BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION BY TATANKA RIDGE WIND, LLC. FOR A PERMIT FOR A WIND ENERGY FACILITY IN DEUEL COUNTY, SOUTH DAKOTA, FOR TATANKA RIDGE WIND FARM

SD PUC DOCKET EL19-026

PRE-FILED DIRECT TESTIMONY OF ANNETTE STURGILL
ON BEHALF OF TATANKA RIDGE WIND, LLC.

October 4, 2019

EXHIBIT
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Q. Please state your name, employer, and business address for the record.

A. Annette Sturgill, Avangrid Renewables, LLC, 1125 NW Couch Street, Suite 600, Portland, Oregon, 97209.

Q. What's your current position with the Applicant or its parent company?

A. My position is Managing Director responsible for Credit Risk and Collateral Management.

Q. Briefly describe your professional experience.

A. I have been with Avangrid Renewables, LLC for over 18 years, serving in the capacity of a Risk Manager, with responsibilities including credit risk, collateral risk, and enterprise risk. Prior to this, I worked in the banking industry in the roles of lending officer, credit analyst and credit administrator.

What's the purpose of your testimony?

A. The purpose of my testimony is to support the applicant's request to guarantee the financing of decommissioning the Tatanka Ridge Wind Farm with a parent guarantee from Avangrid, Inc.

Q. What's your experience with escrow accounts, letters of credit, surety bonds, and parent guarantees relative to wind farms?

A. My department is responsible for the issuance and administration of parent guarantees, for coordinating the issuance and administration of letters of credit and surety bonds, and for coordination and tracking of escrow accounts. In addition, we are involved in certain aspects of the negotiation of these credit support instruments in conjunction with our legal and treasury departments. This typically includes the amount of the credit support and also to provide information about the financial condition of Avangrid, Inc. I have participated in the development of the proposed parent guarantee for this project. Escrow arrangements are typically handled by a different department within the corporate structure. In my experience with the company, which has built over 6 GW of wind projects throughout the United States, we have always honored our contractual obligations and we would expect to honor our decommissioning obligations as they may arise.

Q. Do you have any sample documents to share with the commission?

A. I have attached the proposed form of parent guarantee for this project.

Q. Are you familiar with the ownership structure of this wind farm?

A. Yes. Tatanka Ridge Wind, LLC is a wholly owned subsidiary of Avangrid Renewables, LLC. Avangrid Renewables, LLC is a wholly owned subsidiary of Avangrid Renewables Holdings, Inc. Avangrid Renewables, Holdings, Inc. is a wholly owned subsidiary of Avangrid, Inc.

Q. You've provided a form of parent guarantee for consideration. How does this work?

A. A parent guarantee is a promise to pay in case the guaranteed subsidiary company fails to meet its obligations. In this case, Avangrid, Inc. is entering into an obligation to make payment in the event that Tatanka Ridge Wind LLC does not satisfy its decommissioning obligations.

Q. Why should the Commission accept a parent guarantee for this project?

A. Avangrid, Inc. is a utility holding company with substantial assets in the United States. Avangrid, Inc. has both regulated and unregulated operations. Avangrid, Inc. is listed on the New York Stock Exchange (AGR) and has a market capitalization $16.1 billion as of September 30, 2019. As a publicly traded company, Avangrid, Inc. is regulated by the U.S. Securities and Exchange Commission. Financial results for the first half of 2019 included total assets of $33.1 billion, revenues of $3.2 billion and net income of $321 million, as per the June 30, 2019 10-K filing. The financial condition is frequently assessed and reviewed by analysts and rating agencies, including Standard & Poor's, Moody's Investors Service and Fitch Ratings. Standard & Poor's has assigned a corporate issuer rating of BBB+. Moody's Investors Service has assigned a corporate issuer rating of Baa1. Fitch Ratings has assigned a corporate issuer rating of BBB+. These ratings are two notches above the minimum investment grade level. I have attached the most recent rating agency reports for review.

Q. Have you offered the same form of parent guarantee to Deuel County?

A. Yes I am aware that we have. I understand that it was considered at a zoning board meeting in September and will be considered again at a Deuel County zoning board meeting on October 15.

Q. Would the project accept having two different forms of credit support for the same decommissioning costs?

A. We think it critical that the County and the Commission be satisfied with the same decommissioning credit support. The project should not have to guarantee the same cost twice for two different permitting jurisdictions. One guarantee for one potential cost is sufficient to address this potential situation.

Q. Do you have comments on the escrow account requirement previously ordered by the Commission?

A. Yes. There is risk and cost associated with that the escrow mechanism. The cost of holding an escrow account is much higher than the cost of a parent guarantee and an inefficient use of capital since the money would sit in an account for the life of the asset without the company being able to utilize the money for its various capital improvement projects throughout the United States. Further, there is no FDIC insurance for such an account above $250,000, which in this case would be the vast majority of the deposit amount. The parent guarantee would take effect immediately, provide full coverage immediately, and it will be from an investment grade corporate entity.

Q. Anything further?

A. No not at this time.

Dated this 4th day of October 2019.

/S/

Annette Sturgill

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
5 July 2018

Update

Rate this Research

RATINGS

Avangrid, Inc.

Domicile	Albany, New York, United States
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

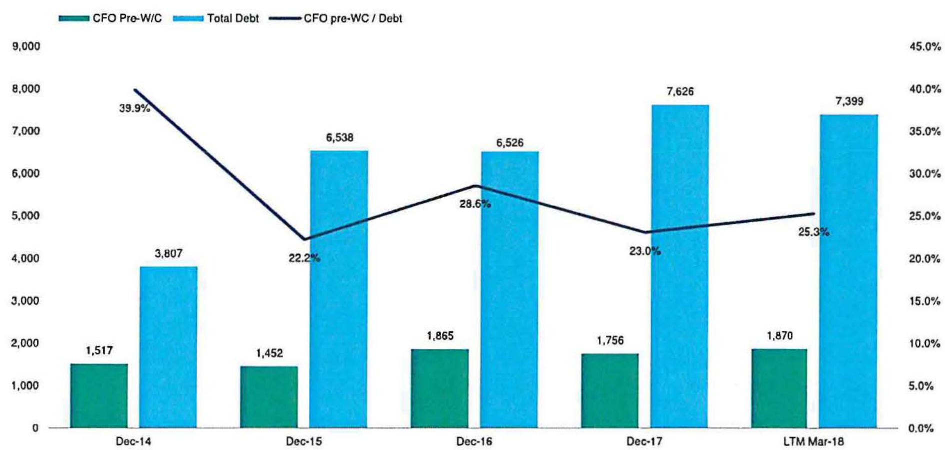
Avangrid, Inc.

Update to credit analysis

Summary

Avangrid's (AGR) credit quality reflects the strength of its regulated utility subsidiaries that account for 65% of operating cash flow generation, the largely contracted nature of its unregulated business, and its strong financial ratios with minimal holding company debt. Offsetting these positive attributes are our expectation that AGR's holding company leverage will gradually increase over time and result in weaker but still adequate financial ratios.

