

# PNM Resources, Inc. NYSE:PNM

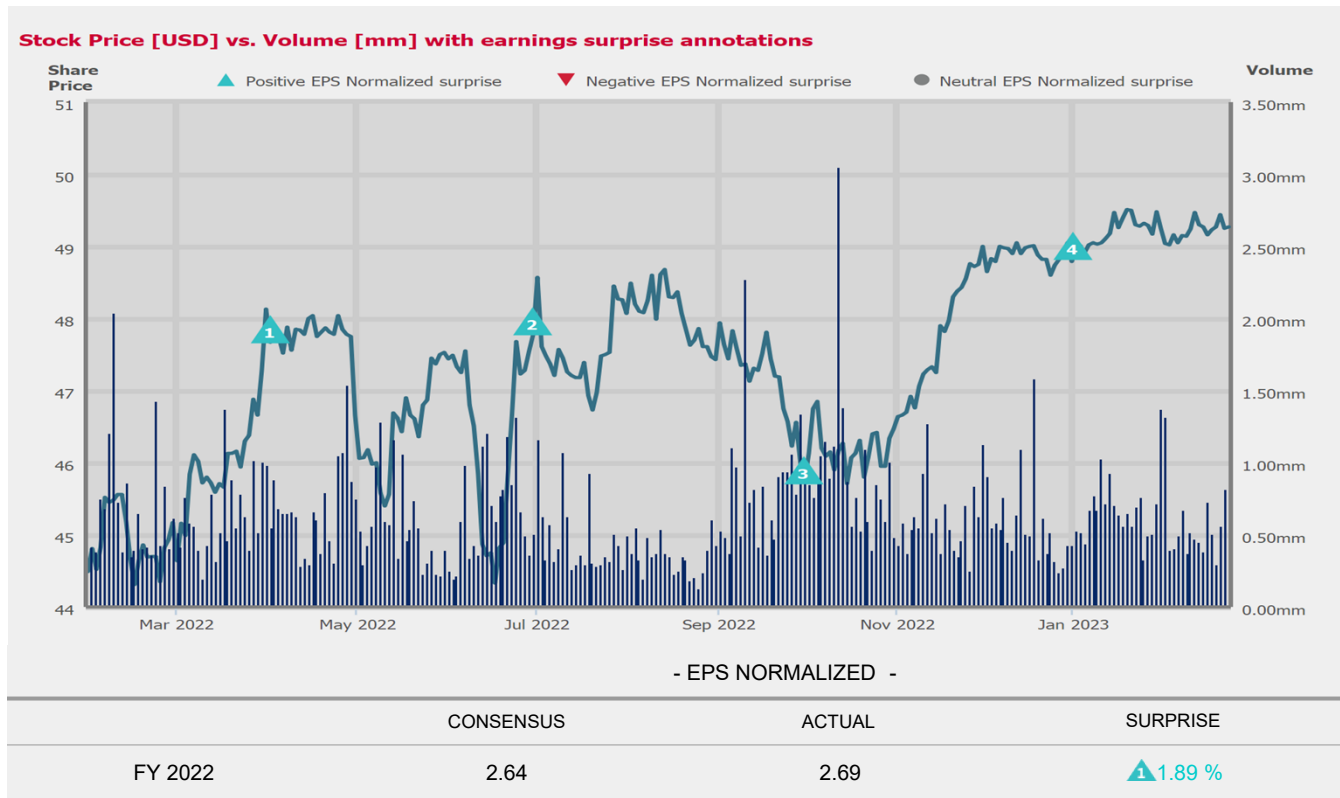
## FY 2022 Earnings Call Transcripts

Friday, February 24, 2023 4:00 PM GMT  
S&P Global Market Intelligence Estimates

	-FQ4 2022-			-FQ1 2023-	-FY 2022-			-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.14	0.15	▲7.14	0.33	2.64	2.69	▲1.89	2.69
Revenue (mm)	244.99	575.82	▲135.04	460.14	1865.93	2249.56	▲20.56	1945.70

Currency: USD

Consensus as of Feb-24-2023 10:22 PM GMT



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# Call Participants

## EXECUTIVES

Elisabeth A. Eden  
Senior VP, CFO & Treasurer

Joseph D. T arry  
President & COO

Lisa Goodman  
Director of Investor Relations

Patricia K. V incent -Collawn  
Chairman & CEO

## ANAL YSTS

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Mizuho Securities USA LLC, Research  
Division

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research  
Division

Ryan Michael Levine  
Citigroup Inc., Research Division

Timothy Michael Winter  
G.research, LLC

Unknown Analyst

# Presentation

## Operator

Good morning, and welcome to the PNM Resources Fourth Quarter 2021 Conference Call. All participants will be in a listen-only mode. [Operator Instructions] I would now like to turn the conference over to Lisa Goodman, Executive Director of Investor Relations. Please go ahead.

