Risk Factors Comparison 2024-02-22 to 2023-02-22 Form: 10-K

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You should carefully consider the following risks and all of the other information set forth in this report, including without limitation our consolidated financial statements and the notes thereto and" Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates." The following risk factors have been organized by category for ease of use; however, many of the risks may have impacts in more than one category. ~~PNMR Merger Risk Factors There is no assurance when or if the proposed PNMR Merger will be completed. Completion of the proposed Merger is subject to the satisfaction or waiver of a number of conditions as set forth in the Merger Agreement, including certain regulatory approvals and other customary closing conditions. There can be no assurance that the conditions to completion of the proposed Merger will be satisfied or waived or that other events will not intervene to delay or result in the failure to close the proposed Merger. In addition, each of AVANGRID and PNMR may unilaterally terminate the Merger Agreement under certain circumstances set forth in the Merger Agreement and the Amendment, and AVANGRID and PNMR may agree at any time to terminate the Merger Agreement, even though PNMR' s shareholders have already approved the proposed Merger and the other transactions contemplated by the Merger Agreement. The Merger Agreement provides for certain customary termination rights. If we were to terminate the Merger Agreement under certain circumstances, we could incur significant costs (including, without limitation, the payment of the termination fee and out- of- pocket fees and expenses). AVANGRID and PNMR may be unable to obtain, extend or reapply for the regulatory approvals required to complete the proposed Merger. In addition to other conditions set forth in the Merger Agreement, completion of the proposed Merger is conditioned upon the receipt of various state and U. S. federal regulatory approvals including, but not limited to, approval by the Public Utility Commission of Texas, or PUCT, the New Mexico Public Regulation Commission, or NMPRC, the FERC, the Federal Communications Commission, or FCC, the Committee on Foreign Investment in the United States, or CFIUS, the Nuclear Regulatory Commission, or NRC, and under the Hart- Scott- Rodino Antitrust Improvements Act of 1976. AVANGRID and PNMR have made or will make various filings and submissions and are pursuing all required consents, orders and approvals in accordance with the Merger Agreement. The Merger has obtained all regulatory approvals other than the approval from the NMPRC. During the pendency of the appeal of the NMPRC order rejecting the amended stipulated agreement in the Merger certain required regulatory approvals and consents may expire and AVANGRID and PNMR will reapply and / or apply for extensions of such approvals, as the case may be. These consents, orders and approvals may impose conditions on or require divestitures relating to the divisions, operations or assets of AVANGRID and PNMR or may impose requirements, limitations or costs or place restrictions on the conduct of the combined company' s business, and if such consents, orders and approvals require an extended period of time to be obtained, such extended period of time could increase the chance that an event occurs that constitutes a material adverse effect with respect to PNMR and thereby may allow AVANGRID an opportunity not to consummate the proposed Merger. Such extended period of time also may increase the chance that other adverse effects with respect to AVANGRID or PNMR could occur, such as the loss of key personnel. The Merger Agreement requires AVANGRID and PNMR, among other things, to accept conditions, divestitures, requirements, limitations, costs or restrictions that may be imposed by regulatory entities, subject to the burdensome effect provisions in the Merger Agreement. Such conditions, divestitures, requirements, limitations, costs or restrictions may jeopardize or delay consummation of the proposed Merger, reduce the benefits that may be achieved from the proposed Merger or result in the abandonment of the proposed Merger. Further, no assurance can be given that the required consents, orders and approvals will be obtained or that the required conditions to closing the proposed Merger will be satisfied, and, even if all such consents, orders and approvals are obtained and such conditions are satisfied, no assurance can be given as to the terms, conditions and timing of such consents, orders and approvals. The pendency of the proposed Merger could have an adverse effect on AVANGRID' s businesses, results of operations, financial condition, cash flows or the market value of AVANGRID' s common stock and debt securities. The pendency of the proposed Merger could disrupt AVANGRID' s businesses, and uncertainty about the timing and the effect of the proposed Merger may have an adverse effect on AVANGRID or the combined company following the proposed Merger. AVANGRID' s employees may experience uncertainty regarding their roles after the proposed Merger, for example, employees may depart either before or after the completion of the proposed Merger because of such uncertainty and issues relating to the difficulty of coordination or a desire not to remain following the proposed Merger; and the pendency of the proposed Merger may adversely affect AVANGRID' s ability to retain, recruit and motivate key personnel. Additionally, the attention of AVANGRID' s management may be directed towards the completion of the proposed Merger including obtaining regulatory approvals and other transaction- related considerations and may be diverted from the day- to- day business operations of AVANGRID and matters related to the proposed Merger may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to AVANGRID. Additionally, the Merger Agreement requires AVANGRID to obtain PNMR' s consent prior to taking certain specified actions while the proposed Merger is pending. These restrictions may prevent AVANGRID and PNMR from pursuing otherwise attractive business opportunities and executing certain of its business strategies prior to the consummation of the proposed Merger. Further, the proposed Merger may give rise to potential liabilities, including as a result of pending and future shareholder lawsuits relating to the proposed Merger. Any of these matters could adversely affect the businesses of, or harm the results of operations, financial condition or cash flows of AVANGRID and the market value of AVANGRID common stock and debt securities. AVANGRID will incur substantial transaction fees and costs in connection with the proposed PNMR Merger. AVANGRID has incurred, and expects to incur additional, material non- recurring expenses in connection with the proposed~~

~~Merger, obtaining various required consents, orders and approvals in connection with the Merger and consummation of the transactions contemplated by the Merger Agreement. Additional unanticipated costs have been incurred in connection with the delay in obtaining approval from the NMPRC including expenses related to the appeal of the NMPRC order rejecting the amended stipulated agreement in the Merger, the reapplication and extension of certain approval, and the Amended to the Merger Agreement and may be incurred in the course of coordinating the businesses of AVANGRID and PNMR after consummation of the proposed Merger. Even if the proposed Merger is not consummated, AVANGRID may need to pay certain pre- tax costs relating to the proposed Merger incurred prior to the date the proposed Merger was abandoned, such as legal, accounting, financial advisory and filing fees. Additionally, continued delay of the consummation of the Merger may materially adversely affect the benefits that AVANGRID may achieve as a result of the proposed Merger and could result in additional pre- tax transaction costs, loss of revenue or other effects associated with uncertainty about the proposed Merger. Satisfying the conditions to, and consummation of, the proposed Merger may take longer than, and could cost more than, AVANGRID expects. AVANGRID may be unable to integrate PNMR successfully, and AVANGRID may not experience the growth being sought from the proposed Merger. AVANGRID and PNMR have operated and, until the consummation of the proposed Merger will continue to operate, independently. Coordinating certain aspects of the operations and personnel of PNMR with AVANGRID after the consummation of the proposed Merger will involve complex operational, technological and personnel- related challenges. This process will be time- consuming and expensive, may disrupt the businesses of either or both of the companies and may reduce the growth opportunities sought from the Merger. The potential difficulties, and resulting costs and delays, include examples such as: • managing a larger combined company; • coordinating corporate and administrative infrastructures; • unanticipated issues in coordinating information technology, communications, administration and other systems; • difficulty addressing possible differences in corporate cultures and management philosophies; • unforeseen and unexpected liabilities related to the proposed Merger or PNMR' s business; and • a deterioration of credit ratings. While AVANGRID can refuse to consummate the proposed Merger if there is a material adverse effect (as defined in the Merger Agreement) affecting PNMR prior to the consummation of the proposed Merger, certain types of changes do not permit AVANGRID to refuse to consummate the proposed Merger, even if such changes would have a material adverse effect on PNMR. If adverse changes occur but AVANGRID must still consummate the proposed Merger, the market price of AVANGRID common stock may suffer. There can be no assurance that, if the proposed Merger is not consummated, these risks will not materialize and will not materially adversely affect the business and financial results of AVANGRID. Failure by PNMR to successfully execute its business strategy and objectives may materially adversely affect the future results of the combined company and, consequently, the market value of AVANGRID' s common stock and debt securities. The success of the Merger will depend, in part, on the ability of PNMR to successfully execute its business strategy, including delivering electricity in a safe and reliable manner, minimizing service interruptions and investing in its transmission and distribution infrastructure to maintain its system, serve its growing customer base with a modernized grid and support energy production. These objectives are capital intensive and subject to substantial regulation by state and local regulatory agencies and PNMR' s business, results of operations and prospects may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements. If PNMR is not able to achieve these objectives, is not able to achieve these objectives on a timely basis, or otherwise fails to perform in accordance with AVANGRID' s expectations, the anticipated benefits of the Merger may not be realized fully or at all, and the Merger may materially adversely affect the results of operations, financial condition and prospects of the combined company and, consequently, the market value of AVANGRID common stock and debt securities. The market value of AVANGRID common stock could decline if its existing shareholders sell large amounts of its common stock in anticipation of or following the PNMR Merger, and the market prices of AVANGRID common stock and debt securities may be affected by factors following the Merger that are different from those affecting the market prices for AVANGRID' s common stock and debt securities prior to the Merger. Current shareholders of AVANGRID may not wish to continue to invest in the combined company, or may wish to reduce