Exhibit 1
Historical CFO Pre-W/C, Total Debt and CFO Pre-W/C to Debt
($MM)



Source: Moody's Financial Metrics™

Credit strengths

» Low business risk regulated utilities represent 65% of the company's EBITDA

» Healthy financial ratios

» Diversified service territory

» Unregulated business is majority contracted with long-term agreements with credit-worthy counterparties

Credit challenges

» Sizeable capital expenditure plan across both the utility and renewable segment carries some execution risk

» Material weakness finding in audited financials point to corporate governance challenges

» Ring-fenced utilities create separateness and insulation from AGR family

Rating outlook

AGR's stable outlook reflects the strength of its regulated utility subsidiaries that account for 65% of operating cash flow generation, the largely contracted nature of its unregulated business, as well as access to incremental liquidity from a deep-pocketed majority owner. The outlook also takes into account our expectation that its holding company leverage will gradually increase over time and result in lower credit metrics that are more in line with its rating, such as cash flow from operations pre-working capital to debt (CFO pre-WC/D) in the high teens.

Factors that could lead to an upgrade

» Material improvement in the credit supportiveness of the regulatory frameworks within which AGR's regulated utilities operate

» Sustained strong financial ratios such that CFO pre-WC/D exceeds 26%, on a sustainable basis

Factors that could lead to a downgrade

» A deterioration in the credit supportiveness of the regulatory jurisdiction across which AGR's utilities operate

» A weakening in the company's financial results, such that CFO pre-WC/D falls to the mid-teens and retained cash flow to debt declines to the low teens, on a sustained basis.

» An increase in the percentage of consolidated operating cash flows derived from the more volatile, non-contracted unregulated segment

» A material weakening in the credit quality of its majority owner, Iberdrola S.A., or increased dividend payments from AGR to its shareholders.

Key indicators

Exhibit 2

Avangrid, Inc. Indicators [1]

	Dec-14	Dec-15	Dec-16	Dec-17	LTM Mar-18
CFO pre-WC + Interest / Interest	6.9x	6.0x	6.6x	6.0x	6.2x
CFO pre-WC / Debt	39.9%	22.2%	28.6%	23.0%	25.3%
CFO pre-WC – Dividends / Debt	39.8%	22.2%	22.4%	16.0%	17.9%
Debt / Capitalization	20.1%	26.3%	26.0%	31.6%	30.6%

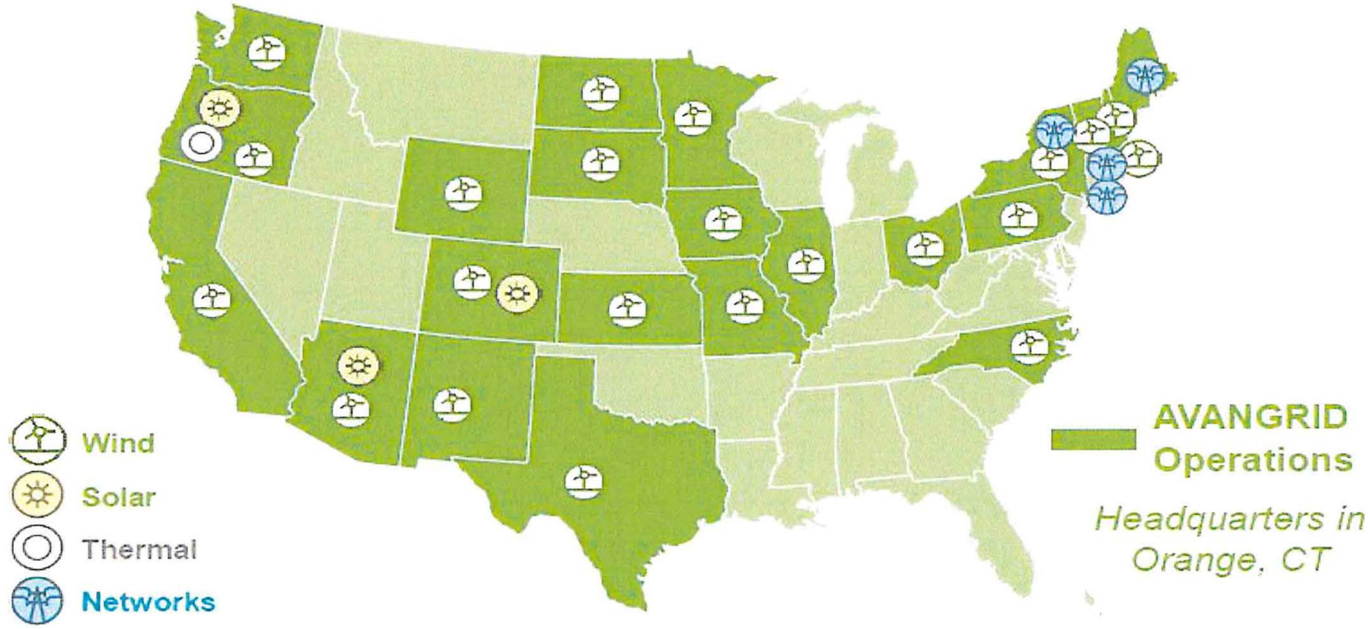
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Profile

AGR is a diversified utility holding company with total assets of $31.5 billion (as of 3/31/18). The company's regulated operations account for roughly 65% of operating cash flows with its unregulated, but largely contracted operations, making up the difference. AGR's majority owner is Iberdrola S.A. (ISA Baa1 stable). It owns an 81.5% stake in the company with the remaining 18.5% being held by the public. ISA is a global diversified energy company with total assets of $128 billion as of 12/31/17. Its primary holdings are located in Spain, the United Kingdom, the United States, Mexico and Brazil.

