the utility's worst in-the-nation customer service and reliability, the risks of the company's ownership by multinational energy conglomerate Iberdrola to personnel and decision-making, and the quality, effectiveness, and cost of services provided by CMP.

"This report makes clear why Mainers need to vote on a consumer-owned utility for Maine as soon as possible. Liberty Consulting makes clear the perverse incentives of our for-profit utility companies lead them to put their bottom line over their quality of service. At the end of the day, their shareholders get rich, while we, here in Maine, pay extra to sit in the dark." said Our Power Coalition member Bill Dunn.

CORPORATE GREED CALLING THE SHOTS FOR MAINE

"Increasing profit margins by cutting workers and maintenance is baked into CMP's DNA. Serving its customers is not," said Dunn. "As the report states, CMP's '*overemphasis on closing earnings gaps*,' is a corporate behavior that abuses their monopoly privilege at the Maine ratepayers' expense."

"CMP is being run top-down by the corporate office in Spain, which dictates the profit-at-all-costs philosophy we see in Maine," said Dunn.

As the report says, *'Management's overemphasizing of cuts in and limits on resources as a means for closing gaps in meeting the earnings expectations of the equity investment community has sacrificed effectiveness in providing service.'*

REFERENDUM THREAT HELPING

"Thank goodness Our Power's referendum for Pine Tree Power Company is on tap," said Dunn. From the report (Page 54)

'Even if sustainable, in answering the central question of this audit, it remains fair to conclude that, to date, the Avangrid organization, methods, and results that produce distribution investment plans for CMP have contributed to operating and service problems. While hopefully sustainable, optimism that the changes will continue requires tempering by the recognition that Avangrid:

- *Made them under an existential threat to its ability to continue operating in Maine [i.e., Pine Tree Power]*
- *Did so at a time when a transformational transmission opportunity lay in the balance [i.e., New England Clean Energy Connect (NECEC)]*
- *Has for a period of a decade shown a strong tendency for major course changes in how it plans, organizes, and executes its utility business, with not all those changes beneficial to customers, or for that matter, to shareowners as well" [i.e., the disorganization and constant turnover of employees at Avangrid]'*

CMP SEEMS SATISFIED, WHILE FAILING MAINE

"In its defence, CMP apparently thinks it deserves a medal for answering its phone more than it used to, and for sending 'only' 7,680 inaccurate bills per year. We disagree," said Dunn.

THIS IS NOT YOUR FATHER'S CMP

"Long ago, Maine entrusted a monopoly over electricity delivery to most Maine households and businesses to a Maine-based company. Now that the foreign-managed company is so focused on *'meeting the earnings expectations of the equity investment community,'* that it *'has sacrificed effectiveness in providing service,'* according to the report, it is time to take back the company's monopoly privilege," said Dunn.

MAINE IS A DROP IN THE BUCKET - JUST 2% OF IBERDROLA'S BUSINESS

“Maine means nothing to CMP’s parent company, Iberdrola. Now, CMP is just 2% of the business of that huge, multinational investor-owned conglomerate. The utility is run for the benefit of a holding company within a holding company,” said Dunn. From the report, *‘Avangrid operates as a holding company itself controlled by another holding company, Iberdrola S.A.’*

“Maine regulators cannot fix this problem any more than a mouse can tame a cat. Maine is the mouse in this game. We’re in a critical situation as our electricity delivery system is at stake - the lifeblood of our homes and businesses,” said Dunn.

CMP’S MANAGEMENT IS A SHAMBLES

“This new report for the PUC clearly illustrates that management of CMP is a shambles,” said Dunn. As the report states, *‘Frequent movement of senior personnel from Europe or South America into Avangrid positions has often been followed by cycling them out again after short tenures. We found overall extraordinarily short tenures for senior positions in the Networks and service company organizations that guide much of what drives service performance in Maine.’*

“...troubling the numbers who have both come to and gone from Avangrid from geographically distant parts of the Iberdrola S.A. organization. Adding to the disruption occasioned by changes of this magnitude and pace were the lack of overall organizational stability and the continuing inability to achieve resource and cost savings goals following the UIL Holdings acquisition. Major changes were still happening as we drafted this report.’

“I encourage all Mainers to read at least the Executive Summary of the report for themselves,” said Dunn.