their investment in the combined company, for a number of reasons, which may include loss of confidence in the ability of the combined company to execute its business strategies, to comply with institutional investing guidelines or to increase diversification. If, before or following the Merger, large amounts of AVANGRID common stock are sold, the market price of its common stock could decline. If the Merger is consummated, the risks associated with the combined company may affect the results of operations of the combined company and the market prices of AVANGRID common stock and debt securities following the Merger differently than they affected such results of operations and market prices prior to the Merger. Additionally, the results of operations of the combined company may be affected by additional or different risks than those that currently affect the results of operations of AVANGRID. Any of the foregoing matters could materially adversely affect the market prices of AVANGRID common stock and debt securities following the Merger. The PNMR Merger may not positively affect AVANGRID' s results of operations and / or may cause a decrease in its earnings per share and dividends, which may negatively affect the market price of AVANGRID common stock and debt securities. AVANGRID anticipates that the Merger, if consummated, will have a positive impact on its consolidated results of operations. This expectation is based on current market conditions and is subject to a number of assumptions, estimates, projections and other uncertainties, including assumptions regarding the results of operations of the combined company after the Merger, and the financing necessary to fund the Merger Consideration. This expectation also assumes that PNMR will perform in accordance with AVANGRID' s expectations, and there can be no assurance that this will occur. In addition, AVANGRID may encounter additional transaction costs and costs to manage its investment in PNMR, may fail to realize some or any of the benefits anticipated in the Merger, may be subject to currently unknown liabilities as a result of the Merger, or may be subject to other factors that affect preliminary estimates. As a result, there can be no assurance that the Merger will positively impact AVANGRID' s results of operations, and it is possible that the Merger may have an adverse effect, which could be material, on AVANGRID' s results of operations, financial condition and prospects and / or may cause its~~

~~earnings per share and dividend payout ratio to decrease, any of which may materially adversely affect the market price of AVANGRID common stock and debt securities. AVANGRID may incur additional indebtedness or issue additional equity securities in connection with the PNMR Merger. As a result, it may be more difficult for AVANGRID to pay or refinance its debts or take other actions, and AVANGRID may need to divert cash to fund debt service payments or AVANGRID shareholders may be further diluted. AVANGRID may incur significant additional indebtedness or issues additional equity securities to finance the Merger Consideration and related transaction costs. AVANGRID expects to fund all or a portion of the Merger Consideration through sales of its common stock and, possibly, other equity securities, and to the extent it is unable to do so the amount of indebtedness it may incur to finance the Merger and associated transaction costs will likely increase, perhaps substantially. If AVANGRID is required to obtain more debt financing than anticipated to finance the Merger Consideration and associated transaction costs, whether through the issuance of debt securities or borrowings under the committed financing or otherwise, the required regulatory approvals to complete the Merger may be more difficult to obtain and the combined company' s credit ratings and ability to service its debt could be materially adversely affected. The increase in AVANGRID' s debt service obligations resulting from this additional indebtedness could have a material adverse effect on the results of operations, financial condition and prospects of AVANGRID. AVANGRID' s increased indebtedness could: • make it more difficult and / or costly for AVANGRID to pay or refinance its debts as they become due, particularly during adverse economic and industry conditions, because a decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments; • limit AVANGRID' s flexibility to pursue other strategic opportunities or react to changes in its business and the industry sectors in which it operates and, consequently, put AVANGRID at a competitive disadvantage to its competitors that have less debt; • require a substantial portion of AVANGRID' s available cash to be used for debt service payments, thereby reducing the availability of its cash to fund working capital, capital expenditures, development projects, acquisitions, dividend payments and other general corporate purposes, which could harm AVANGRID' s prospects for growth and the market price of its common stock and debt securities, among other things; • result in a downgrade in the credit ratings on AVANGRID' s indebtedness, which could limit AVANGRID' s ability to borrow additional funds, increase the interest rates under its credit facilities and under any new indebtedness it may incur, and reduce the trading prices of its outstanding debt securities and common stock; • make it more difficult for AVANGRID to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes; • result in higher interest expense in the event of increases in interest rates on AVANGRID' s current or future borrowings subject to variable rates of interest; and • require that additional materially adverse terms, conditions or covenants be placed on AVANGRID under its debt instruments. Based on the current and expected results of operations and financial condition of AVANGRID and its subsidiaries, AVANGRID believes that its cash flow from operations, together with the proceeds from borrowings, issuances of debt securities in the capital markets, distributions from its equity method investments, project financing and equity sales (including tax equity and partnering in joint ventures) will generate sufficient cash on a consolidated basis to make all of the principal and interest payments when such payments are due under AVANGRID' s and its current subsidiaries' existing credit facilities, indentures and other instruments governing its outstanding indebtedness and under the indebtedness incurred to fund the Merger Consideration. However, AVANGRID' s expectation is subject to numerous estimates, assumptions and uncertainties, and there can be no assurance that AVANGRID will be able to repay or refinance such borrowings and obligations when due. PNMR and its subsidiaries will not guarantee any indebtedness of AVANGRID, nor will any of them have any obligation to provide funds, whether in the form of dividends, loans or otherwise, to enable AVANGRID and its other subsidiaries to make required debt service payments. As a result, the Merger may substantially increase AVANGRID' s debt service obligations without any assurance that AVANGRID will receive any cash from PNMR or any of its subsidiaries to assist AVANGRID in servicing its indebtedness or other cash needs. The Merger will increase our goodwill and other intangible assets. Following the Merger, we will have a significant amount of goodwill and other intangible assets on our consolidated financial statements that could be subject to impairment based upon future adverse changes in our business or prospects. The impairment of any goodwill and other intangible assets may have a negative impact on our consolidated results of operations. Any litigation filed against PNMR and the members of the PNMR board of directors could result in the payment of damages following completion of the Merger or prevent or delay completion of the Merger. In connection with the Merger, purported shareholders of PNMR have filed lawsuits against PNMR and the members of the PNMR board of directors under the federal securities laws, challenging the adequacy of the disclosures made in PNMR' s proxy statement in connection with the Merger or otherwise. The outcome of any such litigation is uncertain. If a dismissal is not granted or a settlement is not reached, the lawsuits could prevent or delay completion of the Merger and result in substantial costs to AVANGRID, including any costs associated with indemnification of PNMR' s directors and officers. Additional lawsuits may be filed against PNMR or the directors and officers of PNMR in connection with the Merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the Merger is consummated may adversely affect the combined company' s business, financial condition, results of operations and cash flows. The impact of severe weather conditions, including brown- outs and black- outs, could negatively affect PNMR. PNMR has large networks of electric transmission and distribution facilities. Weather conditions in the U. S. Southwest region and Texas vary and could contribute to severe weather conditions, such as wildfires or severe winter weather events, as have occurred over the past two years in Texas or result in brown- outs or black- outs, in or near PNMR' s service territories. While PNMR may take certain proactive steps to mitigate the risks caused by severe weather conditions, brown- outs or black- outs, such risks are always present and PNMR could be held liable for damages incurred as a result of severe weather conditions, brown- outs or black- outs, or as a result of wildfires caused, or allegedly caused, by their transmission and distribution systems. In addition, wildfires could cause damage to PNMR' s assets that could result in loss of service to customers or make it difficult to supply power in sufficient quantities to meet customer needs. These events could adversely affect PNMR and may materially adversely affect the results of operations, financial condition and prospects of the~~

~~combined company and, consequently, the market value of AVANGRID' s common stock and debt securities. Costs of decommissioning, remediation and restoration of nuclear and fossil- fueled power plants, as well as reclamation of related coal mines, could exceed the estimates of PNMR as well as the amounts PNMR recovers from its ratepayers, which could negatively impact PNMR. PNMR has interests in a nuclear power plant, two coal- fired power plants and several natural gas- fired power plants and is obligated to pay its share of the costs to decommission these facilities. PNMR is also obligated to pay for its share of the costs of reclamation of the mines that supply coal to the coal- fired power plants. Likewise, other owners or participants are responsible for their shares of the decommissioning and reclamation obligations and it is important to PNMR that those parties fulfill their obligations. Rates charged by PNMR to its customers, as approved by the NMPRC, include a provision for recovery of certain costs of decommissioning, remediation, reclamation and restoration. The NMPRC has established a cap on the amount of costs for the final reclamation of the surface coal mines that may be recovered from customers. PNMR records estimated liabilities for its share of the legal obligations for decommissioning and reclamation in accordance with GAAP. These estimates include many assumptions about future events and are inherently imprecise. In the event the costs to decommission those facilities or to reclaim the mines serving the plants exceed current estimates, or if amounts are not approved for recovery by the NMPRC, they could materially and adversely affect PNMR and may materially adversely affect the results of operations, financial condition and prospects of the combined company and, consequently, the market value of AVANGRID' s common stock and debt securities. The costs of decommissioning any nuclear or fossil power plant are substantial. PNMR is responsible for all decommissioning obligations related to its entire proportionate interest in Palo Verde Nuclear Generating Station, or PVNGS, San Juan Generating Station, or SJGS, and Four Corners Power Plant, or FCPP, including portions under lease both during and after termination of the leases, other than amounts after the consummation of PNMR' s sale of its interest in the Four Corners Power Plant (assuming that transaction closes pursuant to the purchase and sale agreement on December 31, 2024). A delay or termination of the sale of PNMR' s interest in the FCPP could have a negative impact on AVAGRID' s sustainability reputation. PNMR maintains trust funds and escrow accounts designed to provide adequate financial resources for decommissioning PVNGS, SJGS and FCPP and for reclamation of the coal mines serving SJGS and FCPP at the end of their expected lives. However, because the funds and accounts grow over time to meet decommissioning and reclamation responsibilities, if the PVNGS, SJGS or FCPP units are decommissioned before their planned dates or the coal mines are shut down sooner than expected, these funds may prove to be insufficient, which may materially adversely affect the results of operations, financial There are inherent risks in the ownership and operation of nuclear facilities. While PNMR does not operate PVNGS, PNMR has an indirect 10. 2 % undivided interest in PVNGS, including interests in Units 1 and 2 held under leases. PVNGS is subject to environmental, health, and financial risks, including, but not limited to, the ability to obtain adequate supplies of nuclear fuel and water, the ability to dispose of spent nuclear fuel, decommissioning of the plant, securing the facilities against possible terrorist attacks, and unscheduled outages due to equipment failures. The NRC has broad authority under federal law to impose licensing and safety- related requirements for the operation of nuclear generation facilities. Events at nuclear facilities of other operators or which impact the industry generally may lead the NRC to impose additional requirements and regulations on all nuclear generation facilities, including PVNGS. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit and to promulgate new regulations that could require significant capital expenditures and / or increase operating costs. In the event of noncompliance with its requirements, the NRC has the authority to impose a progressively increasing inspection regime that could ultimately result in the shutdown of a unit, civil penalties or both, depending upon the NRC' s assessment of the severity of the situation, until compliance is achieved. Increased costs resulting from penalties, a heightened level of scrutiny, and / or implementation of plans to achieve compliance with NRC requirements could adversely affect the financial condition, results of operations, and cash flows of PNMR. Although PNMR has no reason to anticipate a serious nuclear incident at PVNGS, if an incident did occur, it could materially and adversely affect PNMR and may materially adversely affect the results of operations, financial condition and prospects of the combined company and, consequently, the market value of AVANGRID' s common stock and debt securities.~~ Strategic Risk Factors The success of ~~AVANGRID~~ **Avangrid** depends on achieving our strategic objectives, which may be through **mergers,** acquisitions, joint ventures, dispositions and restructurings and failure to achieve these objectives could adversely affect our business, financial condition and prospects. We are continuously reviewing the alternatives available to ensure that we meet our strategic objectives, which include, among other things, **mergers,** acquisitions, joint ventures, dispositions and restructuring. With respect to potential **mergers,** acquisitions, joint ventures and restructuring activities, we may not achieve expected returns, cost savings and other benefits as a result of various factors including integration and collaboration challenges such as personnel and technology. **Additionally, we may face potential financial and reputational impacts due to termination of mergers, acquisitions, joint ventures, dispositions and restructuring activities.** We also may participate in joint ventures with other companies or enterprises in various markets, including joint ventures where we may have a lesser degree of control over the business operations, which may expose us to additional operational, financial, legal or compliance risks. We also continue to evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives or sell a stake of these assets as a way of maximizing the value of ~~AVANGRID~~ **Avangrid** . When we decide to sell assets or a business, we may encounter difficulty in finding buyers or executing alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives or be on terms less favorable than we anticipated. We expect to invest in development opportunities in all segments of ~~AVANGRID~~ **Avangrid** , but such opportunities may not be successful, projects may not commence operation as scheduled and / or within budget or at all, which could have an adverse effect on our business, financial condition and prospects. We are pursuing additional development investment opportunities related to all segments of ~~AVANGRID~~ **Avangrid** with a particular focus on additional opportunities in electric transmission, renewable energy generation ~~and~~ **,** interconnections to generating resources **and other innovative technologies pertaining to our sector** . The development, construction and expansion of such projects involve numerous risks.

Various factors could result in increased costs or result in delays or cancellation of these projects. Risks include regulatory approval processes, permitting **or other required approvals** , new legislation, citizen referendums or ballot initiatives, economic events, foreign currency risk, ~~environmental and community concerns,~~ negative publicity, design and siting issues, difficulties in obtaining required **leases, easements or other** rights of way, difficulties in securing equipment orders, **difficulty securing key vendor alternatives,** construction delays and cost overruns, including delays in **third party performance, delays in** equipment deliveries, increase in **the price of** raw materials **or availability of responsibly sourced materials** , severe weather **and mitigation or adaptation activities** , increase in financing cost, competition from incumbent facilities and other entities, and actions of strategic partners **. Projects have also endured, and may continue to endure, environmental and community concerns including but not limited to environmental justice, disposal of waste, emissions impacts, sustainable water and soil usage, protection of ecosystems and energy efficiency** . There may be delays or unexpected developments in completing current and future construction projects. For example, the outcome of ongoing legal proceedings, cost overruns and construction delays could have an adverse effect on the success of **development** ~~the NECEC project~~ **projects** and our financial condition and prospects **. Additionally, changes in economic conditions including the impacts of inflation, increased interest rates and supply chain disruptions on the projects could result in the termination of certain development projects resulting in financial impacts such as the payment of termination payments or reputational impacts** . While most of Renewables' construction projects are constructed under fixed- price and fixed- schedule contracts with construction and equipment suppliers, these contracts provide for limitations on the liability of these contractors to pay liquidated damages for cost overruns and construction delays. These circumstances could prevent Renewables' construction projects from commencing operations or from meeting original expectations about how much electricity it will generate or the returns it will achieve. Project delays may also lead to an inability to utilize and monetize safe harbor equipment, negatively impacting project returns. Additionally, for Renewables' projects that are subject to PPAs **,** contractual non- performance prior to construction could lead to payment of damages and potential project cancellation. During construction, substantial delays could cause defaults under the PPAs, which generally require the completion of project construction by a certain date at specified performance levels. A delay resulting in a ~~wind~~ project failing to qualify for ~~federal~~ PTCs or ITCs could result in losses that would be substantially greater than the amount of liquidated damages paid to Renewables. ~~AVANGRID~~ **Finally, there is a risk that a project fails to qualify at the expected level for PTC or ITC impacting returns. Avangrid** may be materially adversely affected by negative publicity related to or in connection with **development** ~~the proposed PNMR Merger, the NECEC transmission project~~ **projects** , government- controlled power initiatives and in connection with other matters. From time to time, political and public sentiment in connection with **Avangrid** ~~the proposed Merger, the NECEC transmission project~~ **projects** , government- controlled power initiatives and in connection with other matters **have resulted and** may result **in the future** in a significant amount of adverse press coverage and other adverse public statements affecting ~~AVANGRID~~ **Avangrid** . Adverse press coverage and other adverse statements, whether or not driven by political or public sentiment, may also result in investigations by regulators, legislators and law enforcement officials or in legal claims. Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceeding, can divert the time and effort of senior management from the management of ~~AVANGRID~~ **Avangrid** ' s businesses. Addressing any adverse publicity, legislative initiatives, governmental scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on the reputation of ~~AVANGRID~~ **Avangrid** , on the morale and performance of our employees and on our relationship with regulators. It may also have a negative impact on ~~AVANGRID~~ **Avangrid** ' s ability to take timely advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on ~~AVANGRID~~ **Avangrid** ' s business, financial condition, results of operations and cash flows and the market value of ~~AVANGRID~~ **Avangrid** common stock and debt securities. Regulatory and Legislative Risk Factors ~~AVANGRID~~ **Avangrid** is subject to substantial regulation by federal, state and local regulatory agencies and our business, results of operations and prospects may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements. The operations of ~~AVANGRID~~ **Avangrid** are subject to, and influenced by, complex and comprehensive federal, state and local regulation and legislation, including regulations promulgated by state utility commissions and the FERC. This extensive regulatory and legislative framework regulates our ability to own and operate utilities, the industries in which our subsidiaries operate, our business segments, rates for our products and services, financings, capital structures, cost structures, construction, environmental obligations, development and operation of our facilities, acquisition, disposal, depreciation and amortization of facilities and other assets, service reliability, customer service requirements, hedging, derivatives transactions and commodities trading ~~. For example, in Maine efforts to place a citizen' s referendum on the ballot affecting the ownership and operations of electric and gas utilities continue if affirmed could result in forced divestiture~~ . The federal, state and local political and economic environment has had, and may in the future have, an adverse effect on regulatory decisions with negative consequences for ~~AVANGRID~~ **Avangrid** . These decisions may require ~~AVANGRID~~ **Avangrid** to cancel, reduce, or delay planned development activities or other planned capital expenditures or investments or otherwise incur costs that we may not be able to recover through rates. We are unable to predict future legislative or regulatory changes, initiatives or interpretations, and there can be no assurance that we will be able to respond adequately or sufficiently quickly to such actions. ~~AVANGRID~~ **Avangrid** is subject to the jurisdiction of various regulatory agencies including, but not limited to, the FERC, the NERC, the CFTC, the DOE and the EPA. Further, Networks' regulated utilities are subject to the jurisdiction of the NYPSC, the MPUC, the New York State Department of Environmental Conservation, the Maine Department of Environmental Protection, the PURA, the CSC, the DEEP and the DPU. These regulatory agencies cover a wide range of business activities, including, among other items the retail and wholesale rates for electric energy, the transmission and distribution of energy, the setting of tariffs and rates including cost recovery clauses, procurement of electricity for Networks' customers, and certain aspects of the siting, construction and transmission and distribution systems. These regulatory agencies have the authority to initiate associated investigations or enforcement actions or impose penalties or disallowances, which could be substantial. Certain regulatory agencies have the authority to review and disallow recovery of costs that they consider excessive or imprudently incurred and to determine the level of return that ~~AVANGRID~~ **Avangrid** is permitted to earn on invested capital. The regulatory process, which may be adversely affected by the political, regulatory, and economic environment in the states we operate in may limit our earnings and does not provide any assurance with respect to the achievement of authorized or other earnings levels. The disallowance of the recovery of costs incurred by us or a decrease in the rate of return that we are permitted to earn on our invested capital could have a material adverse effect on our financial condition. In addition, certain of these regulatory agencies also have the authority to audit the management and operations of ~~AVANGRID~~ **Avangrid** and its subsidiaries, which could result in operational changes or adversely impact our financial condition. Such audits and post- audit work require the attention of our management and employees and may divert their attention from other regulatory, operational or financial matters. ~~AVANGRID~~ **Avangrid** ' s operations are subject to, and influenced by, complex and comprehensive federal, state and local regulation and legislation. This is impactful for all areas of the business but particularly in the emerging development of offshore and solar generation. It is anticipated that members of **Congress** ~~House of Representatives~~ will ~~reintroduce~~ **continue working to pass** legislation that would prohibit offshore wind construction by foreign flagged vessels in which the crew nationality does not match the nation in which the vessel is flagged. If passed, this legislation could affect expected timelines and returns on approved projects. Additionally, implementation of **the** Uyghur Forced Labor Prevention Act has ~~lead~~ - **led** U. S. Customs and Border Control and Protection to detain **and reject the** import of products made with forced labor in certain areas of China, to date this has included solar panels, which is causing significant delay in panel delivery. **Under this authority, aluminum products have been detained and** ~~There~~ **there** is the potential that additional products ~~such as aluminum~~ could face detentions **as well** ~~under this authority in the future~~. This legislation could have an impact on ~~solar~~ project development, construction activities and project returns. ~~AVANGRID~~ **Avangrid** ' s regulated utility operations may not be able to recover costs in a timely manner or at all or obtain a return on certain assets or invested capital through base rates, cost recovery clauses, other regulatory mechanisms or otherwise. Our regulated utilities are subject to periodic review of their rates and the retail rates charged to their customers through base rates and cost recovery clauses which are subject to the jurisdiction of the NYPSC, MPUC, PURA and DPU, as applicable. New rate proceedings can be initiated by the utilities or the regulators and are subject to review, modification and final authorization by the regulators. Networks' regulated utilities' business rate plans approved by state utility regulators limit the rates Networks' regulated utilities can charge their customers. The rates are generally designed for, but do not guarantee, the recovery of Networks' regulated utilities' respective cost of service and the opportunity to earn a reasonable rate of Return on Equity, or ROE. Actual costs may increase due to inflation, supply chain constraints, or other factors and exceed levels provided for such costs in the rate plans for Networks' regulated utilities. Utility regulators can initiate proceedings to prohibit Networks' regulated utilities from recovering from their customers the cost of service that the regulators determine to have been imprudently incurred, including service and management company charges. Networks' regulated utilities defer for future recovery certain costs as permitted by the regulators. Networks' regulated subsidiaries could be denied recovery of certain costs, or deferred recovery pending the next general rate case, including denials or deferrals related to major storm costs and construction expenditures. In some instances, denial of recovery may cause the regulated subsidiaries to record an impairment of assets. If Networks' regulated utilities' costs are not fully and timely recovered through the rates ultimately approved by regulators, our financial condition could be adversely affected. Current electric and gas rate plans of Networks' regulated utilities include revenue decoupling mechanisms, or RDMs, and the provisions for the recovery of energy costs, including reconciliation of the actual amount paid by such regulated utilities. There is no guarantee that such decoupling mechanisms or recovery and reconciliation mechanism will apply in future rate proceedings. Changes in regulatory and / or legislative policy could negatively impact Networks' transmission planning and cost allocation. The existing FERC- approved ISO- NE transmission tariff allocates the costs of transmission facilities that provide regional benefits to all customers of participating transmission- owning utilities in New England. FERC is currently reviewing its policies regarding transmission planning ~~,~~ **and** cost allocation **,** ~~and generation interconnection~~ and could require substantial changes in RTO and transmission owner tariffs. Changes in RTO tariffs, transmission owners' agreements or legislative policy, or implementation of these new FERC planning rules, could adversely affect our transmission planning and financial condition. For example, there are pending challenges at the FERC against New England transmission owners (including UI and CMP) seeking to lower the ROE that these transmission owners are allowed to receive for wholesale transmission service pursuant to the ISO- NE Open Access Transmission Tariff. Reductions to the ROE adversely impact the revenues that Networks' regulated utilities receive from wholesale transmission customers and could have a material effect on our financial condition. ~~AVANGRID~~ **Avangrid** ' s operating subsidiaries' purchases and sales of energy commodities and related transportation and services expose us to potential regulatory risks that could have a material adverse effect on our business, and financial condition. Under the EPAct 2005 and the Dodd- Frank Act, ~~AVANGRID~~ **Avangrid** is subject to enhanced FERC and CFTC statutory authority to monitor certain segments of the physical and financial energy commodities markets. Under these laws, the FERC and CFTC have promulgated regulations that have increased compliance costs and imposed reporting requirements on ~~AVANGRID~~ **Avangrid** . ~~These~~ **U. S. and European laws and** regulations **may** ~~require our operating subsidiaries to comply with certain margin requirements for our over- the- counter derivative contracts with certain CFTC- or SEC- registered entities that~~ require us to post ~~cash~~ collateral with respect to swap transactions, that could potentially have an adverse effect on our liquidity or our ability to hedge commodity or interest rate risks. With regard to the physical ~~purchases~~ - **purchase** and ~~sales~~ - **sale** of energy commodities ~~,~~ **and** ~~the~~ **other attributes, as well as** ~~physical trading of energy commodities and any~~ related transportation **, transmission** and / or hedging activities that some of our operating subsidiaries undertake, our operating subsidiaries are required to follow market- related regulations and certain reporting and other requirements enforced by the FERC, the CFTC and the SEC. Additionally, to the extent that operating subsidiaries enter into transportation contracts with natural gas pipelines or transmission contracts with electricity transmission providers that are subject to FERC regulation, the operating subsidiaries are subject to FERC requirements related to the use of such transportation or transmission capacity. Any failure on the part of our operating subsidiaries to comply with the regulations and policies of the FERC, the CFTC or the SEC relating to the physical or financial trading and sales of natural gas or other energy commodities, transportation or transmission of these energy commodities or trading or hedging of these commodities could result in the imposition of significant civil and criminal penalties, which could have a material adverse effect on our business. Additionally, Avangrid faces fluctuations in the fair value of its derivative contracts over time due to the impact **of** mark- to- market accounting. The increased cost of purchasing natural gas **and electricity** during periods in which ~~natural gas~~ prices have increased significantly could adversely impact our earnings and cash flow. Our regulated utilities are permitted to recover the costs of natural gas **and electricity** purchased for customers. Under the regulatory body- approved ~~gas~~ cost recovery pricing mechanisms, the ~~gas~~ commodity charge portion of ~~gas~~ rates charged to customers may be adjusted upward on a periodic basis. If the cost of purchasing natural gas **or electricity** increases and Networks' regulated ~~natural gas~~ utilities are unable to recover these costs from its customers immediately, or at all, Networks may incur increased costs associated with higher working capital requirements and / or realize increased costs. In addition, any increases in the cost of purchasing natural gas **or electricity** may result in higher customer bad debt expense for uncollectible accounts and reduced sales volume and related margins due to lower customer consumption. Climate related proceedings and legislation may result in the alteration of the public utility model in the states we operate in and could materially and adversely impact our business and operations. Clean energy and emission reduction legislation, proceedings, or executive orders have been issued within New York, Maine, Connecticut and Massachusetts that, among other things, set renewable energy and carbon emission goals and create incentive programs for energy efficiency and renewable energy programs. Climate vulnerability assessment regulation have also been issued in New York, Maine, and Connecticut. Additionally, new legislation can require significant change to the natural gas portion of ~~AVANGRID~~ **Avangrid** including reduction in usage and restriction of the expansion of natural gas within our territories. We are unable to predict the impact these ~~law~~ **laws** and actions may have on the operations of our subsidiaries in New York, Maine, Connecticut and Massachusetts which could have an adverse effect on our business and financial condition. Renewables relies in part on governmental policies that support utility- scale renewable energy. Any reductions to, or the elimination of, these governmental mandates and incentives or the imposition of additional taxes or other assessments on renewable energy, could adversely impact our growth prospects, our business and financial condition. Renewables relies, in part, upon government policies that support the development and operation of utility- scale renewable energy projects and enhance the economic feasibility of these projects. The federal government and many state and local jurisdictions have policies or other mechanisms in place, such as tax incentives or Renewable Portfolio Standards, or RPS, that support the sale of energy from utility- scale renewable energy facilities. Federal, state and local governments may review their policies and mechanisms that support renewable energy and take actions that would make them less conducive to the development or operation of renewable energy facilities. Any ~~reductions~~ **changes** to ~~, or the elimination of,~~ governmental policies or other mechanisms that support renewable energy or the imposition of additional taxes or other assessments on renewable energy, could result in, among other items, the lack of a satisfactory market for new development, Renewables abandoning the development of new projects, a loss of **invested capital** ~~Renewables' investments in the projects~~ and reduced project returns. New tariffs imposed on imported goods may increase capital expense in projects and negatively impact expected returns. Changes in tariffs may affect the final cost of a significant portion of capital expenses in projects, with renewable projects being more exposed. Tariffs have been imposed in ~~the~~ recent years to imports of solar panels, aluminum and steel, among other goods or raw materials. Depending on the timing and contractual terms, tariff changes may have adverse impacts to the buyer of these goods which could affect expected returns on approved projects. ~~For example, in January 2023, members of the House of Representatives introduced a resolution under the Congressional Review Act to reverse the Biden' s administrative two year pause on new tariffs on China related to solar imports from 4 Southeast Asian countries (AD- CVD) issued in June of 2022. Additionally, representatives from China have signaled that they may implement an export ban on wafers in retaliation to efforts in the U. S. and elsewhere to divest from the Chinese supply chain.~~ Operational, Environmental, Social and Legal Risk Factors ~~AVANGRID~~ **Avangrid** is subject to numerous environmental laws, regulations and other standards, including rules and regulations with respect to climate change, which could result in increased capital expenditures, operating costs and various liabilities, and could require us to cancel or delay planned projects or limit or eliminate certain operations, all of which could have an adverse effect on our business and financial condition. ~~AVANGRID~~ **Avangrid** is subject to environmental laws and regulations, including, but not limited to, extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality and usage, climate change, emissions of greenhouse gases, waste management, hazardous wastes, wildlife mortality and habitat protection, historical artifact preservation, natural resources and health and safety that could, among other things, prevent or delay the development of power generation, power or natural gas transmission, or other infrastructure projects, restrict the output of some existing facilities, limit the availability and use of some fuels required for the production of electricity, require additional pollution control equipment, and otherwise increase costs, increase capital expenditures and limit or eliminate certain operations. There are significant costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future as a result of new legislation. Violations of current or future laws, rules, regulations or other standards ~~could~~ **have exposed and in the future may** expose our subsidiaries to regulatory and legal proceedings, disputes with, and legal challenges by, third parties, and potentially significant civil fines, criminal penalties and other sanctions. **For example, climate- related and greenhouse gas emission disclosure legislation or rules that have been issued or are pending federally, within California or other states (e. g. New York) that, among other things, may require our management and other personnel to devote a substantial amount of time and company resources to these compliance activities. If we are not able to comply with these**

requirements in a timely manner we may be subject to regulatory investigations, fines, penalties or other sanctions. Additional financial and management resources could be required. Security breaches, acts of war or terrorism, grid disturbances or unauthorized access could negatively impact our business, financial condition and reputation **. Our business depends on critical assets, with Networks serving as a super- regional energy services and delivery company, and Renewables operating generation plants that produce electricity using renewable resources. In the ordinary course of our business, we also maintain sensitive customer, vendor and employee data, critical infrastructure information, financial and system operating information, and other confidential data. Threat sources, including sophisticated nation-state actors, continue to seek to exploit potential vulnerabilities of critical assets in the utility industry, grid infrastructure, and other energy infrastructures, and these attacks and disruptions, both physical and cyber, are becoming increasingly sophisticated and dynamic. Continued implementation of advanced digital technologies increases the potentially unfavorable impacts of such attacks** . Cyber breaches, acts of war or terrorism or grid disturbances resulting from internal or external sources could **therefore** target our **critical assets, including our** facilities or ~~our~~ information technology systems ~~. In~~ **, or** ~~the~~ **those** ~~ordinary course~~ of **our vendors,** business **partners** ~~, we maintain sensitive customer, employee, financial~~ and **interconnected entities** ~~system operating information and are required by various laws to safeguard this information~~ . Cyber ~~or~~ **and** physical security ~~intrusions~~ **attacks on our infrastructure** could ~~potentially~~ lead to disabling damage to our facilities **and equipment** or to theft **, vandalism** and the release of critical operating information or confidential customer ~~or~~ **, vendor and** employee information, which could adversely affect our operations **, including causing** ~~and~~ **an** ~~/~~ **operations shutdown or affecting** ~~or~~ **our** ~~reputation~~ **ability to control our transmission and distribution assets** , and could result in **monetary and reputational damages and** significant costs, fines and litigation. Additionally, because our generation and transmission facilities are part of an interconnected regional grid, we face the risk of blackout due to a disruption on a neighboring interconnected system. **A cyber or physical security incident could also result in competitive disadvantages and significant increases in compliance costs and costs to improve the security and resiliency of our systems, and the compromise of personal, confidential or proprietary information could subject us to significant legal liability or regulatory action under evolving cyber- security, data protection and privacy laws and regulations. As a result, our ability to conduct our business and our results of operations could be materially and adversely affected. Like other companies, our computer systems are also regularly subject to and will continue to be the target of computer viruses, malware or other malicious codes (including ransomware), unauthorized access, cybersecurity incidents or other computer- related penetrations. The risk of these incidents could be caused or exacerbated by geopolitical tensions, including hostile actions taken by nation- states or terrorist organizations. In the event of a computer virus or natural or other disaster, our computer systems could be inaccessible for an extended period of time, and because our systems increasingly interface with and depend on third- party systems, including cloud- based systems, we could experience service denials or failures of controls if a third- party system fails or experiences an interruption. We have also outsourced certain technology and business process functions to third parties and may increasingly do so in the future. If we do not effectively develop, implement and monitor our vendor relationships, if third party providers do not perform as anticipated or adhere to our data security measures, if we experience technological or other problems with a transition, or if vendor relationships relevant to our business process functions are terminated, our business may become more vulnerable and could experience a significant cybersecurity or physical attack. While we have experienced security breaches in the past, to date, we are not aware that we have experienced a material cybersecurity or physical breach.** As threats evolve and grow increasingly more sophisticated, we may incur significant costs to upgrade or enhance our security measures to protect against such risks and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating **against** potential harms. **While we have implemented,** ~~A physical attack on our infrastructure could interfere with our normal business operations~~ and ~~affect~~ **continuously refine** our **cyber** ~~ability to control our transmission~~ and ~~distribution assets. A~~ physical security **measures** ~~intrusion could potentially lead~~ to ~~theft and~~ **protect our business,** ~~the~~ **these measures may not be effective or sufficient** ~~release of critical operating information and could result~~ in **preventing a** significant ~~costs~~ **breach** , ~~fines~~ and ~~litigation. Theft, vandalism or~~ **our** ~~damages to~~ **controls, measures and incident response plan may not be effective** ~~our~~ **or** ~~facilities~~ **sufficient in assessing, identifying** and ~~equipment can cause significant disruption to operations~~ **managing material risks from cybersecurity threats or mitigating** and **remediating against cybersecurity incidents** ~~can lead to operating losses~~ . Catastrophic or geopolitical events may disrupt operations and negatively impact the financial condition of the business, cash flows, and the trading value of its securities. The impact of a catastrophic or geopolitical event, ~~such as the Covid- 19 pandemic,~~ on the economy, labor ~~and~~ **,** financial markets **and the environment** could adversely affect our business. The extent to which events ~~like a pandemic~~ may impact our business going forward will depend on factors such as public response, governmental actions, the duration, and its impact to economic activity and financial stability. Increased frequency or duration of events such as these may alter the fundamental demand for electricity particularly from businesses, commercial and industrial customers; cause us to experience an increase in costs as a result of our emergency measures, delayed payments from our customers and uncollectible accounts **due to affordability** ; cause delays and disruptions in the availability and timely delivery of materials and components used in our operations; cause delays and disruptions in the supply chain resulting in disruptions in the commercial operation dates of certain projects and impacting qualification criteria for certain tax credits and potential delay damages in our power purchase agreements; cause deterioration in credit quality of our counterparties, contractors or retail customers that could result in credit losses; cause impairment of goodwill or long- lived assets and impact our ability to develop, construct and operate facilities; result in our inability to meet the requirements of the covenants in our existing credit facilities, including covenants regarding the ratio of indebtedness to total capitalization; cause a deterioration in our financial metrics or the business environment that impacts our credit ratings; cause a delay in the permitting process of certain development projects, affecting the timing of final investment decisions and start of construction dates; cause employee turnover, labor shortages, and extended remote work, which could harm productivity, increase cybersecurity risk, strain our business continuity plans, give rise to claims by employees and otherwise negatively impact our business. If Networks' electricity and natural gas transmission, transportation and distribution systems do not operate as expected or are not available for operation, they could require unplanned expenditures, including the maintenance, replacement, and refurbishment of Networks' facilities, which could adversely affect our business and financial condition. Networks' ability to operate and have available its electricity and natural gas transmission, transportation and distribution systems is critical to the financial performance of ~~AVANGRID~~ **Avangrid** . The ongoing operation of Networks' facilities involves risks customary to the electric and natural gas industry that include the breakdown, failure, loss of use or destruction of Networks' facilities, equipment or processes or the facilities, equipment or processes of third parties due to natural disasters, war or acts of terrorism, operational and safety performance below expected levels, errors in the operation or maintenance of these facilities and the inability to transport electricity or natural gas to customers in an efficient manner. Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditures, accident, failure of major equipment, shortage of or inability to acquire critical equipment, replacement or spare parts could result in reduced profitability, impacted cash flows, harm to our reputation or result in regulatory penalties. Storing, transporting and distributing natural gas involves inherent risks that could cause us to incur significant costs that could adversely affect our business, financial condition and reputation. There are inherent hazards and operational risks in gas distribution activities, such as leaks, explosions and mechanical problems that could cause the loss of human life, significant damage to property, environmental pollution and impairment of operations. The location of pipelines and storage facilities near populated areas could increase the level of damages resulting from these risks. These incidents may subject us to litigation and administrative proceedings that could result in substantial monetary judgments, fines or penalties and damage to our reputation. If Renewables' equipment is not available for operation, Renewables projects' electricity generation and the revenue generated from its projects may fall below expectations and adversely affect our financial condition and reputation. The revenues generated by Renewables' facilities depend upon the ability to maintain the working order of its projects. A natural disaster, severe weather, accident, failure of major equipment, failure of equipment supplier or shortage of or inability to acquire critical replacement of spare parts not held in inventory or maintenance services, including the failure of interconnection to available electricity transmission or distribution networks, could damage or require Renewables to shut down its turbines, panels or related equipment and facilities, leading to decreases in electricity generation levels and revenues. Renewables' ability to generate revenue from renewable energy facilities depends on interconnecting utility and / or RTO rules, policies, procedures and FERC tariffs and market conditions that do not present restrictions to renewable project operations which could adversely impact our operations and financial condition. If a transmission network connected to one or more generating facilities experiences outages or curtailments caused by **an** interconnecting utility and / or RTO, the affected projects may lose revenue. In addition, certain Renewables' generation facilities have agreements that may allow for economic curtailment by the off- taker, which could negatively impact revenues. Furthermore, economic congestion on the transmission grid (for instance, a negative price difference between the location where power is put on the grid by a project and the location where power is taken off the grid by the project' s customer) in certain of the bulk power markets in which Renewables operates may occur and its businesses may be responsible for those congestion costs. Similarly, negative congestion costs may require that the projects either not participate in the energy markets or bid and clear at negative prices which may require the projects to pay money to operate each hour in which prices are negative. If such businesses were liable for such congestion costs or if the projects are required to pay money to operate in any given hour when prices are negative, then our financial results could be adversely affected. Additionally, we are obligated to pay the FERC Tariff price, which can be adjusted from time to time, for Renewables' facilities interconnection agreements even if the project has been curtailed. ~~AVANGRID~~ **Avangrid** ' s subsidiaries do not own all the property and other sites on which their projects are located and our rights may be subordinate to the rights of lienholders and leaseholders, which could have an adverse effect on ~~their~~ **our** business and financial condition. Existing and future projects may be located on property on other sites occupied under long- term easements, leases and rights of way. The ownership interests in the property on other sites subject to these easements, leases and rights of way may be subject to mortgages securing loans or other liens and other easements, lease rights and rights of way of third parties that were created previously. As a result, some of these real property rights may be subordinate to the rights of these third parties, and the rights of our operating subsidiaries to use the property on other sites on which their projects are, or will be, located and their projects' rights to such easements, leases and rights of way could be lost or curtailed. ~~AVANGRID~~ **Avangrid** and our subsidiaries face risks of strikes, work stoppages or an inability to negotiate future collective bargaining agreements on commercially reasonable terms which could have an adverse effect on our business and financial condition. ~~The majority~~ **A part** of **Avangrid** employees ~~at Networks' facilities~~ are subject to collective bargaining agreements with various unions. Unionization activities, including votes for union certification, could occur among non- union employees **across Avangrid' s subsidiaries** . While we generally enjoy strong working relationships with all our labor unions, if union employees strike, participate in a work stoppage or slowdown or engage in other forms of labor strike or disruption, our subsidiaries could experience reduced power generation ~~or~~ **,** outages **and operation disruptions** if replacement labor is not procured. ~~The ability~~ **This risk may also lead** to **an increase in personnel costs** ~~procure such replacement labor or the ability to negotiate future collective bargaining agreements on commercially reasonable terms is uncertain~~ . Advances in technology and rate design initiatives could impair or eliminate ~~AVANGRID~~ **Avangrid** ' s competitive advantage or could result in customer defection, which could have an adverse effect on our growth prospects, business and financial condition. Legislative and regulatory initiatives designed to reduce greenhouse gas emissions or limit the effects of global warming and overall climate change have increased the development of new technologies for renewable energy, energy efficiency and investment **in an attempt** to make those technologies more efficient and **cost effective. However, there is a risk that new and / or unproven technologies, including battery storage and hydrogen technology, may fall short of their expected benefits and may not be** cost effective. There is a potential that new technology or rate design incentives could adversely affect the demand for services of our regulated subsidiaries thus impacting our revenues, such as distributed generation. Similarly, future investments in Networks could be impacted if adequate rate making does not fully contemplate the characteristics of an integrated reliable grid from a unified perspective, regardless of customer disconnection. The interoperability, integration and standard connection of these distributed energy devices and systems could place a burden on the system of Networks' operating subsidiaries, without adequately compensating them. The technology and techniques used in the production of electricity from renewable sources are constantly evolving and becoming more complex. In order to maintain its competitiveness and expand its business, Renewables must adjust to changes in technology effectively and in a timely manner, which could impact our cash flow and / or reduce our profitability. Avangrid' s efforts to maintain a responsive ~~ESG~~ **sustainability** program may impact business operations and investor sentiment. Avangrid' s **operations and** reputation ~~around ESG is~~ **concerning sustainability are** reliant on the company' s actions around employee engagement, community relations **including with overburdened or indigenous communities** , human rights **, value chain management including upstream and downstream effects, waste management and recycling** , and areas that may impact perceptions on the company' s ~~ESG~~ **sustainability** effectiveness **and could subject Avangrid to increased legal or political scrutiny of Avangrid' s activities** . Avangrid' s efforts to comply with increasing ~~ESG~~ **sustainability** reporting requirements to regulators, customers and third parties, and to track and provide accurate data may impact internal resources. Additionally, Avangrid **has several goals that include, but are not limited to, emissions reduction, sustainable use of nature resources such as land and water, biodiversity, increased use of renewable generation, responsibly sourced materials, operational health and safety, and social impacts. The efforts involved in meeting these goals may be costly and may require our management and other personnel to devote a substantial amount of time and company resources to these activities. Furthermore, Avangrid** ' s ~~efforts to address climate change~~ **actual or perceived progress towards achieving these goals** may **adversely** ~~increase operating costs. The company' s performance relative to competitors in this aspect may~~ impact ~~investor outlook~~ **our financial condition and reputation** . Geopolitical instability could exacerbate existing risk factors. The recent geopolitical developments caused by the conflict in Ukraine ~~as well as~~ **, increased instability in** the ~~increasingly~~ **Middle East and the** strained relationship between China and the United States may further intensify risk factors highlighted in this Form 10- K for the fiscal year ended December 31, ~~2022~~ **2023** including, but not limited to, risks around inflation, interest rates, energy supply and price, supply chain delays and heightened cybersecurity and physical security threats. Business and Market Risk Factors ~~AVANGRID~~ **Avangrid** ' s operations and power production may fall below expectations due to the impact of natural events, which could adversely affect our financial condition and reputation. Weather conditions influence the supply and demand for electricity, natural gas and other fuels and affect the price of energy and energy- related commodities. Severe weather can result in power outages, bodily injury and property damage or affect the availability of fuel and water. Many of our facilities could be at greater risk of damage should climate change produce unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events and conditions **. These include but are not limited to acute risks such as floods, hail, tornados, hurricanes, wildfire and wind gusts as well as chronic risks such as drought, heat stress and seal level rise** . Recoverability of additional costs associated with restoration and / or repair of regulated utilities facilities is defined within their respective rate decision. Regulatory agencies have the authority to review and disallow recovery of costs that they consider excessive or imprudently incurred. Reliability metrics may be negatively affected resulting in a potential negative rate adjustment or other imposed penalty. Our regulated utilities are subject to adverse publicity focused on the reliability of their distribution services and the speed with which they are able to respond to electric outages, natural gas leaks and similar interruptions caused by storm damage or other unanticipated events. Adverse publicity of this nature could harm our reputations and the reputations of our subsidiaries. Renewables can incur damage to wind or solar equipment, either through natural events such as lightning strikes that damage blades or in- ground electrical systems used to collect electricity from turbines or panels; or may experience production shut- downs or delayed restoration of production during extreme weather conditions resulting from, among other things, icing on the blades or restricted access to sites. If weather conditions are unfavorable or below production forecasts, Renewables projects' electricity generation and the revenue generated from its projects may fall below expectations and have an adverse effect on financial condition. Changing weather patterns or lower than expected wind or solar resource **have caused and in the future** could cause reductions in electricity generation at Renewables' projects, which could negatively affect revenues. These events could vary production levels significantly from period to period, depending on the level of available resources. To the extent that resources are not available at planned levels, the financial results from these facilities may be less than expected. Changing weather patterns **have in the past and** could **in the future** also degrade equipment, components, and / or shorten interconnection and transmission facilities' useful lives or increase maintenance costs. Lower prices for other fuel sources may reduce the demand for wind and solar energy development, which could adversely affect Renewables' growth prospects and financial condition. Wind and solar energy demand is affected by the price and availability of other fuels, including nuclear, coal, natural gas and oil, as well as other sources of renewable energy. To the extent renewable energy, particularly wind and solar, becomes less cost- competitive due to reduced government targets, increases in the costs, new regulations, incentives that favor other forms of energy, cheaper alternatives or otherwise, demand for renewable energy could decrease. There are a limited number of purchasers of utility- scale quantities of electricity, which exposes Renewables' utility- scale projects to additional risk that could have an adverse effect on its business. Since the transmission and distribution of electricity is highly concentrated in most jurisdictions, there are a limited number of possible purchasers for utility- scale quantities of electricity in a given geographic location, including transmission grid operators, state and investor- owned power companies, public utility districts and cooperatives. As a result, there is a concentrated pool of potential buyers for electricity generated by Renewables' businesses, which may restrict our ability to negotiate favorable terms under new PPAs and could impact our ability to find new customers for the electricity generated by our generation facilities should this become necessary. Renewables' PPA portfolio is mostly contracted with low risk regulated utility companies. In the past few years, there has been increased participation from commercial and industrial customers. The higher long- term business risk profile of these companies results in increased credit risk. Furthermore, if the financial condition of these utilities and / or power purchasers deteriorated or the RPS programs, climate change programs or other regulations to which they are currently subject and that compel them to source renewable energy supplies change, demand for electricity produced by Renewables' businesses could be negatively impacted. The benefits of any warranties provided by the suppliers of equipment for Networks and Renewables' projects may be limited by the ability of a supplier to satisfy its warranty obligations, or if the term of the warranty has expired or has liability limits which could have an adverse effect on our business and financial condition. Networks and Renewables expect to benefit from various warranties, including product quality and performance warranties, provided by suppliers in connection with the purchase of equipment by our operating subsidiaries. The suppliers may fail to fulfill their warranty obligations, or the warranty may not be sufficient to compensate for all losses or cover a particular defect. In addition, these warranties generally expire within two to five years after the date of equipment delivery or commissioning and are subject to liability limits. If installation is delayed, the operating subsidiaries may lose all or a portion of the benefit of warranty. Renewables' revenue may be reduced upon expiration or early termination of PPAs if the market price of electricity decreases and Renewables is otherwise unable to negotiate favorable pricing terms which could have a negative effect on our business and financial condition. Renewables' PPA portfolio primarily has fixed or otherwise predetermined electricity prices for the life of each PPA. A decrease in the market price of electricity could result in a decrease in revenues upon expiry or extension of a PPA. The majority of Renewables' energy generation projects become merchant upon the expiration of a PPA and are subject to market risks unless Renewables can negotiate an extension or replacement contract. If Renewables is not able to secure a replacement contract with equivalent terms and conditions or otherwise obtain prices that permit operation of the related facility on a profitable basis, the affected project may temporarily or permanently cease operations and trigger an asset value impairment. Our risk management policies cannot fully eliminate the risk associated with some of our operating subsidiaries' commodity trading and hedging activities, which may result in significant losses and adversely impact our financial condition. Our subsidiaries' commodity trading and hedging activities are inherently uncertain and involve projections and estimates of factors that can be difficult to predict such as future prices and demand for power and other energy- related commodities. In addition, Renewables has exposure to commodity price movements through their " natural " long positions in electricity and other energy- related commodities in addition to proprietary trading and hedging activities. We manage the exposure to risks of such activities through internal risk management policies, enforcement of established risk limits and risk management procedures but they may not be effective and, even if effective, cannot fully eliminate the risks associated with such activities. Risk Factors Relating to Ownership of Our Common Stock Iberdrola exercises significant influence over ~~AVANGRID~~ **Avangrid** , and its interests may be different from yours. Additionally, future sales or issuances of our common stock by Iberdrola could have a negative impact on the price of our common stock. Iberdrola owns approximately 81. 6 % of outstanding shares of our common stock and has the ability to exercise significant influence over ~~AVANGRID~~ **Avangrid** ' s policies and affairs, including the composition of our board of directors and any action requiring the approval of our shareholders, including the adoption of amendments to the certificate of incorporation and bylaws and the approval of a merger or sale of substantially all of our assets, subject to applicable law and the limitations set forth in the shareholder agreement to which we and Iberdrola are parties. The directors designated by Iberdrola may have significant authority to effect decisions affecting our capital structure, including the issuance of additional capital stock, incurrence of additional indebtedness, the implementation of stock repurchase programs and the decision of whether or not to declare dividends. The interests of Iberdrola may conflict with the interests of our other shareholders. For example, Iberdrola may support certain long- term strategies or objectives for us that may not be accretive to shareholders in the short term. The concentration of ownership may also delay, defer or even prevent a change in control, even if such a change in control would benefit our other shareholders, and may make some transactions more difficult or impossible without the support of Iberdrola. This significant concentration of share ownership may adversely affect the trading price for shares of our common stock because investors may perceive disadvantages in owning stock in companies with shareholders who own significant percentages of a company' s outstanding stock. Further, sales of our common stock by Iberdrola or the perception that sales may be made by it could significantly reduce the market price of shares of our common stock. Even if Iberdrola does not sell a large number of shares of our common stock into the market, its right to transfer such shares may depress the price of our common stock. Furthermore, pursuant to the shareholder agreement dated December 15, 2016, between ~~AVANGRID~~ **Avangrid** and Iberdrola, Iberdrola is entitled to customary registration rights of our common stock, including the right to choose the method by which the common stock is distributed, a choice as to the underwriter and fees and expenses to be borne by us. Iberdrola also retains preemptive rights to protect against dilution in connection with issuances of equity by us. If Iberdrola exercises its registration rights and / or its preemptive rights, the market price of shares of our common stock may be adversely affected. Additionally, being a controlled company, relevant risks materializing at the ultimate parent level could have a negative impact on our share price, financial condition, credit ratings or reputation. We have elected to take advantage of the " controlled company " exemption to the corporate governance rules for NYSE- listed companies, which could make shares of our common stock less attractive to some investors or otherwise harm our stock price. Under the rules of the NYSE, a company in which over 50 % of the voting power is held by an individual, a group or another company is a " controlled company " and may elect to take advantage of certain exemptions to the corporate governance rules for NYSE- listed companies. ~~AVANGRID~~ **Avangrid** has elected to take advantage of these exemptions and, as a controlled company, is not required to have a majority of its board of directors be independent directors, a compensation committee and a nominating and corporate governance committee, or to have such committee composed entirely of independent directors. Because we are a " controlled company, " you will not have the same protections afforded to shareholders of companies that are subject to all the corporate governance requirements of the NYSE without regard to the exemptions available for " controlled companies. " Our status as a" controlled company" could make our shares of common stock less attractive to some investors or otherwise harm our stock price. Our dividend policy is subject to the discretion of our board of directors and may be limited by our debt agreements and limitations under New York law. Although we currently anticipate paying a regular quarterly dividend, any such determination to pay dividends is at the discretion of our board of directors and dependent on conditions such as our financial condition, earnings, legal requirements, including limitations under New York law and other factors the board of directors deem relevant. Our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. For these reasons, investors may not be able to rely on dividends to receive a return on their investments. ~~AVANGRID~~ **Avangrid** may be unable to meet our financial obligations and to pay dividends on our common stock if our subsidiaries are unable to pay dividends or repay loans from us. We are a holding company and, as such, have no revenue- generating operations of our own. We are dependent on dividends and the repayment of loans from our subsidiaries and on external financings to provide the cash necessary to make future investments, service debt we have incurred, pay administrative costs and pay dividends. Our subsidiaries are separate legal entities and have no independent obligation to pay dividends. Our regulated utilities are restricted by regulatory decision from paying us dividends unless a minimum equity- to- total capital ratio is maintained. The future enactment of laws or regulations may prohibit or further restrict the ability of our subsidiaries to pay upstream dividends or to repay funds. In addition, in the event of a subsidiary' s liquidation or reorganization, our right to participate in a distribution of assets is subject to the prior claims of the subsidiary' s creditors. As a result, our ability to pay dividends on our common stock and meet our financial obligations is reliant on the ability of our subsidiaries to generate sustained earnings and cash flows and pay dividends to and repay loans from us. General Risk Factors If we are unable to ~~implement and~~ maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the trading price of our common stock may be negatively affected. As a public company, we are subject to reporting, disclosure control and other obligations in accordance with applicable laws and rules adopted, and to be adopted, by the SEC and the NYSE such as the requirement that our management report on the effectiveness of our internal control over financial reporting and our independent registered public accounting firm to attest to the effectiveness of our internal controls. Our management and other personnel devote a substantial amount of time to these compliance activities, and if we are not able to comply with these requirements in a timely manner or if we are unable to conclude that our internal control over financial reporting is effective, our ability to accurately report our cash flows, results of operations or financial condition could be inhibited and additional financial and management resources could be required. Any failure to maintain internal control over financial reporting or if our independent registered public accounting firm determines ~~the~~ **that** we have a material weakness or significant deficiency in our internal control over financial reporting, could cause investors to lose confidence in the accuracy and completeness of our financial reports, a decline in the market price of our common stock, or subject us to sanctions or investigations by the NYSE, the SEC or other regulatory authorities. Failure to remedy any material weakness or significant deficiency in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets and reduce or eliminate the trading market for our common stock. Changes in tax laws, as well as judgments and estimates used in the determination of tax- related asset and liability amounts, could adversely affect our financial condition. Our provision for income taxes and reporting of tax- related assets and liabilities ~~require~~ **requires** significant judgments and the use of estimates. Amounts of tax- related assets and liabilities involve judgments and estimates of the timing and probability of recognition of income, deductions and tax credits, including, but not limited to, estimates for potential adverse outcomes regarding tax positions that have been taken and the ability to utilize tax benefit carryforwards, such as net operating loss, or NOL, and tax credit carryforwards. Actual income taxes could vary significantly from estimated amounts due to the future impacts of, among other things, changes in tax laws, regulations and interpretations, our financial performance and results of operations. Our investments and cash balances are subject to the risk of loss. Our cash balances and the cash balances at our subsidiaries may be deposited in banks, may be invested in liquid securities such as commercial paper or money market funds or may be deposited in a liquidity agreement in which we are a participant along with other affiliates of the Iberdrola Group. Bank deposits in excess of federal deposit insurance limits would be subject to risks in the counterparty bank. Liquid securities and money market funds are subject to loss of principal, more likely in an adverse market situation, and to the risk of illiquidity. The cost and availability of capital to finance our business is inherently uncertain and may adversely affect our financial condition. ~~AVANGRID~~ **Avangrid** and its subsidiaries are exposed to an increase in the general level of interest rates and to geopolitical and other macroeconomics factors and events affecting the capital markets that may increase the cost of capital or restrict its availability. In addition, ~~AVANGRID~~ **Avangrid** ' s performance directly affects its financial strength and credit ratings and therefore its cost of, and ability to attract, capital. Significant increases in the cost of capital, whether caused by economic or capital market conditions or adverse company performance, would adversely impact our financial performance and may make certain potential business opportunities uneconomic. Prolonged inability to access capital would impair our ability to execute our business plan and could impair ~~AVANGRID~~ **Avangrid** ' s ability to meet its financial obligations. **Avangrid** ~~Moreover, certain of AVANGRID and its subsidiaries' debt securities and derivative contracts use the LIBOR as a benchmark for establishing the interest rate. In March 2021, the U. K. Financial Conduct Authority announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021 for one- week and two- month U. S. dollar settings, as well as the sterling, euro, Swiss franc and Japanese yen settings, and immediately after June 30, 2023 for the remaining U. S. dollar settings. AVANGRID and its subsidiaries' existing debt securities and derivative contracts that reference LIBOR contain standard fallback language addressing the transition away from LIBOR. However, the discontinuation and replacement of LIBOR may have an unpredictable impact on the credit and financial markets. Additionally, uncertainty as to the nature of such potential discontinuation and replacement, including that any benchmark may not be the economic equivalent of LIBOR or not achieve market acceptance similar to LIBOR, may negatively impact the cost of our debt securities. AVANGRID~~ and our subsidiaries are subject to litigation or administrative proceedings, the outcome or settlement of which could adversely affect our business, financial condition and reputation. ~~AVANGRID~~ **Avangrid** and our operating subsidiaries have been and continue to be involved in legal proceedings, administrative proceedings, claims and other litigation that arise in the ordinary course of business. ~~AVANGRID~~ **Avangrid** could experience unfavorable outcomes, developments or settlement of claims relating to these proceedings or future proceedings such as judgments for monetary damages, injunctions, unfavorable settlement terms, or denial or revocation of permits or approvals that could adversely impact our business, financial condition and reputation. ~~AVANGRID~~ **Avangrid** is not able to insure against all potential risks which could adversely affect our financial condition. ~~AVANGRID~~ **Avangrid** is exposed to certain risks inherent in our business such as equipment failure, manufacturing defects, natural disasters, terrorist attacks, cyber- attacks and sabotage, as well as affected by international, national, state or local events. Our insurance coverage may not continue to be offered or offered on an economically feasible basis and may not cover all events that could give rise to a loss or claim involving the assets or operations of our subsidiaries. Pension and post-retirement benefit plans could require significant future contributions to such ~~plan~~ **plans** that could adversely impact our business and financial condition. We provide defined benefit pension plans and other post- retirement benefits administered by our subsidiaries for a significant number of employees, former employees and retirees. Financial market disruptions and significant declines in the market values of the investments held to meet those obligations, discount rate assumptions, participant demographics and increasing longevity, and changes in laws and regulations may require us to make significant contributions to the plans. ~~AVANGRID~~ **Avangrid** and our subsidiaries may suffer the loss of key personnel or the inability to hire and retain qualified employees in a competitive labor market, which could have an adverse effect on our operations and financial condition. The operations of ~~AVANGRID~~ **Avangrid** depend on the continued efforts of our employees. Retaining key employees and attracting new employees are **both** important to our financial performance and our operations **. It is increasingly important for Avangrid to effectively promote best labor practices in terms of equity, opportunity, diversity and inclusion, as well as to provide skills related to operations and technology for energy transition** . We cannot guarantee that any member of our management will continue to serve in any capacity for any length of time. We operate in an increasingly competitive labor market and an increasing percentage of our employees are retirement eligible. If employee turnover increases or our workforce ~~continue~~ **continues** to age without appropriate replacements, our efficiency and effectiveness, productivity, and ability to pursue growth opportunities may be impaired. In addition, a significant portion of our skilled workforce will be eligible to retire in the next five to ten years. Such highly skilled individuals cannot be quickly replaced due to the technically complex work they perform, the competitive labor market and changing workplace. This could lead to a loss in productivity and increased recruiting and training costs.