Exhibit 3
Avangrid's geographic presence



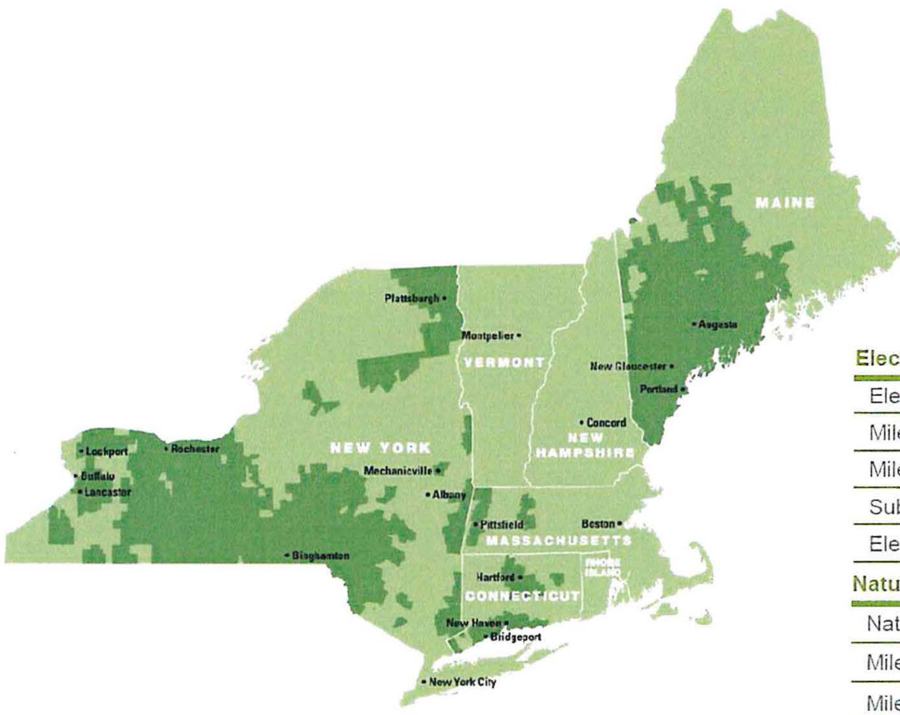
Source: Company presentation

Detailed credit considerations

REGULATED UTILITIES PROVIDE FUNDAMENTAL CREDIT SUPPORT

AGR's ownership of eight low business risk regulated utilities, operating across four different states in the northeastern U.S., and representing a total rate base of $9.1 billion, provide a strong, predictable, and stable base to the group's overall operating cash flow generation. Together, these utilities represent about 65% of the company's consolidated cash flow generation, and account for 80% of consolidated debt.

Exhibit 4



Electricity Service	2017
Electricity Customers	2,231,576
Miles of Transmission Lines	8,657
Miles of Distribution Lines	70,934
Substations	822
Electricity Delivered	38,349 GWh
Natural Gas Service	
Natural Gas Customers	998,236
Miles of Transmission Pipeline	127
Miles of Distribution Pipeline	24,298
Natural Gas Delivered	175,477,000 DTh

Source: Company presentation

AGR's core utility holdings operate in mostly constructive regulatory environments. AGR's New York and Maine-based transmission and distribution (T&D) utilities as well as its FERC regulated transmission segment account for 77% of consolidated rate base, and benefit from the most credit supportive regulatory environment of the consolidated group. Some of the favorable ratemaking mechanisms available in these jurisdictions are the application of a forward looking test year and formulaic equity returns. These allow for transparent and predictable rate setting and for timely recovery of operating and capital costs.

AGR's natural gas distribution companies (LDCs) account for 12% of consolidated rate base. They operate across the somewhat more challenging but improving regulatory jurisdictions of Massachusetts and Connecticut. Although these companies have a history of fully litigated rate cases, they have access to decoupling and infrastructure tracker mechanisms. Decoupling is credit positive since it supports the stability of operating cash flow generation by shielding the companies from the demand volatility associated with weather and customer demand. Similarly, the infrastructure tracker mechanisms are credit positive since they provide for assured recovery of prudent reliability infrastructure spending on a timely basis.

From a credit perspective, AGR's weakest and most challenged utility company is United Illuminating (UI, Baa1 stable), its Connecticut based T&D company, that accounts for 11% of consolidated rate base (when excluding UI's FERC regulated segment). Like its sister companies, it has access to the state's decoupling mechanism but does not benefit from the reliability infrastructure rider available to Connecticut LDCs. Furthermore, the company has a history of experiencing more challenging general rate cases than its sister utilities, that, to date have only been resolved through a fully litigated process.

HISTORICALLY STRONG FINANCIAL RATIOS BUOYED BY LOW DEBT LEVELS AT PARENT AND UNREGULATED SUBSIDIARY WILL WEAKEN OVER TIME

About 80% of the company's consolidated debt is at the company's regulated utilities, that are levered in accordance with their regulatory capital structure of between 40%-45%. The remaining 20% of the debt relates to a limited amount of project finance debt at its unregulated subsidiaries as well as $1.05 billion of debt at the parent (up from $600 million a year ago). The relatively low amount of debt at these entities, as well as the healthy operating cash flow generation from the unregulated segment's 6.5 GW portfolio of largely contracted wind farms, results in strong debt coverage and debt to capitalization ratios.

Going forward, we anticipate that the company will continue to gradually increase the leverage at its holding company. AGR is targeting a dividend payout ratio of 65-75% at a time when it is stepping up capex across its largest operating utility and unregulated subsidiaries, and generating lower operating cash flows due to the passage of federal tax reform.

AGR's operating cash flows are forecasted to fund about 80% of its capital investments, with the balance coming from incremental debt at the parent and the utilities, and tax equity at the company's unregulated segment. AGR will also rely on incremental parent debt issuance to fund its dividend. Although not a sustainable long-term approach, with a CFO pre-WC/D of about 23% and debt to capitalization of around 32%, there is some room for incremental leverage, assuming its business mix remains unchanged and it continues to benefit from constructive regulatory relationships across the jurisdictions where it operates.

LARGELY CONTRACTED NATURE OF RENEWABLE ASSETS AND SALE OF NATURAL GAS BUSINESS IMPROVE UNREGULATED SEGMENT'S RISK PROFILE

Following the sale of its natural gas trading and storage business, AGR's unregulated business, Avangrid Renewables Holdings, Inc. (Renewables), now solely consists of 7.1 GW of generation capacity, with largely contracted renewable sources accounting for 6.5 GW of the total. Importantly, prior to the sale of its natural gas business, Renewables already accounted for 100% of the segment's EBITDA and has a record of producing generally stable operating cash flows. About seventy percent of AGR's generation capacity is contracted under long-term power purchase agreements with an average life of 9 years to credit-worthy offtakers, while 5% to 15% of the balance is hedged.

In 2017, AGR's management announced its plan to exit the natural gas business as it viewed it as non-core and not aligned with the broader company's strategic objectives. Furthermore, as a minor cash flow contributor, generating only about 5% of the company's consolidated cash flow in 2017, it carried materially more business risk than AGR's other segments. On 1 March 2018, AGR closed a transaction to sell Enstor Energy Services, LLC, AGR's gas trading business to CCI US Asset holdings LLC near fair market value ($66 million subject to working capital, cash and other adjustments). On 1 May 2018, AGR closed a transaction to sell Enstor Gas LLC, its gas storage business, to Amphora Gas Storage, LLC for $66 million subject to working capital, cash and other adjustments. The transaction price was lower than the estimated fair market value of the business by approximately $9 million.

MATERIAL WEAKNESS FINDING IN AUDITED STATEMENTS POINTS TO CORPORATE GOVERNANCE CHALLENGES

On 26 March 2018, AGR released its 2017 10-K which included disclosure of a material weakness in an adverse auditor opinion on the effectiveness of the company's internal control over financial reporting, a significant credit negative. Although AGR's 10-K audit was unqualified and required no financial statement restatement, the existence of a material weakness for the second consecutive year demonstrates an inability of AGR's board and management to effectively implement certain specific, satisfactory internal control processes that are standard practice among industry peers.