Lisa Goodman  
Director of Investor Relations

Thank you, Joe, and thank you, everyone, for joining us this morning for the PNM Resources Fourth Quarter 2022 Earnings Call. Please note that the presentation for this conference call and other supporting documents are available on our website at [pnmresources.com](http://pnmresources.com). Joining me today are PNM Resources' Chairman and CEO, Pat Vincent-Collawn, President and Chief Operating Officer, John Terry; and Senior Vice President, Chief Financial Officer and Treasurer, Lisa Eden.

Before I turn the call over to Pat, I need to remind you that some of the information provided this morning should be considered forward-looking statements pursuant to the Private Securities Litigation Reform Act of 1995. We caution you that all of the forward-looking statements are based upon current expectations and estimates and that PNM Resources assumes no obligation to update this information. For a detailed discussion of factors affecting PNM Resources results, please refer to our current and future annual reports on Form 10-K, quarterly reports on Form 10-Q as well as reports on Form 8-K filed with the SEC.

With that, I will turn the call over to Pat.

Patricia K. Vincent-Collawn  
Chairman & CEO

Thank you, Lisa. Good morning, everyone, and thank you for joining us today on this beautiful setting New Mexico, Friday morning. Today and today, we celebrate some of our favorite people. It is world Bartender Day, and I'm just going to leave it at that. 2022 was a year full of successes as we stayed committed to moving forward and executing on our business plan or as one might say, taking care of business. Today, we will cover our year-end results for 2022, provide an update on our pending merger with Avangrid, review operational highlights and share more details on our earnings guidance for 2023.

On Slide 4, I'll start with our financial results. We finished the year with ongoing earnings of \$2.69, just above our expectations for the year. For 2023, we are narrowing our guidance range to \$2.65 to \$2.75. In December, our board increased the common dividend to \$1.47 per share on an annual basis. Lisa will walk through each of these numbers in more detail.

Next, an update on our pending merger. The case remains on appeal with the New Mexico Supreme Court. Over the last month, we have been pleased to see the commission post notice of 3 closed sessions with the case on the agenda. We do not yet have any information available.

In New Mexico, the newly appointed commission took their seats in January and were confirmed by the New Mexico Senate earlier this month. We have already seen their experience and expertise on display, and we are looking forward to working together to achieve New Mexico's carbon-free energy future.

In December, PNM filed its 2024 rate change as planned. Our last case was filed in 2016 with a 2018 test year. We deferred our plans to file earlier because it was not the right thing to do during the pandemic, and we remain committed to the stay-out agreement we made with our parties during the merger negotiations. We moved forward with funding needed infrastructure projects and now in an environment of rising costs, we are able to propose a 2024 bill impact of less than 1%, partially because of our exit from the San Juan Generating Station. Don, will talk about more details of the case and the schedule leading up to an expected decision before the end of the year.

In Texas, we made our first transmission cost of service filing for 2023 in January, reflecting another strong year of investments in Texas to support growing customer demand. In a year of supply chain and labor challenges, our teams planned ahead and remain agile while expanding our system and interconnecting energy storage systems, chemical plants, crypto mines and data centers. Before I turn it over to Don, I will cover our ESG highlights for the year on Slide 5.

The retirement of the San Juan Generating Station is our top environmental achievement in 2022. More than half of our resource portfolio is now carbon-free with additional renewable and storage resources slated for 2023. However, our accomplishments

stretch far beyond this plant. We continue to add more electric vehicles to our fleet. We continue to work to expand customer energy efficiency programs. collaborate with industry experts to address physical climate risk and partner with stakeholders to bring awareness to environmental concerns impacting our communities. We developed a greenhouse gas emissions inventory for Scope 1, 2 and 3 admissions to address the evolving disclosure needs of investors and other stakeholders. We also implemented an environmental justice geographic mapping and screening tool to better identify and prioritize communities most in need of investment.