<https://s3.documentcloud.org/documents/20988271/libertypuccmp.pdf>

Here are just a few key excerpts from the report:

Page ES 1

Management’s overemphasizing of cuts in and limits on resources as a means for closing gaps in meeting the earnings expectations of the equity investment community has sacrificed effectiveness in providing service.

Page ES 1

Avangrid operates as a holding company controlled in turn by another holding company -- 81.5 percent owner Iberdrola S.A.

...caution about their sustainability remains in order, for three principal reasons addressed below:

- The history of Iberdrola S.A.'s U.S. utility operations
- Top-level personnel changes made or looming in 2021
- How objectives and motivation may change once pending and “game-changing” opportunities and like the New England Clean Energy Connect (NECEC) opportunity and the existential threat caused by franchise uncertainty reach resolution and no longer provide important drivers behind Avangrid and Iberdrola S.A. priorities, decisions, and actions.

Maine comprises about 20 percent of U.S. utility operations, but just two percent or so of worldwide Iberdrola S.A. utility customers.

Page ES 3

We found declining levels of distribution network work level drivers, accompanied by indications of declining trends in performance.

Management under newly formed Avangrid continued, as it does through today, to rely heavily on centrally provided services for all its utilities, managed under Networks

Page ES 4

Management ultimately failed to meet aggressive staffing reduction targets it set early for operations after the UIL Holdings acquisition. Its continued, forceful pursuit of them deprived CMP of needed customer service and field resources and leadership for much of the period we examined. Frequent movement of senior personnel from Europe or South America into Avangrid positions has often been followed by cycling them out again after short tenures. We found overall extraordinarily short tenures for senior positions in the Networks and service company organizations that guide much of what drives service performance in Maine.

Page ES 5

His replacement possesses impressive career, electric utility executive experience, and academic credentials, but developed through utility financial, regulatory, and stakeholder management experience, not infrastructure and customer operations.

Moreover, the returned former CMP CEO continues to be viewed as a bridge to rebuilding CMP's reputation and trust among customers and stakeholders, but only on a short-term basis.

Spanish leadership's long-term concentration on issues like controlling headcount and O&M expenditures, the dislocations caused by the pursuit of efficiencies through staffing cuts following Avangrid's acquisition of UIL Holdings, and the actual and pending loss of both operationally- and Maine-focused leadership give rise to legitimate concern about the sustainability of the improvements achieved in 2019 and 2020 in both customer and distribution system operations.

Page ES 7

Avangrid operates as a holding company itself controlled by another holding company, Iberdrola S.A. From that perspective on Avangrid's stature, its governance compares well with similarly positioned entities. However, that comparison misses an essential point. Specifically, the operating utilities of U.S. holding companies generally receive oversight and direction from a parent board comprised almost entirely by independent directors reflecting a wide range of high-level U.S. business and other, diverse experience.

Page ES 8

We found striking the number and frequency of changes in personnel holding a very broad cross section of key senior manager and executive positions at Avangrid positions material to CMP's operations. We found equally troubling the numbers who have both come to and gone from Avangrid from geographically distant parts of the Iberdrola S.A. organization. Adding to the disruption occasioned by changes of this magnitude and pace were the lack of overall organizational stability and the continuing inability to achieve resource and cost savings goals following the UIL Holdings acquisition. Major changes were still happening as we drafted this report.

Avangrid's lack of success in meeting forecasted financial results proved a strong driver of operational decisions and actions that adversely affected CMP during the period we examined. Long Term Outlooks intended primarily for the investment community formed a core of the Avangrid planning process, which occurred primarily at the Networks level.

Capital budgeting should reflect a balance between financial goals and bottom-up analyses of expenditures needed to sustain effective service quality and reliability. While such earnings-related goals are not unusual for utility holding company planning, the effective balancing of such goals with reliable utility operations has not been evident at Avangrid (before 2020), especially in the case of CMP.

Report (Page 54)

Even if sustainable, in answering the central question of this audit, it remains fair to conclude that, to date, the Avangrid organization, methods, and results that produce distribution investment plans for CMP have contributed to operating and service problems. While hopefully sustainable, optimism that the changes will continue requires tempering by the recognition that Avangrid:

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