The 2017 material weakness relates to internal controls over the measurement and disclosure of income taxes. This is an issue initially disclosed in AGR's 2016 10-K and highlighted as one of three material weaknesses at that time. While the other two weaknesses were addressed over the course of 2017, AGR failed to fully remediate the inadequate internal control processes and procedures surrounding measurement and disclosure of income taxes prior to their 2017 audit. The company expects to address the issue through acceleration of the deadline of key activities, increasing its capabilities in the area of income tax accounting resources, and enhancing the automation of income tax processes and controls to allow for more timely completion of enhanced review of internal controls. AGR currently anticipates that all remediation efforts will be completed by 31 December 2018. See Moody's Issuer Comment entitled "Avangrid discloses existence of a "material weakness" in its 10-K for second year in a row, a credit negative" for more details on the matter.

LINK BETWEEN AGR'S CREDIT AND ISA SOFTENS FOLLOWING ITS LISTING ON THE NYSE

The decision to list AGR on the New York Stock exchange and effectively reduce ISA's ownership of the company by roughly 20% in December 2015, leads Moody's to conclude that the historically tight linkage between both companies has softened. Although we acknowledge that AGR is an important component of ISA's overall growth strategy, we believe that AGR is largely run independently. We expect that the company will continue to raise the bulk of its debt through the US capital markets, as well as seek to leverage its listing on the NYSE to raise equity for opportunistic growth potentially diluting ISA's ownership further.

Additionally, the presence of ring fencing provisions at all of its utilities limit ISA's flexibility with regards to its ability to draw distributions from those entities. Furthermore, AGR's decision to refinance the legacy UIL Holding company debt at AGR rather than at ISA is additional evidence of a de-linking of the two companies. That said, we continue to acknowledge that the majority ownership by ISA remains a credit positive, particularly since it provides an additional venue to access liquidity at an advantageous price.

Liquidity analysis

AGR's maintains good access to liquidity. AGR had $40 million of cash on the balance sheet as of 31 March 2018 and maintains a five-year bank credit facility with an aggregate borrowing limit of $2.5 billion (increased from $1.5 billion on 29 June, 2018). The bank credit facility, that among other things serves to backstop AGR's $1 billion commercial paper program, has a termination date of June 2023, does not include an ongoing material adverse change clause, and the only financial covenant is a maximum allowed debt to capital ratio of 65% that AGR comfortably satisfied as of 31 March 2018. As part of the recent upsizing and extension of the bank facility, AGR added a sustainability-linked pricing metric that permits an interest rate reduction for meeting targets related to environmental sustainability and highlights AGR's commitment to enhancing its environmentally friendly business profile.

The consolidated group had $869 million of availability under the then $1.5 billion bank credit facility as of 31 March 2018 after giving effect to $631 million of commercial paper outstanding. AGR's utility subsidiaries have various debt maturities totaling $491 million coming due in 2018 and 2019. The next AGR level maturity is scheduled for 2020 when $450 million of senior unsecured notes are due.

AGR employs a centralized approach to managing its liquidity. To the extent possible given certain regulatory restrictions, AGR concentrate its cash at the holding company and primarily conducts its short-term borrowings through AGR. The utilities optimize their cash balances through a virtual money pool arrangement. Under the terms of this agreement utilities may lend to each other but not to their unregulated affiliates or parent. These terms meet a regulatory requirement set at the time of AGR's acquisition of the utility companies which prohibits utilities from lending to unregulated affiliates, including AGR.

Aside from modest cash balances, AGR's principal source of liquidity are its commercial paper program and its bank credit facility under which it may borrow up to $2 billion. AGR also recently entered into a $500 million inter-group credit agreement with ISA. The inter-group credit agreement has the same financial covenant as the one listed in the bank facility, and terminates the earlier of 28 June 2023 or the date when ISA ceases to own at least 50% of AGR's outstanding common stock. Proceeds from the inter-group credit facility are used to provide credit support to AGR's CP program and for general corporate purposes.

AGR is also party to a notional cash pooling arrangement along with other ISA subsidiaries. Parties to the agreement may deposit funds with or borrow from the pool, provided that the net balance of funds deposited or borrowed by all pool participants in the aggregate is not less than zero. This agreement provides AGR yet another avenue for liquidity, supplementing its access to the bank market, and debt and equity capital markets.

For LTM 31 March 2018, AGR generated $1.9 billion in cash flow from operations, invested $2.3 billion in capital expenditures, and made $535 million in dividend payments to its shareholders, yielding a $906 million negative free cash flow balance was financed with $585 million of incremental long-term debt and short term debt. Over the next 12 to 18 months, we anticipate that the company will remain free cash flow negative and will finance the shortfall through incremental debt.

Rating methodology and scorecard factors

Exhibit 5

Rating Factors				
Avangrid, Inc.				
Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 3/31/2018		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	A	A	A	A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.5x	Aa	5.5x - 6x	A
b) CFO pre-WC / Debt (3 Year Avg)	26.1%	A	19% - 24%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	18.5%	A	15% - 19%	A
d) Debt / Capitalization (3 Year Avg)	28.5%	Aa	30% - 35%	Aa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A2		A3
HoldCo Structural Subordination Notching	-1	-1	-1	-1
a) Indicated Rating from Grid		A3		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2018(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Appendix

Exhibit 6

Cash Flow and Credit Measures [1]

($MM)

CF Metrics	2012	2014	2015	2016	2017
As Adjusted					
EBITDA	**928**	**1695**	**1402**	**2220**	**2012**
FFO	**697**	**1,343**	**1,236**	**1,884**	**1,741**
- Div	2	3	3	401	535
RCF	**695**	**1,340**	**1,233**	**1,483**	**1,206**
FFO	697	1,343	1,236	1,884	1,741
+/- ΔWC	108	(144)	(58)	(271)	31
+/- Other	(74)	174	216	(19)	15
CFO	**730**	**1,373**	**1,394**	**1,594**	**1,787**
- Div	2	3	3	401	535
- Capex	1,035	1,023	1,058	1,671	2,383
FCF	**(307)**	**347**	**333**	**(478)**	**(1,131)**
Debt / EBITDA	4.0x	2.2x	4.7x	2.9x	3.8x
EBITDA / Interest	3.7x	6.4x	4.8x	6.7x	5.7x
FFO / Debt	18.8%	35.3%	18.9%	28.9%	22.8%
RCF / Debt	18.8%	35.2%	18.9%	22.7%	15.8%

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.

Source: Moody's Financial Metrics™

Exhibit 7

Peer Comparison [1]

($MM)

	Avangrid, Inc. Baa1 Stable			NextEra Energy, Inc. (P)Baa1 Stable			Dominion Energy, Inc. Baa2 Negative			Xcel Energy Inc. A3 Stable		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	FYE	FYE	FYE	LTM
(in US millions)	Dec-16	Dec-17	Mar-18	Dec-16	Dec-17	Mar-18	Dec-15	Dec-16	Dec-17	Dec-16	Dec-17	Mar-18
Revenue	6,018	5,963	6,070	16,155	17,195	17,086	11,683	11,737	12,586	11,107	11,404	11,409
EBITDA	2,220	2,012	1,998	8,341	7,983	8,049	5,418	5,687	6,479	3,829	4,008	4,018
CFO pre-WC / Debt	28.6%	23.0%	25.3%	21.5%	21.5%	24.5%	14.8%	11.0%	12.1%	19.8%	19.6%	19.7%
CFO pre-WC – Dividends / Debt	22.4%	16.0%	17.9%	15.9%	15.9%	18.1%	9.6%	6.1%	7.0%	15.6%	15.3%	15.4%
Debt / EBITDA	2.9x	3.8x	3.7x	3.7x	4.3x	3.9x	5.5x	6.4x	6.0x	4.2x	4.2x	4.2x
Debt / Capitalization	26.0%	31.6%	30.6%	45.5%	49.3%	42.2%	57.9%	58.0%	61.1%	47.6%	52.8%	52.4%
EBITDA / Interest Expense	6.7x	5.7x	5.6x	7.1x	4.9x	5.5x	5.2x	4.8x	4.4x	5.9x	5.8x	5.8x

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.