We continue to work towards fostering a diverse workforce representative of the communities we serve. In 2022, our percentage of minorities and women increased to 53% and 28%, respectively. Equity and inclusion are key to building and sustaining diversity at all levels of the organization, and we are continuously monitoring our approach for our desired results. One of the biggest priorities for our teams was to support the employees at San Juan through the plant closure and to ensure these team members left with dignity, pride and resources for their future. We provided career counseling and transition training, benefit reviews and retirement planning. We are happy that approximately 20% of these plant employees are still working for the company in various roles. Ultimately, half the employees in the last years of the plant received severance payment at around 75% of those were also retirement eligible.

Through the Energy Transition Act, we also funded severance and job trading for our employees of the associated coal mine. It was a challenging year in the labor market, and we took extra steps to take care of our team members and to ensure that our teams have the necessary resources to continue supporting customers. We also turned our eyes towards the future and created a statewide business coalition to expand internship programs offered through our local colleges. We already have some of these interns joining the company full time or continuing their internship in 2023. These are students who recognize the challenges and opportunities created by the transition to clean energy in New Mexico, and they want to be a part of our solution.

At the same time, we continue to expand upon our educational support for the Native American population in the state funding and endowment specific to Pueblo students looking to continue their education at the next level. Both of these programs serve to strengthen New Mexico's future workforce, and they also provide a fresh perspective and contribute to the diversity of thought. We know that the future challenges in our industry will require new ways of thinking and look forward to what the students can contribute.

With that, I will turn it over to Don.

Joseph D. T arry  
President & COO

Thank you, Pat, and good morning, everyone. I'll start on Slide 7 with our load growth by service area with PNM first. load grew at 2.9% in the fourth quarter compared to the prior year with growth coming from all customer classes. For most of 2022, we saw residential and commercial load grow above our expectations, while industrial customer expansions were delayed by supply chain and related market issues, we expect the growth we saw in the fourth quarter to continue into 2023 between 2% and 3%. We're still seeing the results of New Mexico's economic development efforts through our customer expansions. We also see government and tribal projects that are less impacted by market-wide economics.

At TNMP, low growth in 2022 exceeded expectations for both volumetric and demand-based load plus the added growth from crypto mining customers entering the market. These customers are mostly in our West Texas service territory, providing some economic diversity to the region. Our operations in North Central Texas and the Gulf Coast provide strong geographic and economic diversity to TNMP, and each of those areas support a mix of business operations and growing residential and commercial communities surrounding the nearby larger cities. For 2023, volumetric growth is expected at 2% to 3%, consistent with the full year results of 2022. Demand-based growth is expected at 3.5% to 4.5% above the 2022 levels.

Now turning to Slide 8. I'll cover the ways we've been taking care of business at PNM and making progress on our strategic objectives. The transformation of our generation portfolio has been front and center. We have plans to exit coal and reach carbon-free electricity by 2040, 5 years ahead of the New Mexico mandate. The closure of San Juan Generating Station this year was a significant step in achieving these goals, reducing the amount of coal in our portfolio and advancing us to 55% carbon-free capacity. Our next big step is exit of our ownership stake in Four Corners Power Plant and completely eliminate coal generation from our portfolio, which we are still pursuing for the end of 2024.

As you can see in the pie charts, we are replacing these resources with renewable and battery storage. After working through the 2022 delays from PPA developers, we expect 350 megawatts of solar and 170 megawatts of battery storage coming online in 2023. At that point, over half of our resource portfolio will be renewables and storage. And with our continued ownership of Palo Verde, we will hit 61% carbon-free capacity. These changes provide significant benefits for the environment and our communities and also financial benefits for customers, which I'll cover in a minute.

Another key to successful transition towards a carbon-free portfolio is T&D infrastructure. Investments in our grid provide the foundation for serving the growing demand on PNM system and maintaining reliability. The peak demand on our system has been growing at a faster rate than our total load, and we hit a new system peak in 2022, our first since 2013. Our focus has been on strengthening the infrastructure that directly serves customers. substations and lines are being reconfigured to accommodate new customers along with customer-owned resources. We are building the system to be more resilient and reduce outage restoration time.

Other T&D investments at PNM relate to grid modernization projects, we filed our comprehensive grid modernization plan to implement smart meters and other projects that will lay the groundwork for future improvements and provide our customers with more resilient grid.

When we look ahead, we see the need for expansion of our system. Our change in generation resources means the transmission capacity tied to existing plants can be used for the replacement options. But as the resource needs grow beyond these replacements, new transmission capacity will be needed to facilitate additional resources across the state.

Now turning to Slide 9. I'll walk you through the key regulatory proceedings tied to these investments. As Pat mentioned, in December, we filed our first P&M rate review in 6 years. PNM customers already benefit from having lower bills in much of the country, and we work to balance the need for investments in our system with the impacts on customers. The Energy Transition Act was designed to facilitate the transition to clean energy while reducing cost to customers, and this rate filing shows that it is working as intended.

The filing is a 2024 future test year, so it rolls forward our rate base for the full 6 years and incorporates current cost trends, the retirement of San Juan and the return of the Palo Verde leases reduces the requested recovery in base rates and also reduces the cost recovered through our fuel cost as replacement resources come online. Securitization provides for lower financing costs as we make this transition. All in, the proposed bill impact in 2024 is limited to 0.9% or \$0.75 per month for the average residential customer. The procedural schedule in this case calls for intervenor testimony or settlement filing by May 12 and hearings scheduled in June. The schedule for our grid modernization filing includes hearing scheduled in March. Remember that we have asked for approval of our project plan by July 1 of this year, but we delayed our requested implementation date of the rate rider until September 1, so that it would not be added to summer bills this summer when the usage is typically higher.

We also prioritized low-income customers and communities in our filing. These are the customers most in need of tools to manage their usage and bills, and it also makes sense to bring improvements to these areas first. Also in March, the New Mexico Supreme Court has scheduled oral arguments and our proposed exit from Four Corners Power Plant in December of 2021, the commission rejected our filing to exit our ownership share of the plant and securitize our undepreciated investments. The briefing schedule was completed in 2022, and we are looking forward to the oral arguments for a further opportunity to present our case.

Now turning our attention to TNMP on Slide 10. Our focus has been to maintain investment levels to keep up with the pace of growth. The rate base doubled over the course of 5 years with another strong year of investments planned for 2023, the needs range from serving new residential subdivisions to connecting new chemical plants. The regulatory environment in Texas continues to support these investment levels. We have made use of semiannual transmission recovery filings along with annual distribution recovery filings.

In January, we made our first transmission filing for 2023, requesting over \$150 million of project cleared by December of last year. We would expect recovery to be approved and implemented by March of this year.

With that, I'll turn it over to Lisa to cover the numbers in more depth.

Elisabeth A. Eden  
Senior VP, CFO & Treasurer

Thank you, Don, and good morning, everyone. I'll start on Slide 12 with a summary of the changes in 2022 earnings compared to 2021. Earnings per share grew from \$2.45 in 2021 to \$2.69 in 2022 as we have also been taking care of business on the financial side. The key drivers are consistent with the items we've discussed throughout the year. Usage was up at both PNM and TNMP due to both load growth and weather, particularly at TNMP as cryptocurrency miner enter the market in West Texas.

Recovery of investments through the TCOS and DCOS mechanism was also a significant increase to EPS at TNMP. At PNM, higher transmission demand and market prices increased earnings along with the addition of the Western Spirits contract. These increases served to offset expenses at the utility for depreciation, property tax and interest associated with our rate base investments along with increases to our planned O&M spending.

Market losses on our decommissioning trust dampened the earnings growth at PNM. We took actions in 2022 with fund managers to ensure alignment with our portfolio objectives. To be clear, the decommissioning trust, along with our pension plans remain well funded despite the challenging market conditions in 2022, and we don't anticipate making any cash contributions to destress in the near future. Earnings at our corporate segment are driven by holding company debt. And in 2022, higher interest rates reduced EPS.

Turning to Slide 13. I'll cover our expectations and key drivers for 2023 guidance. As Pat mentioned, we have narrowed our guidance range to \$2.65 to \$2.75 per share. Given the growth we've seen in Texas and New Mexico in 2022, we brought up the bottom end of the range to \$2.65. In terms of our load, our guidance assumes a return to more normal weather conditions, which is partially offset by load growth at both PNM and TNMP.

At PNM, cost reductions from the retirement of the San Juan Generating Station and return of the Palo Verde leases net of replacement power costs offsets depreciation, property tax and interest expenses associated with new investments. At TNMP, rate recovery through the TCOS and DCOS riders cover cost increases associated with new investments as we continue to expand our system for increasing demand and economic growth.

At PNM, we don't expect the realized market losses on our decommissioning and reclamation trust to repeat in 2023. And at corporate, we have assumed higher interest expense to reflect the current interest rate environment, including \$850 million of swaps we entered into last year to mitigate our exposure until we reduce our variable debt levels, either through a successful merger or putting more permanent financing as.

We continue to assume we add up to \$200 million of equity in 2023, which would have a dilution impact on EPS at each of our segments shown in the appendix slides. Our full guidance range accounts for various timing assumptions with a potential impact of up to \$0.08 for the year, translating into a \$0.04 impact to the guidance midpoint.

Slide 14 shows our continued plan for capital spending through 2025 and the associated rate base growth. This investment plan continues to be focused on T&D infrastructure and meeting the growing needs of customers across New Mexico and Texas and includes our proposed grid modernization plan at PNM. Rate base growth at 8% from 2020 to 2025, with strong growth coming from both PNM FERC and TNMP.

At PNM, investments in infrastructure support retail customer growth and replace the rate base that is removed as we transition out of coal. We've been able to defer rate increases for our customers while continuing to earn our authorized returns. FERC investments have grown rapidly with the addition of the Western Spirit project at the end of 2021. Our other transmission investments are over timely through the annual formula rate update. TNMP grows at 17% over the period as infrastructure is added to support reliability in our growing service territory. The transmission and distribution riders provide timely recovery of these investments without the general rating. The details of our spending beyond 2025 will be provided later this year, but we're comfortable we can continue our growth target of 5%.

Slide 15 shows our growth target and historical achievements. The midpoint of our 2023 guidance achieves our previous targets for growth and reaches a 10-year growth rate of 6.7%. We are on track to meet our current target of 5% growth for 2020 through 2025. Growth is in linear every year because of factors like weather, timing of regulatory filings or market conditions, but we remain focused on the long-term view. Our 8% rate base growth over the period is partially offset by the assumed equity in 2022. This maintains our investment-grade credit metrics and places us in a good position moving forward, and we are confident in our ability to continue targeting 5% growth.

I'll wrap up on Slide 16 with our dividend. We look to grow dividend consistent with earnings, targeting the midpoint of 50% to 60% payout ratio. In December, the Board of Directors raised our annual dividend to \$1.47, a 5% -- 5.8% increase with a payout ratio of 54% of our 2023 guidance midpoint. Our Board typically addresses the annual dividend in December when finalizing our financial plan for the following year. Meanwhile, we will continue to pay dividends until the close of our merger.

With that, I'll turn it back over to Pat.

Patricia K. Vincent-Collawn  
Chairman & CEO

Thank you, Lisa. Before I open it up for questions, I would like to thank our team members in New Mexico and Texas for the great work they did in 2022 and continue to do in 2023 to take care of each other, our customers, our communities and the environment. With that, Joe, let's open it up for questions.

## Question and Answer

Operator

We will now begin the question-and-answer session. If you're using hours -- at this time, we will pause this momentarily to assemble our roster. And our first question here will come from Paul Zimbardo with Bank of America.

Unknown Analyst

The first one, I saw the comment about the additional equity potentially in the second half of '23. Could you give what was the 2022 FFO to debt and just expectations there for 2023?

Patricia K. Vincent-Collawn  
Chairman & CEO

Yes, Paul. So we always target our between 13% and 16%. And 2022 was just around [Technical Difficulty].

Unknown Analyst

Okay. And secondarily, thank you for the background on the Trust performance. I know you mentioned some actions you took with the fund managers in 2022. Could you explain what are the assumptions that you embedded in the performance for 2023? I think it's like a \$0.15 to \$0.19 improvement. I don't know if that's just kind of a reversal or you assume higher returns or some sort of mix?

Patricia K. Vincent-Collawn  
Chairman & CEO

Yes, Paul. So we just -- 2022 was really a bad year. We are 75% fixed income and 25% equity in that NDT trust. So we don't expect the same market conditions in 2022 going into 2023.

Unknown Analyst

And correct me if I'm. I think if it's just kind of flat market conditions, wouldn't that just be like an unchanged year-over-year. I was just confused about the improvement.

Patricia K. Vincent-Collawn  
Chairman & CEO

Yes. So if you remember regarding our entity, so when we have realized gains or losses in the NDT Trust, it will flow through the income statement and the unrealized will not be part of the ongoing. And so as a result, last year, we had a lot of realized losses the fixed income in particular their portfolio. And so they realized losses during the year, and we don't anticipate that to happen next year.

Unknown Analyst

And then last quickly, if I may. Do you have any additional interest rate hedges for 2024?

Patricia K. Vincent-Collawn  
Chairman & CEO

No, we don't, Paul. But we do plan to issue like we said before, up to \$200 million of equity. We're also looking to do securitization at the end of the year. So our variable rate that exposure will be a lot different in 2024.

Operator

Our next question will come from Ryan Levine with Citi.

Ryan Michael Levine  
Citigroup Inc., Research Division

Just had a general question in terms of the pending merger application. We what scenarios would you have to refile the application entirely?

Joseph D. Tarry



President & COO

Ryan, right now, it's with the Supreme Court. I would note that the commission has had some hearings in private confidential hearings that we've noticed. We don't know the details of those at this point. I'm not sure exactly what would trigger a refiling.

Ryan Michael Levine  
Citigroup Inc., Research Division

And any color around dividend policy in the interim pending the potential application being executed on? Are there any ongoing conversations around any dividend changes?

Patricia K. Vincent-Collawn  
Chairman & CEO

No. I think as Lisa said, the Board does the dividend in December. They just increased it last December, so they would not be doing that again until December. And so we anticipate the merger would close before then. So -- it wouldn't deal with it in this December.

Operator

And our next question will come from Jonathan Reeder with Wells Fargo.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

If you could just expand a little maybe on the last question, can you just discuss your latest thoughts in terms of how the merger approval process potentially gets going again? And what the PRC's time line to reach and to final order might be? I know you just kind of indicated you certainly expect it before December. And then do you need to first pool the appeal of the PRC's decision that's currently pending at the Supreme Court. And if so, do you have plans to do that?

Patricia K. Vincent-Collawn  
Chairman & CEO

Jonathan, right now, we need to wait to see what the commission has done in their sessions, if anything. And so right now, we're in a holding pattern looking forward to hearing about their deliberations and any outcomes. And that will determine what next steps are.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

So in what form are we going to hear that from the PRC, -- like I mean, are they required or scheduled to give some sort of update like that?

Patricia K. Vincent-Collawn  
Chairman & CEO

No. I mean they have -- if you've listened to the open meetings, they have reported on the fact that they have had closed sessions and delivered on the following matters and in particular, on the merger case that Commissioner -- excuse me, Chairman O'Connell has recused himself and they have deliberated on that. So that is all we have heard. I would assume at some point in time, they would report out in an open meeting, but it is -- there is no timetable for them to do that.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

Okay. And then, I guess, how do you guys handle it from your end with the merger agreement expiring here in April if you haven't heard anything from the commission and you haven't pulled your appeal? Like what should we expect in terms of that?

Patricia K. Vincent-Collawn  
Chairman & CEO

Yes. The Board is going to consider all the merger potential merger extension items in due course and I'm not going to speculate now on what happens in that April time frame.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

And then I guess just given the passage of time and everything, are there additional concessions that might need to be made? Do you think all the prior signatures to the settlement are still on board with the deal? Should we expect you to file like a new settlement agreement that at least encapsulate the commitments that Avangrid made after the last settlement was filed.

Patricia K. Vincent-Collawn  
Chairman & CEO

I think it's a couple of things. We have not heard that any of the intervenors are not on board. We have not been actively talking to them about this. We've been talking about the rate case and grid mod with them, and I'm not going to speculate on a new application until we hear what the commission has to say. I mean that's really what we need to hear from -- or what we need to hear before we decide next steps.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

And then I guess, from the stand-alone growth perspective, I guess I was a little confused on Slide 15. Is the 5% long-term growth target? Is that off the midpoint of the '23 guidance \$270 -- and is it like a 5-year target? Or are you just kind of reiterating the 5% through 2025 off the 20 basis?

Elisabeth A. Eden  
Senior VP, CFO & Treasurer

So Jonathan, we are very pleased with this slide. You see 6.7% CAGR from 2013 to 2023. And what we have said is that we're comfortable with our growth target of 5%. We've set out the growth target of 2020 to 2025. And we will provide details later in the year. But at this point, we're comfortable with the 5% growth.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

But just the 5% growth through 2025 or extending beyond there?

Elisabeth A. Eden  
Senior VP, CFO & Treasurer

We are comfortable with the 2020 to 20%, 25%. And then as we look forward, 5% is -- we are comfortable with that growth target.

Patricia K. Vincent-Collawn  
Chairman & CEO

If you look at our capital slide, we haven't updated our capital post 2025. So when we do that, if we end up doing that, then we would go further on those numbers. But right now, 2025 is the furthest we have for our projections.

Jonathan Garrett Reeder  
Wells Fargo Securities, LLC, Research Division

Okay. And then last for me. Expanding on the already discussed financing needs in the nonmerger scenario. Can you talk a little more about how you would address the \$1 billion outstanding under the term loan? Is it just long-term debt, a combination of debt and equity beyond the \$200 million already contemplated in guidance? Or perhaps you take the strategy that seems to be popular right now and issue convertible?

Elisabeth A. Eden  
Senior VP, CFO & Treasurer

Yes. It's Jonathan. So what we've said is that we will put permanent financing in place. We have talked about our equity needs for this year. But beyond 2023, we haven't exactly define what that's going to look like. But of course, that will be something that we will do later in the year.

Operator

Our next question will come from Anthony Crowdell with Mizuho.

Anthony Christopher Crowdell  
Mizuho Securities USA LLC, Research Division

Thanks for the update on National Bartender Day. I really appreciate it.

Patricia K. Vincent-Collawn  
Chairman & CEO

So you're welcome, just tip Well, Anthony, I know you will.

Anthony Christopher Crowdell  
Mizuho Securities USA LLC, Research Division

Absolutely. I just have one quick one, and I apologize if you've already addressed it. It's on Slide 13, kind of where Jonathan was headed. You mentioned nonmerger scenario potentially for \$200 million of equity. Would it -- and maybe just splitting too many hairs here, but what if the mergers, the approval process is still going on by the time we get to end of '23, it would the company still do the equity or that's equity needed only if the deal was voted down. And I also appreciate if you don't want to discuss it because the deal is still pending.

Patricia K. Vincent-Collawn  
Chairman & CEO

Yes, we really can't answer that one right now because it requires a whole bunch of discussions with the Board and Avangrid and whether the appeal is still going on. So we'll update you on that one next time and we have some more clarity. Perfect.

Operator

Our next question here will come from Tim Winter with Gabelli Funds.

Timothy Michael Winter  
G.research, LLC

I was just hoping for some more clarification on the interplay of the merger application between the Supreme Court and the commission. So you need -- what I understand is you need to -- you would need to pull the appeal with the Supreme Court to get the commission moving on your merger application. And then the second part of that would be, what if the commission remained at the Supreme Court remained back to the commission, let's just say today, what would be the next process. And then finally, with one commissioner recusing himself do you need both of them to approve it? Or how does that work?

Patricia K. Vincent-Collawn  
Chairman & CEO

So I'll start with the last. Yes, you need with one commissioner refusing himself, you need 2 of the 2. If you get 1 in one, it's a tie and it fails. So that's one thing. Next question is the Supreme Court remaining it back today. They haven't held argument. They haven't briefed them done anything. So the odds of that happening are counsels looking at me, none. So I shouldn't say non-sim to none. But what we would need to do is before the commission can consider it again, it's now in the Supreme Court, we would have to ask with the commission for it to come back and the Supreme Court would have to consider that case. So we would need both parties -- or I should say, all parties to ask for it back from the court.

Timothy Michael Winter  
G.research, LLC

Okay. So that wouldn't just be your decision. It's more than that.

Patricia K. Vincent-Collawn  
Chairman & CEO

Yes, correct. It was more than that.

Timothy Michael Winter  
G.research, LLC

Okay. And do you have any thoughts on extending the merger agreement or how long this is going to play out?

Patricia K. Vincent-Collawn  
Chairman & CEO

No, Tim, we're just going to wait. And like I said, the Board will consider everything in due course, and there's really no reason for them to think about it now because it's only in February. So we'll see what happens between now and then and they will build the side then.

Operator

This concludes our question-and-answer session. I'd like to turn the conference back over to Pat Vincent Collawn for any closing remarks.

Patricia K. Vincent-Collawn  
Chairman & CEO

Thank you, Joe. And again, thank you all for joining us this morning. As I've said multiple times, tip your Bartender well, and please take a taxi home. Stay safe.

Operator

The conference has now concluded. Thank you very much for attending today's presentation. You may now disconnect your lines.

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