Source: Moody's Financial Metrics™

Ratings

Exhibit 8

Category	Moody's Rating
AVANGRID, INC.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
PARENT: IBERDROLA S.A.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured MTN -Dom Curr	(P)Baa1
ST Issuer Rating	P-2
AVANGRID RENEWABLES HOLDINGS, INC.	
Outlook	Stable
Bkd Issuer Rating	Baa1
BERKSHIRE GAS COMPANY	
Outlook	Positive
Issuer Rating	A3
UNITED ILLUMINATING COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Bkd LT IRB/PC	Baa1
ROCHESTER GAS & ELECTRIC CORPORATION	
Outlook	Stable
Issuer Rating	A3
Bkd LT IRB/PC	A3
Senior Secured	A1
NEW YORK STATE ELECTRIC AND GAS CORPORATION	
Outlook	Stable
Issuer Rating	A3
Bkd LT IRB/PC	A3
Senior Secured	A3
Senior Unsecured	A3
CENTRAL MAINE POWER COMPANY	
Outlook	Stable
Issuer Rating	A2
Senior Unsecured	A2
Pref. Stock	Baa1
SOUTHERN CONNECTICUT GAS COMPANY	
Outlook	Stable
Issuer Rating	A3
Senior Secured	A1
CONNECTICUT NATURAL GAS CORPORATION	
Outlook	Stable
Senior Unsecured	A3

Source: Moody's Investors Service

REPORT NUMBER 1123254

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

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Ratings

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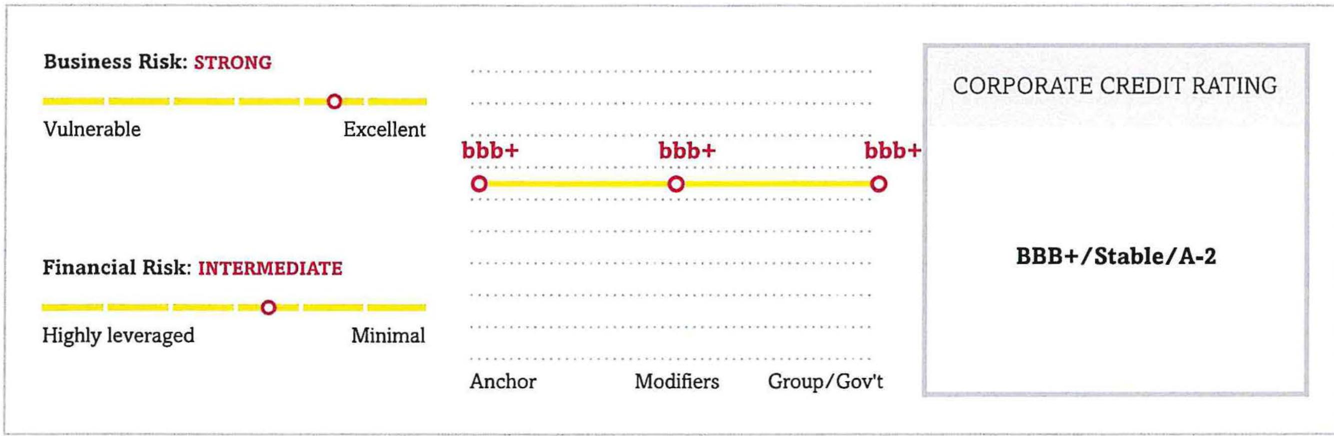
Summary:

Avangrid Inc.



Rationale

Business Risk: Strong

- Lower-risk regulated electricity and natural gas utility operations contribute to about 75% of the company's consolidated EBITDA, partially offset by about 25% exposure to higher-risk unregulated renewable generation.
- Large, geographically diverse utility operations, serving about 3.2 million electricity and gas customers spanning four states.
- Expansion of Federal Energy Regulatory Commission (FERC)-regulated transmission investments add to regulatory and geographic diversity.
- Effective management of regulatory risk.

Financial Risk: Intermediate

- We assess the Avangrid's financial measures using more relaxed financial benchmarks compared to those used for the typical corporate issuer, reflecting the company's lower-risk electricity and natural gas utility operations and effective management of regulatory risk.
- Financial metrics are consistent with the middle of the range for the financial risk profile category.
- Robust capital spending focused on the expansion of electricity transmission and distribution (T&D) and gas distribution infrastructure as well as renewable generation.

Outlook: Stable

The stable outlook on Avangrid Inc. mirrors that of its parent, Iberdrola S.A. (Iberdrola). S&P Global Ratings' view is that Iberdrola's business activities are highly diversified and resilient, with the majority of revenues stemming from regulated activities. At the same time, we perceive Iberdrola management as committed to the current rating and to maintaining adjusted funds from operations (FFO) to debt in the 18%-20% range over the coming two to three years. Iberdrola's FFO to debt was 18.5% at year-end 2016. However, we expect consolidated credit metrics will remain at the low end of the range until 2018. We see headroom increasing somewhat from 2019, notably once Iberdrola commissions its large renewables projects and the contribution of U.S. network activities continues increasing.

Downside scenario

We see rating downside as remote, but pressure could arise if parent Iberdrola's cash flow and leverage weakened more than we expected, with FFO to debt below 18%. In our view, this could occur if:

- The company engaged in a large debt-financed acquisition;
- There were unexpected adverse regulation in one of Iberdrola's key markets;
- Political or country risk in Spain intensified; or
- Risks from the U.K.'s planned exit of the European Union affected operations in the U.K. and Scotland.

Other factors, in our view, include execution risks to the group's large offshore wind projects and volatility from currency risks. Although consolidated debt is adequately spread by currency, a material weakening in the U.S. dollar or pound to the euro could somewhat reduce the group's financial flexibility within the 'BBB+' rating.

Upside scenario

Given the group's growth appetite and financial policy, we see rating upside as unlikely in coming years. Given the group's particularly strong business profile among European integrated utilities, a one-notch upgrade could ultimately depend on a combination of:

- A continuous focus on network activities in favorable regulatory frameworks and highly rated countries;
- Improving conditions in liberalized power markets and in Spain's economic environment;
- Timely delivery on the ambitious renewables pipeline; and
- A more supportive financial policy, with the company targeting adjusted FFO to debt at 20% or higher.

Our Base-Case Scenario

Avangrid Inc.

Assumptions

- Consistent rate case filings at its electricity and gas distribution operations and formulaic rate recovery for the transmission operations;
- Steady growth of the renewable energy business;
- Modest utility load growth;
- Moderately negative cash flow impacts as a result of the revised U.S. corporate tax code;
- Capital spending averaging about $2.2 billion annually;
- Dividend payments of about $500 million-$600 million annually; and
- Negative discretionary cash flow.

Key Metrics

	2016A	2017E	2018E
FFO to debt (%)	30.2	24-27	23-25
Debt to EBITDA (x)	2.8	3.1-3.4	3.2-3.5
FFO cash interest coverage ratio(x)	9.1	5-7	5-7

A--Actual. E--Estimate. FFO--Funds from operations.

Business Risk: Strong

Our assessment of Avangrid's business risk reflects the company's lower-risk electric and gas utility operations and effective management of regulatory risk, partially offset by exposure to higher-risk renewable generation operations. Avangrid is an intermediate holding company that owns Avangrid Networks Inc. (Networks) (75%) and Avangrid Renewables Holdings Inc. (ARHI) (25%). Through its utility subsidiaries, Avangrid provides services to more than 2.2 million electricity customers in Connecticut, Maine, and New York, and more than 990,000 natural gas customers in Connecticut, Maine, Massachusetts, and New York. Avangrid is about 81.5% owned by Iberdrola and contributes to about 25% of Iberdrola's operations.

Avangrid benefits from some geographic and regulatory diversity with its utility operations spanning four states and its renewable generation business spanning 22 states. Furthermore, FERC regulates the company's transmission assets (about 20% of Networks) and the company benefits from FERC's forward-looking formula rates that include annual true-ups to recover prudently incurred costs. We view the FERC regulatory compact as supportive for credit quality.

Avangrid's regulated utility operations (Networks) engage in lower-risk, rate-regulated electricity and natural gas distribution and transmission operations and operates through eight utilities--New York State Electric & Gas Corp., Rochester Gas and Electric Corp., The United Illuminating Co., Central Maine Power Co., The Southern Connecticut Gas Co., Connecticut Natural Gas Co., Berkshire Gas Co., and Maine Natural Gas Corp. Networks operates in generally constructive regulatory environments with mostly forecast test years and reduces its risks through the use of a decoupling mechanism. Despite generally below-average authorized return on equity, the company partially mitigates this risk through the use of regulatory mechanisms and consistent rate case filings.

We ascribe significantly higher business risk to Avangrid's unregulated operations (ARHI) given its focus on renewable energy generation, and gas storage and trading. These businesses increase Avangrid's exposure to counterparty credit, volumetric, commodity, and additional operational risks. About 66% of ARHI's capacity is lower-risk long-term contracted. Avangrid continues to gradually increase the capacity under long-term contracts, adding additional cash flow stability. Moreover, Avangrid recently entered into a definitive agreement to sell its gas trading business to CCI U.S. Asset Holdings LLC, a subsidiary of Castleton Commodities International LLC (CCI), and is also pursuing the sale of its gas storage business. We view this as beneficial for the company's business risk profile as the company divests in its higher-risk noncore business.

Table 1

Avangrid Inc. -- Peer Comparison

	Avangrid Inc.	NextEra Energy Inc.	Public Service Enterprise Group Inc.	Exelon Corp.	Berkshire Hathaway Energy Co.
Rating as of Jan. 29, 2018	BBB+/Stable/A-2	A-/Stable/--	BBB+/Stable/A-2	BBB/Stable/A-2	A/Stable/A-1
	--Fiscal year ended Dec. 31, 2016--				
(Mil. $)					
Revenues	6,018.0	16,079.3	9,061.0	28,072.3	17,422.0
EBITDA	2,249.0	7,313.9	3,366.0	8,311.6	7,089.1
Funds from operations (FFO)	1,873.4	6,149.2	2,946.2	6,517.0	5,860.6
Net income from cont. oper.	630.0	2,912.0	887.0	1,134.0	2,542.0
Cash flow from operations	1,647.4	5,831.2	3,253.2	7,335.8	6,088.6
Capital expenditures	1,687.0	9,514.2	4,291.0	7,606.0	4,975.5
Free operating cash flow	(39.6)	(3,683.0)	(1,037.8)	(270.2)	1,113.1
Discretionary cash flow	(440.6)	(5,429.8)	(1,867.8)	(1,456.7)	1,113.1
Cash and short-term investments	94.0	1,292.0	424.0	612.0	721.0
Debt	6,193.9	22,098.6	12,981.3	36,631.3	40,167.3
Equity	15,122.0	29,261.0	13,130.0	24,959.0	24,493.0
Adjusted ratios					
EBITDA margin (%)	37.4	45.5	37.1	29.6	40.7
Return on capital (%)	5.6	7.9	5.3	4.3	6.2
EBITDA interest coverage (x)	5.8	6.0	6.6	4.4	3.5
FFO cash int. cov. (x)	9.1	6.2	9.3	5.9	4.3
Debt/EBITDA (x)	2.8	3.0	3.9	4.4	5.7
FFO/debt (%)	30.2	27.8	22.7	17.8	14.6
Cash flow from operations/debt (%)	26.6	26.4	25.1	20.0	15.2
Free operating cash flow/debt (%)	(0.6)	(16.7)	(8.0)	(0.7)	2.8
Discretionary cash flow/debt (%)	(7.1)	(24.6)	(14.4)	(4.0)	2.8

Source: S&P Global Ratings.

Financial Risk: Intermediate

We assess Avangrid's financial measures using more relaxed financial benchmarks compared to those for the typical corporate issuer, reflecting the company's lower-risk regulated electricity and natural gas utility operations and effective management of regulatory risk. Under our base-case scenario--which includes consistent electricity and gas distribution base rate increases, formulaic transmission rates, modest utility load growth, and is partially offset by moderately negative cash flow impacts largely stemming from the revised U.S. corporate tax code, robust capital spending of about $2.2 billion annually, and dividend payments of about $500 million-$600 million annually--we expect FFO to debt of about 24%.

Table 2

Avangrid Inc. -- Financial Summary

	--Fiscal year ended Dec. 31--				
	2016	**2015**	**2014**	**2013**	**2012**
Rating history	BBB+/Stable/A-2	BBB/Positive/--	BBB/Stable/--	BBB/Stable/A-2	BBB/Stable/A-2
(Mil. $)					
Revenues	6,018.0	4,367.0	4,594.0	4,313.0	4,055.0
EBITDA	2,249.0	1,440.0	1,620.0	1,465.0	1,354.9
FFO	1,873.4	1,154.3	1,295.2	1,211.8	957.2
Net income from continuing operations	630.0	267.0	424.0	(65)	170.0
Cash flow from operations	1,647.4	1,433.3	1,331.2	1,144.8	712.1
Capital expenditures	1,687.0	1,069.0	1,018.0	935.0	1,779.0
FOCF	(39.6)	364.3	313.2	209.8	(1,066.9)
Dividends paid	401.0	0.0	3.0	0.0	2.4
Discretionary cash flow	(440.6)	364.3	310.2	209.8	(1,069.2)
Debt	6,193.9	5,639.0	3,100.4	2,981.1	3,827.7
Preferred stock	0.0	0.0	0.0	0.0	0.1
Equity	15,122.0	15,066.0	12,456.0	12,030.0	3,757.7
Debt and equity	21,315.9	20,705.0	15,556.4	15,011.1	7,585.4
Adjusted ratios					
EBITDA margin (%)	37.4	33.0	35.3	34.0	33.4
EBITDA interest coverage (x)	5.8	4.2	5.3	5.1	3.8
FFO cash int. cov. (x)	9.1	10.3	11.0	9.6	6.7
Debt/EBITDA (x)	2.8	3.9	1.9	2.0	2.8
FFO/debt (%)	30.2	20.5	41.8	40.7	25.0
Cash flow from operations/debt (%)	26.6	25.4	42.9	38.4	18.6
FOCF/debt (%)	(0.6)	6.5	10.1	7.0	(27.9)
Discretionary cash flow/debt (%)	(7.1)	6.5	10.0	7.0	(27.9)
Net cash flow/Capex (%)	87.3	108.0	126.9	129.6	53.7
Return on capital (%)	5.6	3.4	6.0	6.9	10.4
Return on common equity (%)	3.9	1.8	3.2	(1.1)	4.1
Common dividend payout ratio (un-adj.) (%)	0.0	0.0	0.0	0.0	101.3

FFO--Funds from operations. FOCF--Free operating cash flow. Capex--Capital expenditures. Source: S&P Global Ratings.

Liquidity: Adequate

Avangrid has adequate liquidity, in our view, and can more than cover its needs for the next 12 months even if EBITDA declines by 10%. We expect the company's liquidity sources over the next 12 months will exceed uses by more than 1.1x, the minimum threshold for this liquidity assessment under our criteria. Under our stress scenario, we do not expect the company to require access to the capital markets during that period to meet liquidity needs. In addition, Avangrid has sound relationships with banks and satisfactory standing in the credit markets. It could absorb a high-impact, low-probability event with limited need for refinancing.

Principal Liquidity Sources	Principal Liquidity Uses
• Credit facility availability of about $1.5 billion; • FFO of about $1.8 billion; and • Minimal cash assumed.	• Long-term debt maturities of about $180 million in 2018; • Capital spending of about $2.2 billion; and • Dividend payments of about $500 million-$600 million.

Group Influence

Under our group rating methodology, we assess Avangrid as a core member of its ultimate parent, Iberdrola, because it is highly unlikely to be sold, is integral to the group's overall strategy, possesses significant management commitment, is a significant contributor to the group, and is closely linked to the parent's reputation. As a result, we assess our issuer credit rating on Avangrid as in line with the 'bbb+' group credit profile on Iberdrola.

Ratings Score Snapshot

Corporate Credit Rating

BBB+/Stable/A-2

Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Low
- **Competitive position:** Strong

Financial risk: Intermediate

- **Cash flow/Leverage:** Intermediate

Anchor: bbb+

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)

- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+
- **Entity status within group:** Core (no impact)

Issue Ratings

Capital structure	Analytical conclusions
Avangrid's capital structure consists of approximately $5.7 billion of total debt, of which about $4.6 billion is outstanding at its subsidiaries.	• The unsecured debt issues at Avangrid are rated 'BBB', one-notch lower than the issuer credit rating. This is due to the significant proportion of priority debt at the company's subsidiaries. • The commercial paper program is rated 'A-2', consistent with the issuer credit rating.

Reconciliation

Table 3

Reconciliation Of Avangrid Inc. Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2016--							
Avangrid Inc. reported amounts (Mil. $)								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Capital expenditures**
Reported	4,916.0	15,109.0	1,998.0	1,194.0	268.0	1,998.0	1,561.0	1,707.0
S&P Global Ratings' adjustments								
Interest expense (reported)	--	--	--	--	--	(268.0)	--	--
Interest income (reported)	--	--	--	--	--	--	--	--
Current tax expense (reported)	--	--	--	--	--	(2.0)	--	--
Operating leases	381.1	--	161.0	30.1	30.1	130.9	130.9	--
Postretirement benefit obligations/deferred compensation	722.2	--	80.0	80.0	60.3	32.4	(23.6)	--
Surplus cash	(94.0)	--	--	--	--	--	--	--

Table 3

Reconciliation Of Avangrid Inc. Reported Amounts With S&P Global Ratings' Adjusted Amounts (cont.)								
Capitalized interest	--	--	--	--	20.0	(20.0)	(20.0)	(20.0)
Asset retirement obligations	104.7	--	10.0	10.0	10.0	2.1	(0.9)	--
Nonoperating income (expense)	--	--	--	83.0	--	--	--	--
Noncontrolling Interest/Minority interest	--	13.0	--	--	--	--	--	--
Debt - Accrued interest not included in reported debt	60.0	--	--	--	--	--	--	--
Debt - Other	104.0	--	--	--	--	--	--	--
Total adjustments	1,277.9	13.0	251.0	203.1	120.4	(124.6)	86.4	(20.0)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
Adjusted	6,193.9	15,122.0	2,249.0	1,397.1	388.4	1,873.4	1,647.4	1,687.0

Source: S&P Global Ratings.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	**a-/bbb+**	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

GUARANTY OF GUARANTOR

THIS GUARANTY, dated as of September 1, 2019, is issued by Avangrid, Inc., a New York corporation, ("Guarantor") in favor of Deuel County, South Dakota a political subdivision of the State of South Dakota ("Guaranteed Party"). Tatanka Ridge Wind, LLC, a Delaware limited liability company, ("Obligor") is an indirect wholly owned subsidiary of Guarantor.

RECITALS

A. Obligor has filed and Guaranteed Party has accepted a decommissioning plan for the future decommissioning of Tatanka Ridge Wind, LLC, dated as of ____________________, 20__ (the "Agreement").

B. This Guaranty is delivered to Guaranteed Party by Guarantor pursuant to the Agreement.

AGREEMENT

1. Guaranty.

A. Guaranty of Obligations Under the Agreement. For value received, Guarantor hereby absolutely, unconditionally and irrevocably, subject to the express terms hereof, guarantees the payment when due of all payment obligations, whether now in existence or hereafter arising, by Obligor to Guaranteed Party pursuant to the Agreement (the "Obligations"). This Guaranty is one of payment and not of collection and shall apply regardless of whether recovery of all such Obligations may be or become discharged or uncollectible in any bankruptcy, insolvency or other similar proceeding, or otherwise unenforceable.

B. Maximum Guaranteed Amount. Notwithstanding anything to the contrary herein, Guarantor's aggregate obligation to Guaranteed Party hereunder is limited to Five Million U.S. Dollars ($5,000,000.00) (the "Maximum Guaranteed Amount") (it being understood for purposes of calculating the Maximum Guaranteed Amount of Guarantor hereunder that any payment by Guarantor either directly or indirectly to the Guaranteed Party, pursuant to a demand made upon Guarantor by Guaranteed Party or otherwise made by Guarantor pursuant to its obligations under this Guaranty including any indemnification obligations, shall reduce Guarantor's maximum aggregate liability hereunder on a dollar-for-dollar basis), including costs and expenses incurred by Guaranteed Party in enforcing this Guaranty, and shall not either individually or in the aggregate be greater or different in character or extent than the obligations of Obligor to Guaranteed Party under the terms of the Agreement. IN NO EVENT SHALL GUARANTOR BE SUBJECT TO ANY CONSEQUENTIAL, EXEMPLARY, EQUITABLE, LOSS OF PROFITS, PUNITIVE, TORT OR OTHER SIMILAR DAMAGES.

2. Payment; Currency. All sums payable by Guarantor hereunder shall be made in freely transferable and immediately available funds and shall be made in the currency in which the Obligations were due. If Obligor fails to pay any Obligation when due, the Guarantor will pay that Obligation directly to Guaranteed Party within twenty (20) days after written notice to Guarantor by Guaranteed Party. The written notice shall provide a reasonable description of the amount of the Obligation and explanation of why such amount is due.

3. Waiver of Defenses. Except as set forth above, Guarantor hereby waives notice of acceptance of this Guaranty and of the Obligations and any action taken with regard thereto, and waives presentment, demand for payment, protest, notice of dishonor or non-payment of the Obligations, suit, or the taking of and failing to take other action by Guaranteed Party against Obligor, Guarantor or others and waives any defense of a surety. Without limitation, Guaranteed Party may at any time and from time to time without notice to or consent of Guarantor and without impairing or releasing the obligations of Guarantor hereunder: (a) make any change to the terms of the Obligations; (b) take or fail to take any action of any kind in respect of any security for the Obligations; (c) exercise or refrain from exercising any rights against Obligor or others in respect of the Obligations or (d) compromise or subordinate the Obligations, including any security therefor. Notwithstanding the foregoing, Guarantor shall be entitled to assert rights, setoffs, counterclaims and other defenses which Obligor may have to performance of any of the Obligations and also shall be entitled to assert rights, setoffs, counterclaims and other defenses that the Guarantor may have against the Guaranteed party, other than defenses based upon lack of authority of Obligor to enter into and/or perform its obligations under the Agreement or any insolvency, bankruptcy, reorganization, arrangement, composition, liquidation, dissolution or similar proceeding with respect to Obligor.

4. Term. This Guaranty shall continue in full force and effect until [Insert term or whether it automatically expires upon final payment]. Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored or returned due to bankruptcy or insolvency laws or otherwise. Guaranteed party shall return this original executed document to Guarantor within twenty (20) days of termination of this Guaranty.

5. Subrogation. Until all Obligations are indefeasibly performed in full, but subject to Section 6 hereof, Guarantor hereby waives all rights of subrogation, reimbursement, contribution and indemnity from Obligor with respect to this Guaranty and any collateral held therefor, and Guarantor hereby subordinates all rights under any debts owing from Obligor to Guarantor, whether now existing or hereafter arising, to the prior payment of the Obligations.

6. Expenses. Whether or not legal action is instituted, Guarantor agrees to reimburse Guaranteed Party on written demand for all reasonable attorneys' fees and all other reasonable costs and expenses incurred by Guaranteed Party in enforcing its rights under this Guaranty. Notwithstanding the foregoing, the Guarantor shall have no

obligation to pay any such costs or expenses if, in any action or proceeding brought by Guaranteed Party giving rise to a demand for payment of such costs or expenses, it is finally adjudicated that the Guarantor is not liable to make payment under Section 2 hereof.

7. Assignment. Guarantor may not assign its rights or delegate its obligations under this Guaranty in whole or part without written consent of Guaranteed Party, *provided, however*, that Guarantor may assign its rights and delegate its obligations under this Guaranty without the consent of Guaranteed Party if (a) such assignment and delegation is pursuant to the assignment and delegation of all of Guarantor's rights and obligations hereunder, in whatever form Guarantor determines may be appropriate, to a partnership, limited liability company, corporation, trust or other organization in whatever form that succeeds to all or substantially all of Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise, *provided,* such entity has an Investment Grade Rating by either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("S&P") or (b) such assignment and delegation is made to an entity within the Iberdrola S.A. group of companies that has an Investment Grade Rating by either Moody's or S&P. For purposes of this Section 7, "Investment Grade Rating" means a minimum credit rating for senior unsecured debt or corporate credit rating of BBB- by S&P or Baa3 by Moody's. Upon any such delegation and assumption of obligations and, if required, the written consent of Guaranteed Party (which consent shall not be unreasonably withheld, conditioned or delayed), Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

8. Non-Waiver. The failure of Guaranteed Party to enforce any provisions of this Guaranty at any time or for any period of time shall not be construed to be a waiver of any such provision or the right thereafter to enforce same. All remedies of Guaranteed Party under this Guaranty shall be cumulative and shall be in addition to any other remedy now or hereafter existing at law or in equity. The terms and provisions hereof may not be waived, altered, modified or amended except in a writing executed by Guarantor and Guaranteed Party.

9. Entire Agreement. This Guaranty and the Agreement are the entire and only agreements between Guarantor and Guaranteed Party with respect to the guaranty of the Obligations of Obligor by Guarantor. All agreements or undertakings heretofore or contemporaneously made, which are not set forth herein, are superseded hereby.

10. Notice. Any demand for payment, notice, request, instruction, correspondence or other document to be given hereunder by Guarantor or by Guaranteed Party shall be in writing and shall be deemed received (a) if given personally, when received, (b) if mailed by certified mail (postage prepaid and return receipt requested), five days after deposit in the U.S. mails, (c) if given by facsimile, when transmitted with confirmed transmission or (d) if given via overnight express courier service, when received or personally delivered, in each case with charges prepaid and addressed as

follows (or such other address as either Guarantor or Guaranteed Party shall specify in a notice delivered to the other in accordance with this Section):

If to Guarantor:

Avangrid, Inc.
% Avangrid Renewables, LLC
1125 NW Couch, Suite 700
Portland, OR 97209
Attn: Credit Manager

If to Guaranteed Party:

Deuel County, South Dakota
408 4th Street West
Clear Lake, SD 57501
Attn: Zoning Officer

11. Counterparts. This Guaranty may be executed in counterparts, each of which when executed and delivered shall constitute one and the same instrument.

12. Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the state of New York without giving effect to principles of conflicts of law.

13. Further Assurances. Guarantor shall cause to be promptly and duly taken, executed and acknowledged and delivered, such further documents and instruments as Guaranteed Party may from time to time reasonably request in order to carry out the intent and purposes of this Guaranty.

14. Limitation on Liability. Except as specifically provided in this Guaranty, Guaranteed Party shall have no claim, remedy or right to proceed against Guarantor or against any past, present or future stockholder, partner, member, director or officer thereof for the payment of any of the Obligations, as the case may be, or any claim arising out of any agreement, certificate, representation, covenant or warranty made by Obligor in the Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Guarantor has executed and delivered this Guaranty as of the date first set forth above.

AVANGRID, Inc.,
a New York corporation

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

Acknowledged and agreed:

Deuel County, South Dakota,
a political subdivision of the State of South Dakota

By: ______________________
Name:
Title: