

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE JOINT)
APPLICATION FOR APPROVAL TO)
ACQUIRE NEW MEXICO GAS COMPANY,) Case No. 24-00266-UT
INC. BY SATURN UTILITIES HOLDCO,)
LLC.)
)
)
JOINT APPLICANTS)**

DIRECT TESTIMONY

OF

MARK E. GARRETT

ON BEHALF OF THE

NEW MEXICO DEPARTMENT OF JUSTICE

("NMDOJ")

April 18, 2025

**Mark Garrett
Garrett Group Consulting, Inc.
Edmond, Oklahoma**

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I. WITNESS IDENTIFICATION

1 **Q: PLEASE STATE YOUR NAME AND OCCUPATION.**

2 A: My name is Mark Garrett. I am the President of Garrett Group Consulting, Inc., a firm
3 specializing in public utility regulation, litigation and consulting services.

4
5 **Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND YOUR
6 PROFESSIONAL EXPERIENCE RELATED TO UTILITY REGULATION.**

7 A: I am a licensed attorney and a certified public accountant. I work as a consultant in public
8 utility regulation. I received my bachelor's degree from the University of Oklahoma and
9 completed post-graduate hours at Stephen F. Austin State University and at the University
10 of Texas at Arlington and Pan American. I received my juris doctorate degree from
11 Oklahoma City University Law School and was admitted to the Oklahoma Bar in 1997. I
12 am a Certified Public Accountant licensed in the States of Texas and Oklahoma with a
13 background in public accounting, private industry, and utility regulation. In public
14 accounting, as a staff auditor for a firm in Dallas, I primarily audited financial institutions
15 in the State of Texas. In private industry, as controller for a mid-sized (\$300 million)
16 corporation in Dallas, I managed the accounting function, including general ledger,
17 accounts payable, financial reporting, audits, tax returns, budgets, projections, and
18 supervision of personnel. In utility regulation, I served as an auditor in the Public Utility
19 Division of the Oklahoma Corporation Commission from 1991 to 1995. In that position,
20 I managed the audits of major gas and electric utility companies in Oklahoma.

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1 Since leaving the Commission, I have worked on rate cases and other regulatory
2 proceedings on behalf of various consumers, consumer groups, public utility commission
3 staffs, and attorney general's offices. I have provided testimony before the public utility
4 commissions in the states of Alaska, Arizona, Arkansas, Colorado, Florida, Indiana,
5 Massachusetts, Montana, Nevada, New Mexico, Oklahoma, Pennsylvania, Tennessee,
6 Texas, Utah and Washington. My qualifications were accepted in these states. My clients
7 primarily include industrial customers, consumer advocates, hospitals, universities,
8 municipalities, and large commercial customers. I have served as a presenter at the
9 NARUC subcommittee on Accounting and Finance, and as a regular instructor at the New
10 Mexico State University's Center for Public Utilities course on basic utility regulation.

11
12 **Q: HAVE YOU PREVIOUSLY PARTICIPATED IN OTHER PROCEEDINGS**
13 **INVOLVING PUBLIC UTILITY MERGERS AND ACQUISITIONS?**

14 **A:** Yes. I have been involved in several utility merger and acquisition proceedings. These
15 proceedings are set forth in the table below:

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Merger or Acquisition Proceeding	Jurisdiction	Year	Docket Nos.
Oklahoma Gas and Electric (“OG&E”) / Enogex	Oklahoma	1991	PUD 91-1055 PUD 90-0898
ONEOK / Western Resources	Oklahoma	1991	PUD 97-0106
American Electric Power (“AEP”) / Public Service Company of Oklahoma (“PSO”)	Oklahoma	1998	PUD 98-0444
Sierra Pacific Power Co. (“Sierra”) / Nevada Power Co. (“NPC”)	Nevada	1998	98-7023
MidAmerican Energy Holdings Co. / NV Energy	Nevada	2013	13-07021
Algonquin / Empire	Oklahoma	2016	PUD 16-0098
Chugach Electric Association / Municipal Light and Power (ML&P”)	Alaska	2019	U-19-020
El Paso Electric Co. (“EPE”) / Sun Jupiter Holdings LLC, <i>et. al.</i>	Texas PUC	2019	49849
PNM Resources, <i>et. al.</i> / Avangrid, <i>et.al.</i>	New Mexico	2020	20-00222-UT
Summit Utilities Arkansas/ CenterPoint Energy Arkansas	Arkansas	2021	21-060-U
Sierra Pacific Power Co. (“Sierra”) / Nevada Power Co. (“NPC”)	Nevada	2022	22-003028

1 **Q: HAVE YOUR QUALIFICATIONS BEEN ACCEPTED BY THIS COMMISSION**
2 **IN OTHER PRIOR PROCEEDINGS?**

3 A: Yes, they have. I have provided testimony before this Commission in several applications.
4 These include: El Paso Electric general rate case, Case No. 20-00104-UT; PNM
5 Resources/Avangrid merger, Case No. 20-00222-UT; 2022 PNM general rate case, Case
6 No. 22-00270-UT; and 2024 PNM general rate case, Case No. 24-00089-UT.

7
8 **Q: ON WHOSE BEHALF ARE YOU APPEARING IN THESE PROCEEDINGS?**

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1 A: I am appearing on behalf of the New Mexico Department of Justice (“NMDOJ”).

II. PURPOSE OF TESTIMONY AND SUMMARY OF RECOMMENDATIONS

2 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A: On October 28, 2024 the Joint Applicants¹ filed a joint application with the New Mexico
4 Public Regulation Commission (“NMPRC” or “Commission”) seeking approval of the
5 acquisition of New Mexico Gas Company (“NMGC”) by Saturn Holdco and the
6 divestiture by Emera, Emera U.S. Holdings, Inc., and TECO Holdings, Inc. of their current
7 ownership of NMGC (the “Transaction”). Garrett Group Consulting Inc. was engaged by
8 the NMDOJ to review the Application, to evaluate the impact on New Mexico ratepayers
9 and to present recommendations to the NMPRC.

10 Based on my analysis, the Joint Applicants have not demonstrated that the
11 Transaction is in the public interest. As currently proposed, the Transaction places
12 unacceptable risks on NMGC’s captive customers and provides undue benefits to the
13 divesting owners. Because NMGC will continue as a regulated monopoly utility after the
14 acquisition, there are *significant* concerns and unanswered questions as to how the
15 acquiring companies expect to recoup the acquisition premium embedded in this

¹ The Joint Applicants include: New Mexico Gas Company, Inc. (NMGC); Emera Inc. (Emera); Emera U.S. Holdings Inc. (EUSHI); New Mexico Gas Intermediate, Inc. (NMGI); TECO Holdings, Inc. (TECO Holdings); TECO Energy, LLC (TECO Energy); BCP Infrastructure Fund II, LP (BCP Infrastructure Fund II); BCP Infrastructure Fund II-A, LP (BCP Fund II-A); and BCP Infrastructure Fund II GP, LP (BCP Fund II GP); Saturn Utilities, LLC (Saturn Utilities); Saturn Utilities Holdco, LLC (Saturn Holdco); Saturn Utilities Aggregator, LP (Saturn Aggregator); Saturn Utilities Aggregator GP, LLC (Saturn Aggregator GP); Saturn Utilities Topco, LP; (Saturn Topco); Saturn Utilities Topco GP, LLC (Saturn Topco GP); (collectively, “Joint Applicants”).

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1 Transaction. The Joint Applicants claim that this Transaction “*will not impact NMGC’s*
2 *existing assets, operations or business.*”² At the same time, however, the Joint Applicants
3 state that “BCP Management brings to bear its ‘ownership expertise’ and extensive
4 experience investing in infrastructure,” and that the acquiring companies envision the
5 transition to NMGC of “back-office support services” currently provided by Emera.³ So,
6 while it is unclear precisely *how* the new ownership philosophies and structural changes
7 will impact NMGC, it is certain that changes are inevitable if this Transaction is approved.

8 Fundamental to evaluating this Transaction is ascertaining the underlying goals
9 and motivations of the divesting and acquiring companies and determining whether the
10 potential benefits for ratepayers outweigh the significant risks of the Transaction. As
11 explained more fully in the testimony below, my analysis indicates that (1) the Joint
12 Applicants’ claimed economic benefits related to returning shared services jobs to New
13 Mexico is overstated; (2) the lack of a customer rate credit is unfair to ratepayers and
14 unacceptable under traditional regulatory standards; (3) the pledged economic
15 development contributions do not constitute new benefits for ratepayers and likely will be
16 offset by higher ratepayer costs; and (4) the acquiring companies’ strategic plans for
17 NMGC could result in significantly higher rates once the Transaction is consummated.
18 For these reasons, I conclude that the proposed Transaction creates added risk to customers
19 with very little offsetting benefits. I recommend that the NMPRC not approve the

² Application, Executive Summary p. 2.

³ *Id.*, p. 1

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1 Transaction as it is not in the public interest without modifications.

2

3 **Q: PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

4 A: A summary of my recommendations is set forth below:

5 1. I recommend the Commission not approve this proposed
6 Transaction as it is not in the public interest. While there are significant
7 financial benefits to the Joint Applicants from the transaction, the
8 transaction results in only added risk to ratepayers with no increase in net
9 benefits to them.

10 2. With respect to the acquisition premium paid (purchase price over
11 book value), I recommend that the Joint Applicants provide a detailed
12 explanation in rebuttal testimony setting forth the following:

13 (i) The full and accurate calculation of the acquisition
14 premium (purchase price less book value), and

15 (ii) How the new owners intend to recoup the full
16 amount of this premium.

17 Without sufficient explanation, the Transaction should be rejected.

18 3. If the Commission chooses not to reject the proposed Transaction,
19 I recommend that the Commission order the Joint Applicants to pay a
20 customer rate credit between \$88 million to \$112 million. These amounts
21 represent roughly one-half of the estimated acquisition premium paid for
22 the NMGC assets calculated by comparing the expected final offer price
23 with the depreciated net book value of the assets at the time of the sale.

24 4. In addition, if the Commission chooses not to reject the proposed
25 Transaction, I recommend that the Commission require a 50% cap on the
26 equity level in the capital structure going forward.

III. OVERVIEW OF THE PROPOSED TRANSACTION

27 **Q: PLEASE PROVIDE A BRIEF OVERVIEW OF THE TRANSACTION.**

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1 A: Emera Inc. and TECO Holdings, Inc. seek to divest their current ownership of New
2 Mexico Gas Company (NMGC”) to Saturn Utilities Holdco, LLC (“Saturn Holdco”).
3 Saturn Holdco is part of a managed portfolio of companies under the support of Bernhard
4 Capital Partners Management, LP (“BCP Management” or “BCP”). BCP Management is
5 a private equity firm that invests primarily in the area of energy services.
6

7 **Q: HOW WILL THE PROPOSED TRANSACTION BE FINANCED?**

8 A: The aggregate purchase price is \$1.250 billion, which is comprised of approximately \$700
9 million to be paid in cash at closing plus the assumption of approximately \$550 million of
10 existing debt of NMGC. Specifically, Saturn Holdco intends to fund the purchase of the
11 Equity interests of TECO Energy through a mix of equity and debt consisting of
12 \$448,900,000 of equity from the BCP Infrastructure Funds, \$250,000,000 of private debt,
13 which is non-recourse to NMGC, and the assumption of approximately \$550,000,000 of
14 portable debt currently at NMGC.⁴ In short, the actual equity contribution to the
15 acquisition is 36%.
16

17 **Q: PLEASE DESCRIBE HOW NMGC WILL BE OPERATED AFTER THE CLOSE**
18 **OF THE TRANSACTION AND DURING THE SUBSEQUENT TRANSITION**
19 **PERIOD.**

⁴ Direct Testimony of Jeffery M. Baudier, p. 23, lines 1-4.

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1 A: BCP asserts that NMGC’s current employees, including NMGC management, will be
2 retained and will report to the NMGC Board as they do currently. NMGC’s headquarters
3 will remain in Albuquerque and all regional offices will be maintained in their respective
4 communities. The BCP Applicants and NMGC anticipate that the Transaction will result
5 in adding approximately 51 to 61 new jobs in New Mexico as services currently provided
6 from out-of-state locations are returned to New Mexico. These new jobs could include
7 positions in areas such as Information Technology, Accounting, Finance, Human
8 Resources and other analyst positions.⁵ During the period of transitioning of
9 approximately 18 months the 51 to 61 shared services jobs back to New Mexico, NMGC
10 will continue to receive a variety of support services from Emera and its affiliates under
11 the Transition Service Agreement (“TSA”)⁶.

12
13 **Q: IS THERE AN ACQUISITION PREMIUM ASSOCIATED WITH THIS**
14 **TRANSACTION?**

15 A: Yes. The acquisition premium is the difference between the purchase price paid for the
16 NMGC assets and the net book value of these assets at the time of closing. At present,
17 BCP states it does not know the precise amount of the premium because it does not yet
18 know what the book value of the NMGC assets will be at the date of closing.⁷

⁵ Direct Testimony of Jeffery M. Baudier, p. 24, line 15 through p. 25, line 1.

⁶ *Id.* at p. 29, line 20 through p. 30, line 3.

⁷ See Response to NMDOJ INTERROGATORY 3-14 (c).

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1 Nevertheless, BCP estimates the premium will be in the range of \$175M to \$225M.⁸ For
2 purposes of this testimony, I am assuming an acquisition premium of \$212.4M. This is the
3 amount reflected on NMGC's balance sheet as of September 30, 2024, after Emera
4 recorded a goodwill impairment adjustment associated with this Transaction.⁹ In other
5 words, the \$212.4M represents the expected value of Emera's existing goodwill before the
6 Transaction is consummated. It generally reflects the amount Emera expects to receive
7 from the Transaction above its net book value of NMGC's assets. Of course, as the book
8 values of the assets are revised, the analysis can be revised to show the actual acquisition
9 premium at the date of sale.

10
11 **Q: HOW MUCH IS THIS ACQUISITION PREMIUM AS A PERCENTAGE OF**
12 **BOOK VALUE?**

13 A: If the purchase price is \$1.250 billion and the acquisition premium is \$212.4 million, then
14 the estimated book value of the assets at closing is about \$1.038 billion.¹⁰ This means the
15 acquisition premium is about 20% higher than the actual value of the assets. In other
16 words, BCP is paying roughly 20% more than the underlying assets are worth.

⁸ See Response to NMDOJ INTERROGATORY 3-14 (d).

⁹ See Response to NMDOJ INTERROGATORY 3-15(b) and JA Exhibit NMDOJ 1-1(a).

¹⁰ Emera filed for a rate base of \$880 million in its 2021 rate case, Case No. 21-00267-UT, so a rate base now of \$1.038 billion seems plausible.

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1 **Q: WHY DO YOU SAY THE ASSETS ARE ONLY ‘WORTH’ BOOK VALUE**
2 **RATHER THAN THEIR FAIR MARKET VALUE OR THE AMOUNT A BUYER**
3 **IS WILLING TO PAY?**

4 A: The underlying assets of a public utility company are only ‘worth’ book value because
5 that is the amount that can be recovered from captive ratepayers pursuant to traditional
6 regulatory standards. A regulated utility is only allowed to recover the book value of its
7 invested capital, plus the allowed rate of return. Book value is calculated as the original
8 cost of the utility’s assets less accumulated depreciation. This means that after the
9 Transaction is complete, the new owners will only be able to recover about \$1.038 billion
10 through rates for the assets in service at the time of the Transaction.

11
12 **Q: WHEN A BUYER PAYS AN ACQUISITION PREMIUM FOR A UTILITY DOES**
13 **IT RESULT IN A FINANCIAL BENEFIT TO THE DIVESTING COMPANY?**

14 A: Yes. The divesting company, in this case Emera, has received its regulatory authorized
15 rate of return over the years it owned the utility. When the divesting company then sells
16 the utility assets at a price above its book value, it walks away from the transaction with
17 additional profits over and above the authorized rate of return.

18 **Q: SHOULD RATEPAYERS RECEIVE A MEANINGFUL SHARE OF THE**
19 **AMOUNT OF SALE PROCEEDS PAID IN EXCESS OF BOOK VALUE?**

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1 A: Yes. Captive ratepayers have contributed to the book value of those assets over the same
2 time period and it is a matter of fundamental fairness that ratepayers receive a portion of
3 the gain they helped create from the sale of assets specifically dedicated to public service.
4

5 **Q: NMGC HAS BEEN ACQUIRED AND RE-ACQUIRED MULTIPLE TIMES OVER**
6 **THE LAST SEVERAL YEARS. PLEASE PROVIDE AN OVERVIEW OF THE**
7 **TRANSACTIONS AND THE ACQUISITION PREMIUMS ASSOCIATED WITH**
8 **EACH TRANSACTION.**

9 A: The table below shows that over the 16-year period from 2008 to 2024 NMGC has been
10 traded three times, with this Application being the fourth transaction. It also shows the
11 approximate acquisition premiums associated with each transaction:

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Table 1: History of NMGC Mergers and Acquisitions				
	Divesting Owner/ Acquiring Owner	Case Nos.	Years Held	Acquisition Premium
1	PNM / Continental	08-00078-UT	5 Years	\$146 M ¹¹
2	Continental/ TECO	13-00231-UT	2 Years	\$266 M ¹²
3	TECO / Emera	15-00327-UT	9 Years	\$408 M ¹³
4	Emera /BCP	24-00266-UT		\$212 M ¹⁴
5	Average Years Held		4 years	

1 When the acquiring company pays an acquisition premium to acquire a regulated utility
2 (*i.e.*, the purchase price is above the book value of the utility’s assets), this causes goodwill
3 to be carried on the books of the utility and results in continuing risk for ratepayers. In
4 short, the risk is that the acquiring company ultimately will seek to recover the premium
5 paid in some manner, directly or indirectly, either through rates or by way of another
6 method. Some examples may include: (1) moving to a higher equity ratio in the capital
7 structure, (2) the use of double leverage in the capital structure, (3) through affiliate

¹¹ See Direct Testimony of Andrea Crane in Docket No. 13-00231-UT.

¹² *Id.*

¹³ See Response to NMDOJ Interrogatory 3-15. The \$408M is the balance in Emera’s Goodwill account as of September 30, 2023.

¹⁴ See Response to NMDOJ INTERROGATORY 3-15(b) and NMDOJ 1-1(a).

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1 contracts, or (4) other indirect recovery methods. These concerns are discussed in further
2 detail below.

3

4 **Q: WHAT ARE THE TRANSACTION COSTS IDENTIFIED BY THE JOINT**
5 **APPLICANTS?**

6 A: The transaction costs are the *direct* costs related to legal fees, investment banking fees,
7 accounting fees, consulting fees, cost of Commission proceeded, Hart-Scott-Rodino filing
8 fees, FCC filing fees, and employee travel fees.¹⁵

9

10 **Q: WILL THE JOINT APPLICANTS SEEK TO RECOVER THE TRANSACTION**
11 **COSTS?**

12 A: BCP asserts that it will not seek recovery of these direct transaction costs from
13 ratepayers.¹⁶

14

15 **Q: WHAT DO THE JOINT APPLICANTS DESCRIBE AS TRANSITION COSTS**
16 **ASSOCIATED WITH THE TRANSACTION?**

17 A: The Joint Applicants describe transition costs as capital expenditures that BCP might need
18 to make to transition NMGC to a standalone utility.¹⁷ These would be the capital costs

¹⁵ See Direct Testimony of Jeffrey M. Baudier, p. 35, lines 4-13.

¹⁶ *Id.*

¹⁷ *Id.*

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1 needed to bring the shared services function back to New Mexico.

2

3 **Q: WILL THE JOINT APPLICANTS SEEK TO RECOVER THE TRANSITION**
4 **COSTS THROUGH RATES?**

5 A: Yes. BCP will seek recovery of the transition costs to the extent these costs are determined
6 to be *used and useful* by the Commission.¹⁸

7

8 **Q: WHAT CUSTOMER BENEFITS DO THE JOINT APPLICANTS IDENTIFY AS A**
9 **RESULT OF THIS TRANSACTION?**

10 A: Joint Applicants attest that there are a number of benefits that this acquisition will provide
11 to customers.¹⁹ However, other than the assertion that bringing 51 to 61 shared services
12 jobs back to New Mexico will result in an overall \$40 million economic benefit to New
13 Mexico, and the commitment to contribute \$5 million over a five year period to economic
14 development projects, the Joint Applicants do not offer any specific, quantifiable benefits.
15 Some of the Joint Applicants' purported customer benefits are simply to maintain the
16 status quo of charitable donations and low-income customer assistance programs,²⁰ while

¹⁸ *Id.*

¹⁹ Direct Testimony of Jeffrey M. Baudier, pp. 27-41.

²⁰ *Id.* at 18:1-3, 20:12-13.

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1 other “benefits” are simply assurances to comply with the law²¹ or hold customers
2 harmless for costs associated with the acquisition.²²

3 The assertion that protecting customers from the risks of an acquisition is a benefit
4 is somewhat odd because, but for the acquisition, those protections would not be
5 necessary. Moreover, the value of the unquantifiable benefits to the captive utility
6 customers is small, as discussed later in this testimony. They are not a sufficient basis upon
7 which a finding could be made that this transaction is in the public interest.

8 In my opinion, a finding that the transaction is in the public interest should be based
9 on *identifiable* benefits to ratepayers that can be *quantified* with reasonable accuracy, and
10 these identifiable benefits must exceed the costs incurred to achieve them. In other words,
11 there must be quantifiable *net benefits* to ratepayers. Moreover, these *net benefits* must be
12 greater than the *added risks* to ratepayers that result from the transaction. In the testimony
13 below, I will show that there are significant new risks to ratepayers from this transaction
14 but there are no net benefits. As it stands now, the transaction does not meet the public
15 interest standard. In the testimony below, I also show that if the transaction is not rejected
16 on a *public interest* benefits and burdens standard, a rate credit of between \$88 to \$112
17 million should be required.

18
19 **Q: WHAT APPROVALS ARE THE JOINT APPLICANTS REQUESTING?**

²¹ *Id.*

²² *Id.* at 15:1-6, 15:14-19, 16:4-6, 16:12-16, 18:4-6, 18:12-13.

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1 A: The Joint Applicants are requesting various necessary approvals from the Commission to
2 consummate the transaction. In general, though, the Joint Applicants are requesting:

3 1) approval of the Transaction pursuant to NMSA 1978, Sections 62-6-12 and -
4 13, as the acquisition of TECO Energy by Saturn Holdco is lawful and not
5 inconsistent with the public interest.²³

2) approval of the TSA to permit the NMGC Group to receive a variety of support
services from Emera and its affiliates for a period of time after closing the
Transaction.²⁴

IV. THE STANDARD OF REVIEW

6 **Q: PLEASE DESCRIBE THE STANDARDS OF REVIEW APPLICABLE TO THIS**
7 **TRANSACTION.**

8 A: The standards of review²⁵ are governed by Sections 62-6-12 and 62-6-13 of the PUA.²⁶ In
9 Case No. 04-00315-UT, the Commission identified the following four factors as bearing
10 on whether a transaction satisfies the § 62-6-13 standard for approval:

- 11 1. Whether the transaction provides benefits to utility customers;
12 2. Whether the NMPRC's jurisdiction will be preserved;
13 3. Whether the quality of service will be diminished; and

²³ Joint Application p. 16.

²⁴ *Id.* at 17.

²⁵ See Case No. 20-00222-UT, Certification of Stipulation, (Nov. 1, 2021) pp. 31-35, in which the Hearing Examiner discusses the standards of review in depth in the recent PNM acquisition proceeding.

²⁶ NMSA 1978, §§ 62-6-12 and -13.

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1 4. Whether the transaction will result in the improper subsidization
2 of non-utility activities.²⁷

3 The Commission applied these four factors in Case No. 11-00085-UT and stated that two
4 additional important considerations in a stock purchase case are:

- 5 5. Careful verification of the qualifications and financial
6 health of the new owner; and
7 6. Adequate protections against harm to customers.²⁸

8 Other factors that the Commission has considered in past acquisition cases to ensure that
9 an acquisition is in the public interest:

- 10 -- Rate credits;
11 -- Rate freezes;
12 -- No adverse impact on utility's existing rates;
13 -- Economic development contributions;
14 -- Maintain current offices for period of time;
15 -- Maintain employee wages and benefits;
16 -- Not recover transaction costs from ratepayers;
17 -- Hold customers harmless from negative impacts of
18 transaction;
19 -- Require utility to give Commission notice of its intent to pay
20 dividends to the holding company;
21 -- Agreement by utility to not recover acquisition adjustment
22 from ratepayers;
23 -- Require utility to waive any claims of preemption as a basis
24 for challenging the Commission's disallowance of costs;
25 -- Prohibit utility from recovering increased costs of capital
26 that may result from transaction;
27 -- File Cost Allocation Manual;
28 -- Hold ratepayers harmless from increases in cost of
29 replacement debt;
30 -- Agreement by acquiring company to not sell for period of
31 time;

²⁷ Case No. 20-00222-UT, Certification of Stipulation, (Nov. 1, 2021) p. 32.

²⁸ *Id.*

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- 1 -- Agreement by acquiring company to invest certain amount
2 in utility for period of time;
3 -- Majority independent board of directors; and
4 -- Delegation of authority to utility board of directors from
5 upstream holding company.²⁹

6 Taken together, these standards require that the Joint Applicants demonstrate by a
7 preponderance of the evidence that the proposed Transaction is fair, just and reasonable
8 and neither unlawful nor inconsistent with the public interest.³⁰ In the sections below, I
9 evaluate the potential risks and benefits based on these standards to conclude that the
10 Transaction, as proposed, is not fair just and reasonable and is inconsistent with the public
11 interest. The first rule of any utility acquisition is that the transaction must provide net
12 benefits to ratepayers. This means that there must be net benefits to ratepayers that
13 outweigh the risk associated with approval of the Transaction. Here, as set forth in the
14 testimony below, the risks of this transaction significantly outweigh the benefits. As such,
15 the Transaction is not in the public interest.

V. RISKS FOR RATEPAYERS IN THE PROPOSED TRANSACTION

16 **Q: WHAT ARE THE ADDED RISKS FOR RATEPAYERS FROM THIS**
17 **TRANSACTION?**

²⁹ *Id.*, at pp. 32-33

³⁰ Case No. 20-00222-UT, Certification of Stipulation, (Nov. 1, 2021) p. 33.

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1 A: I have identified several potential risks associated with this transaction. I discuss these
2 risks in the testimony below. These added risks for ratepayers include, but are not limited
3 to, the following:

4 **a. Private equity goals are inconsistent with the goals of a public utility.**

5 The investment strategies and goals of a private equity firm such as BCP may not be
6 consistent with the regulatory goal of providing essential utility service at the lowest
7 reasonable price over a sustainable long-term period.

8 **b. BCP Management lacks any meaningful gas utility experience.** BCP's

9 lack of utility experience puts ratepayers at risk of additional costs and losses that could
10 result from what could be an expensive learning curve.

11 **c. Other Financial Risks.** BCP is planning on using double leverage

12 (arbitraging debt for equity) to increase profits at ratepayer expense. BCP may be planning
13 to include the acquisition premium in the capital structure so that the premium would be
14 recovered indirectly through higher returns.

15 **d. The Acquisition Premium is a Continuing Risk.** Although not a new

16 risk, the acquisition premium that has been paid by each successive new owner continues
17 to be a risk for ratepayers. In each subsequent transaction, despite giving assurances that
18 the acquisition premium would not be recovered through rates, each divesting company
19 has nevertheless recovered all, or a significant portion, of the acquisition premium it paid
20 when the utility has been re-sold. By doing so, the divesting companies have not only
21 earned the authorized rates of return while owning the utility but have also then stripped

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1 the excess value (gains from the sales of utility assets) by failing to allocate to ratepayers
2 the fair and reasonable shares of the gains when the utility is sold. So long as there is
3 goodwill on the books of the utility, the risk of misallocation of the gain on future sale
4 continues for ratepayers.

a. Private equity goals are inconsistent with those of a public utility.

5 **Q: WHAT IS A PRIVATE EQUITY FIRM?**

6 A: In very general terms, a private equity firm is a firm that invests capital for institutional
7 investors and high-wealth individuals in startup or existing companies with the goal of
8 increasing the value of the company before selling it at a profit.

9

10 **Q: WHY DOES THE FACT THAT BCP IS A PRIVATE EQUITY FIRM ADD RISK**
11 **TO THIS TRANSACTION?**

12 A: A private equity firm's investment strategy is often short-term in nature, usually five to
13 ten years. In the proposed Transaction, the acquiring company only commits to retaining
14 ownership of NMGC for five years.³¹ For a public utility this is problematic because it
15 means another sale and another set of new owners in a very short period of time.
16 Contemplating another sale within in five to ten year time frame, potentially with
17 increasing acquisition premiums, adds risk for ratepayers with limited actual customer

³¹ Direct Testimony of Jeffrey M. Baudier, p. 33, lines 9-10.

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1 benefits. In short, BCP's investment strategy may be to re-sell NMGC to other investors
2 in a relatively short period of time at a profit. This ownership strategy may be beneficial
3 to private equity firms but is not well-suited to the long range vision and stability that
4 ratepayers rely upon for the provision of reliable service at the lowest reasonable cost.

5
6 **Q: WHY DO YOU BELIEVE PRIVATE EQUITY FIRMS MAY BE A**
7 **PARTICULARLY POOR MATCH FOR THE PROVISION OF UTILITY**
8 **SERVICE?**

9 A: Private equity firms are not in the business of providing long-term utility service at the
10 lowest reasonable cost, they are in the business of making high end profits in a relatively
11 short period of time. This is not a conducive ownership arrangement in an industry that
12 provides an essential service such as natural gas supply to homes and businesses.

13
14 **Q: ARE THERE OTHER REASONS PRIVATE EQUITY IS A QUESTIONABLE**
15 **OWNERSHIP ARRANGEMENT?**

16 Yes. Private equity profit goals seem incompatible with an industry that provides its
17 services at original cost, without markup, in a defined service territory with limited growth
18 opportunity. In other words, the private equity goal of increasing profits requires some
19 form of growth, either growth in price or growth in market share. Both are incompatible
20 with an industry that sells its services *at cost* in a defined service territory. This natural
21 limitation of a regulated monopoly increases the risk that a private equity firm may be

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1 motivated to “gold-plate” the utility system to create growth where it is not actually needed
2 to provide service or to meet customer load.

3

4 **Q: HAS NMGC BEEN OWNED BY A PRIVATE EQUITY FIRM PREVIOUSLY ?**

5 A: Yes. Continental Energy Services filed its application to acquire NMGC from PNM in
6 2008, in Docket No. 08-00078-UT. It then sold NMGC to TECO five short years later in
7 Docket No. 13-00231-UT. This 5-year turn around period is consistent with the general
8 private equity turn around period of five to ten years.

9

10 **Q: IN TERMS OF THE STANDARD OF REVIEW, WOULD YOU AGREE THAT**
11 **THE ISSUE IS WHETHER CUSTOMERS WILL BE BETTER OFF WITH BCP**
12 **AS THE OWNER RATHER THAN EMERA?**

13 A: Yes, in part. Stated another way, the issue is whether the Joint Applicants demonstrated
14 that ratepayers will be better off or have provided sufficient tangible ratepayer benefits to
15 offset the increased risks identified. I believe that ownership by a private equity firm adds
16 material risks for ratepayers with no significant benefits. Private equity profit goals and
17 short-term turn around periods mean ratepayers are likely to see another sale – at a profit
18 to the divesting owner – in a very short period of time. This adds the risk of new owners
19 and additional acquisition premiums to deal with. It also adds the risk that the parent
20 company executives will be focusing more on investment strategies and portfolio

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1 management rather than the long-term vision for the utility for the benefit of ratepayers.³²

2 In short, private equity ownership brings substantial new risks with no meaningful benefits
3 for ratepayers.

4
5 **Q: ARE YOU CATEGORICALLY OPPOSED TO PRIVATE EQUITY COMPANIES**
6 **ACQUIRING REGULATED UTILITIES?**

7 A: Not necessarily. Although it is not a natural fit for the reasons discussed above, there
8 could be a situation in which a private equity firm with appropriate utility experience might
9 present a strategic plan incorporating specific synergies and economies of scale resulting
10 in quantifiable savings for ratepayers. My concern here is that the Joint Applicants have
11 demonstrated no such benefits, lack the appropriate utility experience, and have limited
12 their commitment to owning the utility for only 5 years.

b. BCP Lacks Meaningful Utility Experience.

13 **Q: WILL NMGC MANAGEMENT AFTER THE ACQUISITION HAVE**
14 **SUFFICIENT NATURAL GAS UTILITY EXPERIENCE?**

³² See e.g., *Local media coverage highlights widespread opposition to the private equity takeover of public utility company Minnesota Power*, Private Equity Stakeholder Project (Apr. 16, 2025); <https://pestakeholder.org/news/local-media-coverage-highlights-widespread-opposition-to-the-private-equity-takeover-of-public-utility-company-minnesota-power>; see also, Hill, Stephen, *Private Equity Buyouts of Public Utilities: Preparation for Regulators*, National Regulatory Research Institute (NRRI) (Dec. 2007). <https://pubs.naruc.org/pub/FA86433D-A820-85E7-B1C7-D3038BF5155E>.

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1 A: No. Going forward, NMGC will have operational management with gas utility
2 experience, but it will not have support at the parent level of executive management with
3 natural gas utility experience.

4 NMGC's current local management – president and vice presidents at the utility
5 level – will be staying on board, which will provide an ongoing consistent level of
6 operational management, but the executive management, at the EMERA / TECO level,
7 will all be gone after the transaction and will not be replaced with executive management
8 with any gas utility experience. Instead, BCP Management, who will fill the executive
9 role going forward, does not currently have anyone on board comparable to that of Emera
10 in operating a natural gas utility. In response to NM AREA Interrogatory 1-5, Mr. Baudier
11 lists several BCP employees with utility experience: Jeffrey Baudier, R. Foster Duncan
12 and Jeffrey Yunkis; but each of these individuals has experience with electric utilities, not
13 natural gas utilities.

14
15 **Q: WHAT WOULD EXECUTIVE MANAGEMENT WITH GAS UTILITY**
16 **EXPERIENCE PROVIDE?**

17 A: One of the most important roles of executive management is to provide corporate direction
18 and long term vision specific to utility governance rather than merely viewing the utility
19 as a component within a portfolio of non-utility businesses. In other words, a key function
20 of executive management is to guide decisions about what is best for investors and
21 ratepayers alike over the long term. Understandably, a vision for the future is aided

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1 significantly with a clear recollection of the past – relevant experience in gas utility issues.
2 BCP has no recollection of past gas utility management, because it has no actual
3 experience in the natural gas utility arena. Instead, what BCP has is experience owning a
4 portfolio of many different types of companies to generate short-term profits for investors,
5 which is very different from the long-term interests of ratepayers.

6

7 **Q: DOES BCP IDENTIFY ANY ACTUAL NATURAL GAS UTILITY EXPERIENCE**
8 **THAT IT WILL HAVE AFTER THE TRANSACTION?**

9 A: Yes. It asserts that it is in the process of acquiring gas utilities in Louisiana and Mississippi
10 (currently owned by Entergy and CenterPoint) and that these future acquisitions will
11 provide BCP access to the experience of those utilities. The idea is that even though those
12 utilities will be separate companies with no integration with NMGC, the utilities will be
13 able communicate with BCP and share ideas of best practices.³³

14

15 **Q: IS THIS THE SAME AS HAVING ACTUAL NATURAL GAS EXPERIENCE AT**
16 **BCP?**

17 A: No.

18

³³ Direct Testimony of Jeffery M. Baudier, p. 13.

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1 **Q: ARE YOU CONCERNED THAT NMGC LACKS EXPERIENCE IN OTHER**
2 **AREAS WILL BE IMPORTANT TO THE COMPANY GOING FORWARD?**

3 A: Yes, going forward, NMGC plans to bring the shared services operations back to New
4 Mexico, which means that it will have to train the new employees it plans to hire to
5 perform the services that are now being performed by Emera's shared services group.
6 Shared services generally include the areas of information technology, finance, financial
7 accounting, tax accounting, human resources, administration and payroll services. NMGC
8 currently has no experienced personnel to provide these services or to train others to
9 provide them. Moreover, BCP does not have the experience to train new employees for
10 these services either.³⁴

11
12 **Q: IS THERE DISCOVERY REGARDING WHETHER BCP HAS THE**
13 **EXPERIENCE TO TRAIN THESE NEW EMPLOYEES?**

14 A: Yes, as shown in the excerpt below, BCP admitted that it does not have the experience
15 needed to train these new employees.

16 **NEE INTERROGATORY 3-25:**

17 What experience does BCP have training workers in information
18 technology, finance and accounting, human resources, Accounting, tax
19 preparation, bookkeeping, and payroll services, other computer related
20 services, and management consulting services? Please explain in detail.

21 **RESPONSE:**

22 **Jeffrey M. Baudier / Ryan A. Shell**

³⁴ See Response to NEE Interrogatory 3-25.

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1 The BCP Applicants do not have experience training workers in these
2 areas. The BCP Applicants will not train NMGC's workers. NMGC will
3 continue to train workers as it does today.

4 BCP admits it lacks experience training workers in these areas, but claims that NMGC
5 will train these employees. The problem with this response is that NMGC does not have
6 any experience in these areas either. Training in these areas will need to come from outside
7 the Company and will be a significant added cost that the Joint Applicants have not
8 accounted for here. This exposes the Company and its ratepayers to additional risk while
9 the training is taking place and even afterwards depending on the quality of the training.

10
11 **Q: WHAT DO YOU CONCLUDE?**

12 A: I believe that as a result of this transaction NMGC will retain operational experience but
13 will lose significant vital experience in the executive and administrative (shared services)
14 functions. This means that quality of service should be safe in the short-run, but it will
15 definitely be put at risk in the long-run with the loss of executive and administrative
16 experience. In short, the loss of this experience adds risk to ratepayers who are responsible
17 for the costs of the Company which will be operating going forward without this
18 experience.

c. **Other Important Financial Risks.**

19 **Q: WHAT OTHER FINANCIAL ISSUES HAVE YOU IDENTIFIED?**

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1 A: I have identified two significant financial issues: (1) BCP may be planning to recover the
2 acquisition premium by including it in NMGC's capital structure, and (2) BCP is planning
3 on using double leverage to increase its profits at NMGC at ratepayers' expense.

(1) Acquisition Premium in the Capital Structure

4 **Q: WHAT IS THE ISSUE OR INCLUDING THE ACQUISITION PREMIUM IN THE**
5 **CAPITAL STRUCTURE?**

6 A: In an effort to understand how BCP intends to recover the full price paid for the NMGC
7 assets if it does not intend to include the acquisition premium in rate base, we asked the
8 following question and received the following answer:

NMDOJ INTERROGATORY 3-14

10 e. Will the equity in the capital structure of the utility after the
11 acquisition include an amount that covers/includes the Goodwill recorded
12 on the balance sheet of the utility?

RESPONSE

14 e. Yes.

15 If I am interpreting this response correctly, NMGC will include the acquisition premium
16 as equity in its capital structure. If a capital structure that includes the acquisition premium
17 is utilized in the Company's next rate case, it will significantly increase the overall rate of
18 return ("ROR) applied to the Company's rate base in that case. Even if the acquisition
19 premium is *not included* in rate base, if it *is included* in the capital structure as equity,
20 NMGC will effectively be earning a return on the acquisition premium through a higher

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1 overall ROR on the remaining assets in rate base. In other words, NMGC will be earning
2 a return on the acquisition premium even if the acquisition premium is not included in rate
3 base.

4
5 **Q: DID YOU ASK WHETHER NMGC INTENDED TO INCLUDE THE**
6 **ACQUISITION PREMIUM IN ITS CAPITAL STRUCTURE IN ITS RATE CASE?**

7 A: Yes, we did, but we received a response that did not answer the question, which is
8 concerning, as shown in the excerpt below:

9 **NMDOJ INTERROGATORY 3-14**

10 f. Will the capital structure of the utility after the acquisition that
11 includes an amount for the Goodwill recorded on the balance sheet of the
12 utility be the capital structure used in determining cost of capital in the
13 utility's next rate case?

14 **RESPONSE**

15 f. Goodwill historically recorded at NMGC has not been included
16 within rate base or subject to regulatory recovery and similarly would not
17 be included in rate base or recovered through rates going forward. Similar
18 to NMGC's historical approach, we expect that NMGC will continue to
19 utilize an imputed capital structure in its general rate case filings.

20 The Joint Applicant's answer is disturbing because it does not answer the question. The
21 question was not whether the acquisition premium would be included in rate base; the
22 question was whether the premium would be included in the capital structure (which has
23 the same effect as including it in rate base) and Joint Applicants did not answer that
24 question.

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1

2 **Q: WHAT DO YOU RECOMMEND?**

3 A: I recommend that if the Commission is inclined to approve this Transaction, that it require
4 the Company to not include the acquisition premium in *either* the rate base or the capital
5 structure in any future proceeding.

(2) Use of Double Leverage to Increase Profits

6 **Q: WHAT IS YOUR CONCERN ABOUT THE USE OF DOUBLE LEVERAGE TO**
7 **INCREASE PROFITS?**

8 A: In simple terms, BCP intends to borrow money at the Holding Company level and send it
9 down to the utility level as equity.³⁵ In effect, this would allow the Holding Company to
10 earn an equity return on debt, or approximately a 9.5% return on money they borrow at
11 5%.

12

13 **Q: HOW DO YOU KNOW THAT THIS IS WHAT BCP HAS PLANNED?**

14 A: As discussed earlier, Saturn Holdco intends to fund the purchase through a mix of equity
15 and debt consisting of \$448,900,000 of equity, \$250,000,000 of private debt, and
16 \$550,000,000 of the long-term debt currently at NMGC.³⁶ In short, the actual equity

³⁵ Double leverage usually refers to a situation in which a holding company raises debt and sends it downstream as equity capital. (Venture Line definition).

³⁶ Direct Testimony of Jeffery M. Baudier p. 23, lines 1-4.

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1 contribution to the acquisition is 36%.³⁷ Even though the actual equity level is only 36%,
2 NMGC nevertheless “commits” to maintaining an equity level of no less than 50%,³⁸
3 which means that most of the \$250,000,000 of private debt will simply be called equity at
4 the utility level. Using this arbitrage, BCP plans to earn an equity return of say 9.5% on
5 money that is really debt and costs BCP about 5%.

6

7 **Q: WHAT IS THE EXTRA PROFIT TO BCP ON THIS ARBITRAGE?**

8 A: The profit on the \$250 million alone is about \$11.250 million per year.³⁹ These profits
9 come at ratepayer expense because the real cost of the utility’s capital structure is actually
10 \$11.250 million less than what ratepayers are being charged.

11

12 **Q: WHAT DO YOU RECOMMEND?**

13 A: I recommend that the Commission order BCP, as a condition of approval, to use the actual
14 Saturn Holdco capital structure as its imputed capital structure for setting rates going
15 forward so long as the equity level in the Holdco structure does not exceed 50%.

³⁷ $\$448,900,000 \text{ Equity} / \$1,248,900,000 \text{ Purchase Price} = 36\%$.

³⁸ Direct Testimony of Jeffery M. Baudier, p. 34. BCP will maintain a cap structure of at least 50% equity, and it won’t be in excess of 54% in the next rate case.

³⁹ $\$250\text{M} \times (9.5\% - 5\%) = \11.250M .

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d. The Acquisition Premium is a Continuing Risk.

1 **Q: WHY IS THE ACQUISITION PREMIUM A CONTINUING RISK FOR**
2 **RATEPAYERS?**

3 A: Although not a new risk, the acquisition premium continues to be an ongoing risk for
4 ratepayers. Even though Continental, then TECO and then Emera all agreed not to recover
5 the premium from ratepayers, they each sought to recover, including Emera, the premium,
6 or a portion thereof, from the subsequent sale of the assets to a new owner. Likewise, BCP
7 likely will attempt to recover its acquisition premium from the next purchaser of NMGC,
8 and there is no guarantee that the next purchaser will not try to pass the premium on to
9 ratepayers. As NMGC is flipped from owner to owner, ratepayers remain at risk that a
10 new owner in the future will make an attempt to recover the premium, either directly or
11 indirectly, from ratepayers using one or more of several available methods. Even though
12 the Commission can protect ratepayers from such recovery, that potential recovery
13 remains a risk for ratepayers.

VI. BENEFITS FOR RATEPAYERS IN THE PROPOSED TRANSACTION

14 **Q: WHAT QUANTIFIABLE BENEFITS TO RATEPAYERS HAVE THE JOINT**
15 **APPLICANTS IDENTIFIED?**

16 A: BCP identifies two quantifiable benefits for ratepayers: (1) BCP plans to bring 51 to 61
17 shared service jobs back to New Mexico and (2) BCP plans to contribute \$5 million over
18 a period of five (5) years to economic development projects. According to BCP's witness,

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1 Dr. Erickson, these two commitments will provide an estimated overall economic benefit
2 to the state of \$48 million. The Joint Applicants identify several other supposed benefits,
3 but these are really commitments that ratepayers will be no worse off as a result of the
4 transaction, which means they are not really benefits at all. I will discuss both of the
5 quantifiable benefits in the sections below. I will also discuss the other additional
6 supposed benefits as well.

a. The Proposed 51 to 61 New Shared Service Jobs

7 **Q: WHAT IS BCP PROPOSING WITH RESPECT TO BRINGING THE SHARED**
8 **SERVICES JOBS BACK TO NEW MEXICO?**

9 A: BCP's financial justification for this proposed Transaction is based almost entirely on the
10 economic benefits that it claims will result from moving shared services jobs back to New
11 Mexico. Joint Applicants' witness, Mr. Ryan Shell, testifies:

12 One of the biggest areas of impact on NMGC resulting from this
13 Transaction will be the return of support services to New Mexico from
14 Florida and Canada, and the hiring of new additional NMGC employees to
15 provide these services for NMGC. The Transaction entails bringing support
16 services back to New Mexico, while also providing for a TSA for the
17 continuation of the existing shared services arrangement for up to eighteen
18 (18) months as the transition of support services back to New Mexico takes
19 place.

20 As Mr. Baudier testifies, as the TSA runs its course following the close of
21 the transaction, and as support services are brought back to the State,
22 NMGC currently anticipates hiring between 51 and 61 new employees in
23 New Mexico to provide these support services to NMGC locally.

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1 BCP witness, Dr. Christopher Erickson, quantifies the economic benefit to the New Mexico
2 economy from adding these jobs. He calculates an initial \$7.7 million in direct labor
3 benefits and then \$40 million in total benefits once indirect and induced benefits are
4 included.

5

6 **Q: HOW DID THESE JOBS LEAVE NEW MEXICO IN THE FIRST PLACE?**

7 A: Ironically, the *removal* of these positions from New Mexico was initiated as part of the
8 2013 acquisition of NMGC by TECO, in Case No. 13-00213-UT. In that case, the joint
9 applicants claimed they would be able to eliminate approximately 99 jobs by integrating
10 NMGC with other TECO utilities, thereby saving ratepayers about \$9.1 million per year
11 in the cost of service.⁴⁰ Thus, in the 2013 acquisition, the joint applicants touted the
12 decision to move the shared services jobs *out* of New Mexico as a *benefit* to ratepayers.
13 Conversely, in this case the Joint Applicants tout the decision to bring those jobs back to
14 NMGC, and to operate the utility on a stand-alone basis, as a significant benefit to
15 ratepayers.

16

17 **Q: SO, WHICH IS IT? WAS IT BETTER FOR RATEPAYERS WHEN NMGC**
18 **INTEGRATED ITS SHARED SERVICES JOBS OUT OF STATE, OR WILL IT**

⁴⁰ See Certification of Stipulation in Case No. 13-00213-UT, p. 76. Although TECO agreed in settlement to maintain a specific number of employees in New Mexico for a three-year period, the back office shared services positions began to be shifted out of New Mexico as result of the TECO acquisition.

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1 **BE BETTER FOR RATEPAYERS IF NMGC NOW RETURNS THESE JOBS TO**
2 **NEW MEXICO BUT ON A STAND ALONE BASIS THEREBY POSSIBLY**
3 **LOSING THE ECONOMIES OF SCALE?**

4 A: The answer is, it is likely not a significant financial benefit for ratepayers either way. More
5 importantly, this example demonstrates the problem with the Joint Applicants' approach
6 of touting the benefits of a planned course of action without fully acknowledging the
7 associated trade-offs and costs. In both the 2013 acquisition and the proposed Transaction
8 here the analyses are incomplete and not very helpful. In 2013, the TECO analysis was
9 correct that ratepayers would save \$9.1 million by eliminating jobs through integration,
10 but the analysis at that time did not quantify the overall impact to the New Mexico
11 economy from eliminating those jobs. Likewise, the BCP analysis here may be correct
12 (though perhaps overstated) that the New Mexico economy will benefit from returning the
13 shared services jobs from Florida and Canada back to New Mexico, but the analysis does
14 not quantify the offsetting costs to NMGC customers that it will take to move those jobs
15 here, or the impact of losing the economies of scale. As a result, the analyses in both cases
16 could be misleading if the related offsetting economic impacts are not also taken into
17 consideration.

18
19 **Q: WHAT OFFSETTING IMPACTS SHOULD BE INCLUDED IN THE**
20 **EVALUATION IN THIS CASE?**

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1 A: BCP's analysis is based on the idea that dollars spent in New Mexico going forward – that
2 were being spent outside the state – will produce a five-fold benefit to the state: That is,
3 the Joint Applicants content that there could be a \$40M boost to the economy.⁴¹ By the
4 same token, several aspects of this Transaction could have detrimental offsetting effects,
5 including: (1) dollars flowing out of the New Mexico economy for the additional capital
6 expenditures necessary to bring the new shared services jobs to the state, (2) higher costs
7 of stand-alone positions, (3) loss of economies of scale, or (4) increased costs associated
8 with the acquiring company's capital structure and its strategic approach to recoup the
9 costs of its investment in NMGC .

(1) Capital Spending to Bring the Jobs to New Mexico

10 **Q: WHAT CAPITAL EXPENDITURES WILL BE NEEDED TO BRING THE**
11 **SHARED SERVICES JOBS BACK TO NEW MEXICO?**

12 A: The jobs being moved back to New Mexico are back-office functions such as accounting,
13 finance, human resources and information technology jobs.⁴² The computer functions that
14 support these jobs are now owned and operated by Emera and will not be transferred back
15 to New Mexico. Instead, the software and hardware needed to support these functions will
16 have to be acquired by NMGC. BCP initially indicated that capital expenditures would

⁴¹ The calculation is based on \$7.7M x 5.2 multiplier = \$40M.

⁴² See Response to NMDOJ Interrogatory 1-22.

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1 be needed to “stand up” an SAP system for NMGC.⁴³ Subsequently, the Joint Applicants
2 stated, “NMGC has not performed studies to determine or quantify the precise software
3 systems it will have as a standalone utility.”⁴⁴ Nevertheless, the BCP Applicants anticipate
4 that the total costs to create standalone capabilities to support NMGC will be approximately
5 \$29 million,⁴⁵ which includes about \$4 million in TSA overlap costs.⁴⁶ Without the TSA
6 overlap costs, the estimated expenditures needed to “stand up” an accounting and IT
7 system for NMGC is about \$25 million.

8
9 **Q: WHAT IS THE ANNUAL REVENUE REQUIREMENT ASSOCIATED WITH**
10 **THE STAND ALONE SYSTEM EXPENDITURES?**

11 A: The annual revenue requirement to recover just the return and depreciation on a \$25
12 million investment will be about \$4.5 million.⁴⁷ Although the Joint Applicants have not
13 finalized an exact software system plan, funds likely will be pulled out of the New Mexico
14 economy to purchase assets required to support the 51 jobs coming back to New Mexico.⁴⁸
15 This is a direct offset to the \$7.7 million being added to the New Mexico economy for the

⁴³ See Direct Testimony of Jeffery M. Baudier, JA Exhibit JMB-2, p. 142 of 147.

⁴⁴ See JA 1st Supplemental Response to Staff 1-20, p.6.

⁴⁵ See JA 1st Supplemental Response to Staff 1-20, p. 4.

⁴⁶ See JA 1st Supplemental Response to Staff 1-20, referencing JA Exhibit Staff 1-12(a).

⁴⁷ Assumes a 50/50 capital structure, 9.5% cost of equity, 4% cost of debt, 21% tax rate, and a 10-year depreciation life. See calculation set forth on Exhibit MG-2.2

⁴⁸ For example, SAP is an out-of-state software provider headquartered in Pennsylvania. It provides software services to companies worldwide. Moreover, the return ratepayers pay for these assets goes to out-of-state BCP investors.

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1 51 transferred jobs. In other words, the additional expenditures needed to bring the 51
2 jobs to New Mexico should be included in the analysis. Right now, the BCP analysis
3 shows the benefits of bringing the 51 jobs back to New Mexico without showing the
4 associated costs. My analysis provides a more realistic picture of what the net benefits to
5 the economy might be from adding these jobs.

(2) Higher Profits to the New Owners

6 **Q: DOES BCP PLAN TO EXTRACT HIGHER PROFITS FROM NMGC**
7 **CUSTOMERS?**

8 A: Yes. The new owners plan to increase the capital structure from 52% equity to
9 [redacted].⁴⁹ All else being equal, this move alone will cost ratepayers another \$6.3
10 million a year in rates. The calculations for the \$6.3 million increase are shown at *Exhibit*
11 *MG-2.1(Confidential)*.

13 **Q: WHAT DO YOU MEAN BY ALL ELSE BEING EQUAL?**

14 A: To isolate the revenue requirement change associated with a capital structure change, I
15 held the cost of equity, the cost of debt and rate base constant and only adjusted the capital
16 structure.

17

⁴⁹ See Confidential Response to Staff 2-10.

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1 **Q: WHY DO YOU THINK THIS SHOULD BE AN OFFSET TO THE ECONOMIC**
2 **BENEFITS BCP CALCULATES FROM BRINGING THE SHARED SERVICES**
3 **JOBS BACK TO NEW MEXICO?**

4 A: The Joint Applicant's strategic plans to change the capital structure would result in pure
5 profit to BCP at ratepayers expense. It represents funds that would be extracted out of the
6 New Mexico economy for the benefit of out of state investors. As such, it is important to
7 recognize this as an offset to the purported boost to the economy that would come from
8 returning the shared services jobs to the state. Again, it is inappropriate for the Joint
9 Applicants to focus solely on the economic benefits of returning shared services jobs to
10 New Mexico without also looking at the added costs this Transaction will bring about.

(3) Conclusion Regarding Return of Shared Services Jobs

11 **Q: WHAT DO YOU CONCLUDE FROM THIS ANALYSIS?**

12 A: BCP's analysis is predicated on the idea that moving ratepayer money, that was being
13 spent out of state, back into the New Mexico economy will have a positive impact on the
14 economy. Likewise, moving ratepayer money out of the New Mexico economy with new
15 spending on capital projects for shared services will have an offsetting negative impact on
16 the economy. Similarly, moving ratepayer money out of the economy in the form of higher
17 profits to the new out-of-state investors will have a similar detrimental impact. These
18 detrimental impacts cannot be ignored.

19

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1 **Q: HAVE YOU QUANTIFIED THE IMPACTS FROM THESE ITEMS?**

2 A: Yes. These two items alone completely offset the benefits realized from the shared
3 services jobs as set forth below.

Table 2: Potential Net Detriments of the Proposed Transaction			
Description	Direct Amount	Multiplier	Total
51 Shared Services Jobs	\$7,700,000	5.2x	\$40,000,000
System Stand up Rev. Req.	(\$4,500,000)		
New Owner Profits	(\$6,300,000)		
Net Economic Impact	(\$3,100,000)	5.2x	(\$16,120,000)

4 **Q: DOES THIS MEAN THAT THERE WILL BE A NET \$16.1 MILLION**
5 **DETRIMENTAL IMPACT TO THE NEW MEXICO ECONOMY AS RESULT OF**
6 **THIS TRANSACTION?**

7 A: Not necessarily. All of the projected benefits and costs are based on estimations of how
8 the New Mexico economy may be impacted by the proposed Transaction. What the table
9 above demonstrates, however, is that there are numerous factors involved in this proposed
10 Transaction which could significantly impact the State's economy, and the potential
11 benefits associated with returning 51 shared services jobs to New Mexico should not be
12 considered in a vacuum.

13

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1 **Q: ARE THERE OTHER OFFSETTING ITEMS THAT SHOULD ALSO BE**
2 **CONSIDERED?**

3 A: Yes. Any utility rate increase will have an impact on the economy. The analysis above
4 looks only at the increase from the new software system investment and capital structure
5 changes. There will likely be many other changes that increase rates. BCP is a private
6 equity firm that is in business solely for the purpose of making money, which for this
7 proposed Transaction likely means future rate increases. Those increases will come from
8 increases in capital spending (rate base), increases in the cost of equity, increases in the
9 equity level in the capital structure, and from increases in the use of double leverage from
10 the holding company. These changes, other than the changes to rate base, will have little
11 to no added value to ratepayers and will result in a net economic detriment to the New
12 Mexico economy.

13
14 **Q: DID BCP'S ANALYSIS INCLUDE ANY ECONOMIC IMPACTS FROM RATE**
15 **INCREASES?**

16 A: No. The response to NMDOJ 1-40 states that "The economic study did not include any
17 assumptions about changes in NMGC rates, if any."

18
19 **Q: SHOULD OFFSETTING FACTORS SUCH AS RATE INCREASES BROUGHT**
20 **ABOUT BY THE TRANSACTION BE INCLUDED IN ANY ECONOMIC**
21 **ANALYSIS SUPPORTING THE TRANSACTION?**

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1 A: Yes. Right now the Joint Applicants' economic impact analysis is incomplete because it
2 omits the overall economic loss in New Mexico that could occur as a result of this
3 proposed Transaction.

4
5 **Q: ARE THERE ANY OTHER DIRECT OFFSETS THAT SHOULD BE INCLUDED**
6 **IN THE ANALYSIS?**

7 A: Yes. BCP and NMGC have no experience training the employees to perform the shared
8 services functions. This training will have to come from outside the Company. It will be
9 expensive and it will take time. The cost of this training should also be a deduction to the
10 economic impact calculations provided by BCP.

11
12 **Q: WHAT DO YOU CONCLUDE ABOUT THE ECONOMIC ANALYSIS RELATED**
13 **TO THE BENEFIT OF RETURNING SHARED SERVICES JOBS BACK TO NEW**
14 **MEXICO?**

15 A: The analysis showing a \$40 million benefit to New Mexico from bringing the 51 shared
16 services jobs back to the state is materially overstated. It does not include offsets directly
17 related to the jobs such as the added costs of the hardware and software needed to support
18 these services or the added costs to train these employees. It also does not include the rate
19 increases that will result from this transaction. In all, there will be a substantial net loss to
20 the New Mexico economy as a result of the acquisition.

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b. \$5 Million Contribution to Economic Development Projects

1 **Q: WHAT IS BCP PROPOSING WITH RESPECT TO ECONOMIC**
2 **DEVELOPMENT PROJECTS?**

3 A: BCP commits that NMGC will contribute \$5 million over a period of 5 years to economic
4 development projects in NMGC's service territory, without seeking recovery of these cost
5 from ratepayers.⁵⁰

6
7 **Q: DOES BCP QUANTIFY THE ECONOMIC IMPACT FROM THESE**
8 **CONTRIBUTIONS?**

9 A: Yes. Dr. Christopher Erikson calculates a substantial benefit to New Mexico.

10 Yes. The \$5 million economic development fund to be provided by NMGC
11 will also have a beneficial impact on New Mexico. The grants offered by
12 the fund will create 54 jobs in the state and generate \$8.6 million in output.
13 Importantly, economic development grants can be used to leverage
14 additional jobs beyond the direct grants.

15 **Q: DOES DR. ERIKSON PROVIDE ANY SUPPORT FOR THIS ASSERTION?**

16 A: No. If there truly are 54 jobs created by the grants, they will be exceedingly short-term in
17 nature. \$5 million would pay for 54 jobs for about one year, so there would be no lasting
18 impact from the grants unless they result in new economic growth in New Mexico. In
19 other words, there will be no lasting impact unless the economic development efforts are

⁵⁰ Direct Testimony of Jeffrey M. Baudier at p. 15.

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1 successful, and no one can predict whether or not they will be, and without knowing that,
2 there is no way to really predict what economic benefits will inure to the state.

3

4 **Q: ARE THERE OTHER THINGS WRONG WITH BCP'S CLAIM THAT THIS IS A**
5 **BENEFIT TO RATEPAYERS?**

6 A: Yes. Even though BCP claims that ratepayers will not be paying for the economic
7 development contributions, they will be. As discussed above, one year of the new NMGC
8 capital structure will cost ratepayers another \$6.3 million in rates. This amount far exceeds
9 the \$5 million economic development contribution. So, in the long run, ratepayers will
10 fund the economic development contributions. Moreover, NMGC will be the primary
11 beneficiary if the economic development efforts are successful, because NMGC will enjoy
12 the added profits that will come from the customer growth that result from these successful
13 efforts.

14

15 **Q: WHAT IF DR. ERICKSON'S PROJECTIONS ARE CORRECT AND THE**
16 **ECONOMIC DEVELOPMENT CONTRIBUTIONS GENERATE \$8.6 MILLION**
17 **IN OUTPUT. DOES THAT CHANGE YOUR ANALYSIS?**

18 A: No, because ratepayers will effectively be paying for the \$5 million contribution in the
19 form of higher rates through the increased capital structure. So there is no new benefit to
20 ratepayers that they are not paying for themselves.

21

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1 **Q: DIDN'T YOU USE THE HIGHER RATES FROM THE CAPITAL STRUCTURE**
2 **CHANGES IN THE ANALYSIS OF THE RETURN OF THE SHARED SERVICES**
3 **JOBS? IS THAT DOUBLE COUNTING?**

4 A: Yes, I did include the higher capital structure costs in the analysis of the 51 jobs, but no,
5 it is not double counting. Here, I am just using one year of the higher capital structure
6 costs to fully offset the \$5 million economic development grants. On an ongoing basis,
7 year after year in other words, the ongoing higher capital structure costs will offset the
8 benefits derived from the return of the shared services jobs.

9
10 **Q: WHAT IS YOUR OVERALL CONCLUSION ABOUT THE PURPORTED**
11 **RATEPAYER BENEFITS FROM ECONOMIC DEVELOPMENT**
12 **CONTRIBUTIONS?**

13 A: All of the benefits associated with economic development contributions will be paid for
14 by ratepayers through the higher rates planned by BCP. As such, the economic
15 development contributions cannot be viewed as ratepayer benefits. Moreover, even if
16 ratepayers were not effectively paying for these benefits, economic development has little
17 value to ratepayers other than the tangential benefits of a marginally improved local
18 economy. The primary beneficiary of load growth from economic development efforts is
19 the utility itself, not its ratepayers.

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c. Other Ratepayer Benefits

1 **Q: ARE THE JOINT APPLICANTS PROMISING OTHER RATEPAYER**
2 **BENEFITS?**

3 A: No. The Joint Applicants promise to make annual charitable contributions of cash or in-
4 kind donations valued at a minimum of \$500,000. NMGC further says that it will not seek
5 recovery of these contributions in rates.⁵¹ But this supposed benefit is illusory. NMGC
6 already makes charitable contributions at this level and these contributions are not allowed
7 in rates. So, maintaining the status quo is not a benefit to ratepayers.

8
9 **Q: ARE THERE ANY OTHER BENEFITS?**

10 A: No. The Joint Applicants have committed to various ring-fencing provisions – standard
11 in the industry – for the protection of ratepayers, but similar ring fencing provisions were
12 put in place when TECO purchased the utility and again when it was purchased by Emera.
13 These ring fencing provisions add nothing new for ratepayers. They may be seen as
14 required ratepayer protections but they are not ratepayer benefits, because they do not give
15 ratepayers something they do not already have.

d. Conclusions Regarding Ratepayer Benefits

16 **Q: WHAT DO YOU CONCLUDE REGARDING RATEPAYER BENEFITS?**

⁵¹ Direct Testimony of Jeffrey M. Baudier, p. 31.

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1 A: I believe there are no identifiable ratepayer benefits proposed in this transaction. The
2 potential economic benefits from bringing approximately 51 jobs to New Mexico will be
3 more than offset with the new capital expenditure costs needed to bring them here, and the
4 higher rates that will result from this transaction. The economic development benefits
5 may transpire but they will be paid for by ratepayers through planned higher rates. These
6 higher rates will more than offset any benefits ratepayers receive. NMGC, on the other
7 hand, will experience higher profits from the customer growth the economic development
8 grants bring about, if successful. Thus, the only net benefits from the economic
9 development grants will go to NMGC. With respect to the charitable contribution
10 promises and the ring fencing protections, these are not something that ratepayers do
11 already have. In other words, because they provide nothing new they cannot be called
12 benefits.

13
14 **Q: DO YOU CONSIDER THE COMMITMENT TO NOT RECOVER**
15 **TRANSACTION COSTS A BENEFIT IN THIS CASE?**

16 A: No. This transaction is structured to ensure vast benefits to shareholders and
17 comparatively miniscule benefits to ratepayers, if any. Moreover, the commitment not to
18 recover transaction costs, including the acquisition premium, is standard in the industry.
19 Thus, the commitment to not seek recovery of transaction costs is simply not a material
20 ratepayer benefit in the overall scheme of the transaction. It does nothing to ensure that
21 the Transaction is in the public interest.

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1

2 **Q: WHAT OTHER POTENTIAL BENEFITS ARE THE JOINT APPLICANTS**
3 **ASSERTING?**

4 A: The other benefits mentioned by the Joint Applicants include the following:

- 5 1. retention of current quality of service and reliability levels;
- 6 2. retention of local management;
- 7 3. retention of capital expenditures necessary to provide reliable service;
- 8 4. retention of employee levels for 18-month period;
- 9 5. retention of call center and gas operations in New Mexico.
- 10 6. retention of participation in the JD Power satisfaction survey;
- 11 7. retention of ownership for a 5-year period.⁵²

12 These are not benefits. These are *no-harm* provisions, which is entirely different. These
13 are promises to maintain the status quo, not promises to provide a new benefit to
14 ratepayers. Promises that ratepayers will be no worse off than they are now if the
15 transaction is approved, should not be viewed as a benefit in the Commission's decision.

16 In my opinion, there will be no net benefits to ratepayers from this transaction.
17 Considering the rate increases planned by the new owners that come from changes that
18 have little to no benefit to ratepayers, such as a higher cost of equity and a higher equity
19 level in the capital structure, there will be no net benefit to ratepayers from this transaction,
20 and, over time, the net detriment will be substantial.

⁵² Direct Testimony of Jeffrey M. Baudier at pp. 32-33.

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VII. THE ACQUISITION PREMIUM

1 **Q: IF THE NEW OWNERS ARE ONLY ABLE TO RECOVER THE BOOK VALUE**
2 **OF THE ASSETS THROUGH RATES, DOES THIS RAISE CONCERNS ABOUT**
3 **HOW THE PREMIUM WILL BE RECOVERED?**

4 A: Yes. If the new owners can only recover \$1.038 billion (our assumed rate base number)
5 for the assets they are acquiring, that leaves the very big question about how the new
6 owners intend to recover the additional \$212.4 million premium they intend to pay for
7 these assets. The concern is that ratepayers will ultimately be responsible for this premium
8 in one way or another, since the utility has no other customers from which it can recover
9 these additional costs. And, since the acquiring companies can only recover \$1.038 billion
10 for the assets in service at the time of the sale through traditional rate-base/rate-of-return
11 rates, that means they will have to recover the additional acquisition premium costs
12 through other means.

13
14 **Q: WHAT OTHER MEANS ARE AVAILABLE FOR THE COMPANY TO**
15 **RECOVER THE ADDITIONAL \$212.4 MILLION?**

16 A: Typically, there are no other means, other than a subsequent sale, for a regulated utility to
17 recover anything more than book value for regulated assets. The new owners cannot
18 depend on increasing market share to recover the premium because the service territory is
19 limited with a finite set of customers. They cannot depend on higher prices to offset the

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1 premium because the rate-base/rate-of-return model is limited to recovering no more than
2 the actual cost of service. They cannot depend on cost-cutting measures to recover the
3 money because cost savings are ultimately passed on to ratepayers in the utility's next rate
4 case.

5 Since the acquiring companies are not asking to recover the premium in rates as
6 goodwill, this leaves no legitimate options for recovering the premium in the normal
7 course of business. This causes a very real concern about how the new owners actually
8 do intend to recoup \$212.4 million. BCP may just intend to recover the premium when it
9 resells the NMGC assets. In other words, BCP may believe it will be able to resell the
10 assets in a few years for an amount far enough above book value to recover the premium,
11 which means ratepayers will, once again, be concerned about how the new owners will
12 recover the premium they pay going forward.

13 More likely, though, the new owners may have a variety of methods planned to
14 recoup the premium, which all probably include a higher selling price in a few years. In
15 the meantime, BCP could utilize a number of approaches to recoup the premium indirectly,
16 such as (1) including the premium in the capital structure as equity to increase the overall
17 rate of return, (2) using debt at the holding company level to finance the acquisition but
18 include it as equity at the utility level to earn an equity return on what is really debt money
19 to increase the overall return, or (3) just argue for a higher return on equity in rate cases
20 that is above the actual cost of equity to increase the overall return. All of these approaches
21 are inappropriate from a ratemaking perspective and should not be allowed.

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1

2 **Q: WHAT DO YOU RECOMMEND?**

3 A: I recommend that BCP provide a detailed explanation in rebuttal testimony setting
4 forth the following:

- 5 (1) The full and accurate amount of the acquisition premium (price
6 paid less book value), and
7 (2) How BCP intend to recoup the full amount of this premium without
8 including the premium either directly or indirectly in rates.

9 Without a satisfactory explanation of how BCP intends to legitimately recoup the
10 acquisition premium, I believe the Commission should not approve the transaction.

11 **Q: WHY IS THE ACQUISITION PREMIUM IMPORTANT?**

12 A: The acquisition premium is important because it represents the gain on sale of the NMGC
13 assets. In my opinion, it is important for the Commission to safeguard the ratepayers'
14 interests by requiring that a reasonable portion of the acquisition premium be allocated to
15 ratepayers through a fair and reasonable rate credit.

16

17 **Q: FROM A RATEMAKING PERSPECTIVE, ARE RATEPAYERS ENTITLED TO
18 RECEIVE A PORTION OF THE PROFITS PAID FOR REGULATED ASSETS?**

19 A: Yes. As a general ratemaking rule, benefits follow burdens. Since ratepayers assumed
20 most of the risk for these assts during their useful lives – paid all of their costs and assumed
21 the risk of their potential early retirement – then ratepayers carried most of the burden for

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1 these assets. As a result, they typically should receive most of the benefits that derive
2 from such sales.

3

4 **Q: DOES IT MATTER THAT EMERA IS SELLING NMGC FOR AN ACQUISITION**
5 **PREMIUM THAT IS LESS THAN THE ACQUISITION PREMIUM IT PAID**
6 **WHEN IT ACQUIRED NMGC FROM TECO IN 2015?**

7 A: No. The gain or loss at issue here is the amount of acquisition premium above the book
8 value of NMGC. The fact that Emera paid an excessive acquisition premium in 2015 does
9 not change the fact that ratepayers should receive a portion of the gain on this sale.
10 Moreover, if the amount Emera initially paid for the system is netted out of the calculation
11 of the amount due to ratepayers now, then ratepayers would effectively be paying for the
12 Emera premium, something they were promised they would not have to do.

13

14 **Q: WHAT DO YOU RECOMMEND WITH RESPECT TO THE ACQUISITION**
15 **PREMIUM?**

16 A: For reasons I explain more fully in the following section of testimony, I recommend that
17 the Commission require the Applicants to provide a rate credit to ratepayers at a level that
18 reflects half of the acquisition premium paid for the NMGC assets. For NMGC ratepayers,
19 this would be a rate credit of about \$106.2 million, assuming a total premium of \$212.4
20 million. If the rate credit is distributed over a 3-year period, it would be an annual credit
21 of \$35.4 million.

VIII. REGULATORY TREATMENT OF GAINS ON SALE OF UTILITY ASSETS

1 **Q: WHAT IS THE TRADITIONAL PRACTICE WHEN UTILITY ASSETS ARE**
2 **SOLD AT PRICES ABOVE THE DEPRECIATED BOOK VALUE?**

3 A: In the normal course of business, it is not uncommon for utilities to dispose of regulated
4 assets. However, on those occasions when the selling price of the assets exceeds
5 depreciated book value, a gain results, and if the gain is substantial, debates may ensue
6 from time to time as to the appropriate regulatory disposition of the gain. However, the
7 proper regulatory treatment of gains on sales of regulatory assets is actually fairly well
8 settled. In fact, in the case of normal retirements, there is virtually no debate since any
9 gain or loss that may result is routinely passed on to ratepayers through the normal
10 accounting entries to the accumulated depreciation reserve. The disagreements generally
11 arise only in those instances when the gain is sizable.

12 In these situations, the utility may lay claim to the gain, or some portion of it, based
13 on notions that ownership of the underlying asset entitles the utility to any gain that may
14 result from its sale. These same notions, however, are noticeably absent when regulated
15 assets are disposed of at a loss. Recall, for example, the discussions of who was to pay for
16 the stranded costs that resulted from restructuring or from environmental compliance.. In
17 both of these situations, utilities, as a general rule, asserted that ratepayers were
18 responsible for the losses. Fortunately, many commissions did not agree.

19

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1 **Q: ARE THERE EXAMPLES IN NEW MEXICO?**

2 A: Yes. As part of its environmental compliance plan, PNM retired two of its coal-fired units
3 at a substantial loss. PNM's San Juan Generating Station ("SJGS"), consisted of four coal-
4 fired units with 1,683 net megawatts ("MW") of electric generation capacity. The state
5 implementation plan ("SIP") sought approval to (1) abandon two coal plants at San Juan
6 Units 2 and 3 and (2) issue certificates of public convenience and necessity ("CCN") for
7 replacement power resources. As part of a settlement agreement, PNM agreed to write-
8 off 50 percent of the stranded costs associated with the two units and place the remaining
9 balance in a regulatory asset account when the plant is retired and recover that balance
10 over a 20-year amortization period.⁵³ The stipulation language is set forth below:

11 **Undepreciated Investment in Retired Plant**

12 18. PNM shall be allowed to recover 50% of its undepreciated
13 investment in SJGS Units 2 and 3 as shown on its books as of
14 December 31, 2017, after reducing the net book value of SJGS unit
15 3 by \$26 million to reflect the value placed on the additional SJGS
16 Unit 4 capacity. Until that time, PNM shall continue to depreciate
17 SJGS Units 2 and 3 according to its approved depreciation
18 schedules. Based on current projections, PNM estimates its
19 undepreciated investment in SJGS Units 2 and 3 will be
20 approximately \$257.0 million at December 31, 2017. Based on this
21 estimate, PNM will be allowed to recover 50% of the undepreciated
22 investment estimated at \$115.5 million, which is \$257.0 million
23 less \$26.0 million transferred to Unit 4, i.e., \$231.0 million,
24 multiplied by 50% as the percentage of recovery agreed to in this
25 stipulation. PNM shall place the amount of undepreciated
26 investment allowed to be recovered in a regulatory asset which shall
27 be amortized over a twenty year period with a carrying charge equal

⁵³ The federal Regional Haze Rule was issued by the U. S. Environmental Protection Agency ("EPA") under the Clean Air Act ("CAA").

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1 to PNM's pretax weighted average cost of capital ("WACC") (as it
2 may be modified from time to time by Commission orders in rate
3 cases) on the unamortized amount.

4 In other words, the substantial losses that resulted from these early retirements were shared
5 50/50 with ratepayers.

6
7 **Q: WHAT IS THE APPROPRIATE TREATMENT OF GAINS ON THE SALE OR**
8 **DISPOSITION OF REGULATED ASSETS?**

9 A: It is my understanding that the general rule is that ratepayers should receive any gain that
10 results from the sale of utility assets. At a minimum, such gains should be split 50/50
11 between ratepayers and shareholders.

12
13 **Q: PLEASE DESCRIBE YOUR SUPPORT FOR THIS POSITION.**

14 A: My position regarding the regulatory treatment of gains in utility rate cases is supported
15 by a comprehensive survey of the treatment of gains in commissions across the country.
16 The National Regulatory Research Institute (NRRRI) conducted a comprehensive study in
17 1994 to determine how state commissions treated gains on sale of regulated assets. A total
18 of forty-nine commissions responded to at least parts of the survey and reported that their
19 state commissions had considered nearly 600 gain-on-sale issues in the past ten years. The
20 results of the study showed that most states allocated the gain entirely to ratepayers. In
21 fact, of states with a generic policy toward dispositions of gains, only one state allocated

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1 the gain to shareholders, and then only if the gain related to an operating unit. In the NRRI
2 survey, the most frequently cited rationale (thirty (30) responses) was that gains should
3 accrue to ratepayers for property included in rate base. As examples, I have included
4 language from several commissions addressing the dispositions of gains.

5 **Florida**

6 The Florida PSC's Digest of Regulatory Philosophies states that Gains or
7 losses on the sale of utility property or property that was formerly utility
8 property should be amortized above-the-line over five years and should be
9 considered in determining rates."

10 **Michigan**

11 The Michigan PSC stated that if assets were ever included in rate base, the
12 gain accrues to the ratepayers.

13 **Massachusetts**

14 The Massachusetts Department of Public Utilities stated in one rate case
15 that: "The Company and its shareholders have received a return on the use
16 of these parcels while they have been included in rate base, and are not
17 entitled to any additional return as a result of their sale. To hold otherwise
18 would be to find that a regulated utility company may speculate in . . . utility
19 property and, despite earning a reasonable rate of return from its customers
20 on that property, may also accumulate a windfall through its sale."

21 **California**

22 Ratepayers rightfully benefit because they bore most of the risk associated
23 with the Flower Street headquarters. As the decision notes, ratepayers paid
24 all operations and maintenance expenses, depreciation, and taxes
25 associated with the headquarters property while it was in rate base,
26 provided a fair return on the capital invested in the headquarters, and bore
27 the risk the headquarters would be prematurely retired and that they would
28 nonetheless have to pay depreciation and a return on the buildings until
29 they were fully depreciated.⁵⁴

⁵⁴ Commissioner Frederick Duda of the California PUC in a 1990 concurring opinion (A.87-07-041, D.90-11-031).

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1 **Colorado**
2 The Commission remains unconvinced that the Company has carried all of
3 the risk of its investments . . .”⁵⁵

4 **Delaware**
5 ...Thus, the ratepayers bear the risk both in terms of the return they pay the
6 investors for the use of their capital and in the reimbursement of the
7 investors for the decline in value (depreciation) of the assets used to provide
8 service...Thus when such a piece of property is retired and disposed of and
9 a gain results, the equities of the situation would suggest that the ratepayer
10 should receive the benefit of that gain.⁵⁶

11 **Q: CAN YOU PROVIDE A SUMMARY OF THE NRRI SURVEY RESULTS?**

12 A: Yes. The results from the jurisdictions responding to the survey are set forth in the table
13 below. It is important to note that of the states that allocate the gain to shareholders most
14 of these are based on case-specific decisions rather than on a generic policy to do so.

⁵⁵ Colorado PUC decision (No. C94-206).

⁵⁶ In response to the NRRI survey, Delaware cited a Federal Communications Commission order (Docket No. 20188,11-6-1980). See NRRI 1994 survey on Dispositions of Gain on Sale of Utility Assets, p. 13.

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<u>Table 3: ALLOCATION OF GAIN BY STATES RESPONDING TO SURVEY (38)</u>	
Allocate the Gain to Ratepayers (19)	CT, ME, MA, TN, OH, ⁵⁷ FL ⁵⁸ (Generic Policy) AK, DC, HI, ID, LA, MD, MI, MS, NY, OH, OR, RI, VT (Case-specific Decisions)
Allocate the Gain to Shareholders (6)	IA (Generic Policy) KY, MO, ⁵⁹ NH, PA, ⁶⁰ SC (Case-Specific Decisions)
Split or Share the Gain (13)	IL, ⁶¹ WI, ⁶² VA, WA (Generic Policy) AZ, CO, KS, NM(PSC), NC, ND, OK, SD, TX (Case-specific Decisions)

⁵⁷ Though the Ohio PUC did not report having a generic policy, it did indicate that it follows the requirements of the applicable Uniform Systems of Accounts (USOAs). (This treatment would credit the gain on depreciable property to accumulated depreciation which would effectively allow ratepayers to earn a return on it).

⁵⁸ In the NRRI survey, Florida is listed as a state that allocates the gain to shareholders. (See Table 6 in the survey). However, the survey also reports that: The Florida PSC's Digest of Regulatory Philosophies states that "Gains or losses on the sale of utility property or property that was formerly utility property should be amortized *above the line* over five years and should be considered in determining net operating income." This above-the-line treatment would allocate the gain to ratepayers, not shareholders.

⁵⁹ As was stated by the Missouri PSC (Case Nos. EO-85-185 and EO-85-224), "The argument for passing through the profit to the ratepayer is less persuasive in the case of non-depreciable property, since the shareholder has not received a multiple recovery of the investment through depreciation and again through the sale of the property."

⁶⁰ The rationale most frequently cited (thirty respondents) was "a," that gains should accrue to ratepayers for property included in the rate base, though in at least one case (Pennsylvania), it was noted that the issue is still unresolved.

⁶¹ The Illinois policy is to allocate the gain on the sale of a depreciable asset to ratepayers by increasing the reserve for accumulated depreciation, which, in turn, reduces the rate base and rates. The gain on non-depreciable assets is allocated to shareholders by recording the gain as non-utility income.

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1 The survey results summarized above do not indicate what the specific facts resulted in
2 the commission's decisions to allocate all or some portion of the gains to shareholders.
3 However, the primary rationale for allocating gains from the sale of utility property to
4 ratepayers (30 respondents) is that gains should accrue to ratepayers for property that has
5 been included in rate base.⁶³ However, judging from responses provided from some states
6 (30), another important consideration is the fact that ratepayers assume much of the risk
7 associated with utility assets and should be allocated a share of the gain from the sale of
8 these assets.⁶⁴ Some states make a distinction between depreciable and non-depreciable
9 property, with gains on sales of depreciable property going to ratepayers because they have
10 been paying a return *on* and a return *of* this property.⁶⁵ The NRRI study summarizes its
11 findings as follows:

12 It is obvious from a review of the responses to the *NRRI* survey that gains
13 on sale of utility property are treated in a wide variety of ways. Overall,
14 however, it can be inferred from the survey responses that:

- 15 • gain-on-sale issues arise with some frequency at state regulatory
16 commissions;
- 17 • the majority of states deal with those issues on a case-by-case
18 basis;

⁶² The Wisconsin Public Service Commission's (PSC) generic policy allocates the gain to shareholders if the gain was related to an operating unit and to ratepayers if it was related to a non-operating unit.

⁶³ NRRI 1994 Survey on Dispositions of Gain on Sale of Utility Assets, at p. 11.

⁶⁴ *Id.*, at p. 11-13.

⁶⁵ *Id.*, at p. 14.

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- 1 • the gain is more often than not allocated to ratepayers, though
2 shareholders are allocated some portion of the gain in about half
3 of the commission responses;

- 4 • for allocating a gain to ratepayers, offsetting revenue requirements
5 was the method employed slightly more frequently than reducing
6 the rate base;

- 7 • and that the prior rate base treatment of the asset is the most
8 important consideration used by state commissions to allocate the
9 gain, although other rationales are also employed.⁶⁶

10 The NRRI survey shows that the vast majority of states (32 of 38 respondents) allocate
11 either the entire gain or a share of the gain to ratepayers. Only a few states (5), on a case-
12 by-case basis, have allocated gains to shareholders in recent decisions, but no facts were
13 provided about these occasions. Only one state, Iowa, has a policy of allocating the entire
14 gain to shareholders.⁶⁷

15

16 **Q: WHAT DO YOU CONCLUDE FROM THE DATA PRESENTED IN THE NRRI**
17 **SURVEY ON THE REGULATORY TREATMENT OF THE GAINS ON SALES**
18 **OF UTILITY ASSETS?**

⁶⁶ NRRI 1994 survey on Dispositions of Gain on Sale of Utility Assets, at p. 15. (Emphasis added).

⁶⁷ The Iowa Utilities Board's generic policy allocates the gain to shareholders by placing the gain in an account that falls "below the line" unless the Board finds good cause for allocating the gain differently. The Iowa survey response also indicated that it responds on a case-by-case basis because the accounting treatment does not necessarily dictate the ratemaking treatment. (See NRRI 1994 survey on Dispositions of Gain on Sale of Utility Assets, at p. 6).

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1 A: From the data presented in the NRRI survey, I conclude that the general regulatory
2 treatment for allocation of gains on sale of utility property is that ratepayers are typically
3 allocated between 50% to 100% of any gain realized.

4
5 **Q: HOW DID NEW MEXICO RESPOND TO THE NRRI SURVEY?**

6 A: The only reference to New Mexico in the NRRI survey was an indication that New Mexico
7 (PSC) was a jurisdiction that split the gain between ratepayers and shareholders.⁶⁸

8
9 **Q: WHAT IS THE ACCOUNTING TREATMENT OF GAINS WHEN UTILITY
10 PROPERTY IS SOLD IN THE NORMAL COURSE OF BUSINESS?**

11 A: The gain on depreciable property is recorded as a *credit* to accumulated depreciation, and
12 ratepayers receive the benefit of the gain.⁶⁹ In other words, when assets are sold in the
13 normal course of business, any gain on the sale, the amount over net book value, is credited
14 to accumulated depreciation where it resides as an offset (decrease) to rate base, so that
15 ratepayers receive the equivalent of a rate base return on the gain. This treatment mirrors
16 the treatment when a regulated asset is sold at a loss and the loss is debited to accumulated
17 depreciation.

18

⁶⁸ See 1994 survey on Dispositions of Gain on Sale of Utility Assets, at p. 4, Table 6.

⁶⁹ See *e.g.*, 1994 survey on Dispositions of Gain on Sale of Utility Assets, at p. 14.

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1 **Q: IN YOUR EXPERIENCE, HAVE COMMISSIONS TREATED GAINS ON SALES**
2 **OF UTILITY PROPERTIES IN A MANNER CONSISTENT WITH THE**
3 **RESULTS OF THE NRRI SURVEY?**

4 A: Yes. In the proceedings in which gains on sales of utility properties are at issue,
5 commissions have typically allocated the gains to *ratepayers* rather than shareholders.
6 Where questions arise concerning the regulatory treatment of a particular sale of utility
7 property, the debate does not center on whether the gain should be allocated solely to
8 shareholders. Instead, other issues such as the *timing of the flow* of the gain to ratepayers
9 and whether the transaction occurred within the test year are more typically addressed by
10 commissions.

11 One such example occurred in a regulatory proceeding in which Nevada Power
12 sold a valuable piece of property on the Vegas strip, the Flamingo Corridor property, at a
13 substantial gain. There was no disagreement that the proper regulatory treatment would
14 be to allocate the gain to ratepayers rather than shareholders, however, the utility sought
15 to avoid the issue by claiming that because the sale occurred shortly after the test year the
16 gain should not be included in the revenue requirement. The Nevada commission
17 disagreed and ordered that the entire gain on the Flamingo Corridor property must flow
18 back to ratepayers through a revenue requirement adjustment.⁷⁰

19

⁷⁰ See Final Order in Docket No. 03-10001 at pp. 46-56.

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1 **Q: WHAT IS THE MOST COMMON RATIONALE IN FAVOR OF ALLOCATING**
2 **SUCH GAINS TO RATEPAYERS?**

3 A: Once utility assets are dedicated to public service, ratepayers are responsible for paying
4 all of the costs of these assets, including a return on the investment, depreciation, operating
5 costs, taxes and maintenance. Moreover, ratepayers also assume the risk that the assets
6 will under-perform, become obsolete or be retired before the end of their useful lives. In
7 other words, since ratepayers are responsible for paying all of the costs of the assets while
8 they are in service and assume the downside risk of the asset being disposed of at a loss,
9 they must be awarded any gain or an equal share of any gain that results from disposition.

10
11 **Q: IS THE REGULATORY TREATMENT OF GAINS ON UTILITY PROPERTY**
12 **LIMITED TO DEPRECIABLE ASSETS?**

13 A: No. Ratepayers pay a return on both depreciable assets and non-depreciable assets in rate
14 base. Moreover, if non-depreciable assets are sold at a loss, ratepayers generally bear the
15 loss. As a result, it follows that ratepayers receive the benefits of any gain realized. I
16 would point out that in the example above of the Nevada Power sale of the Flamingo
17 Corridor property, the transaction involved the sale of a tract of land rather than
18 depreciable property, yet the gain on the sale was allocated to ratepayers.

19
20 **Q: ARE THE PRINCIPLES GOVERNING THE REGULATORY TREATMENT OF**
21 **GAINS ON THE SALE OF UTILITY ASSETS ANALOGOUS IN THIS**

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1 **SITUATION—THAT IS, DO THE SAME PRINCIPLES APPLY IN THE**
2 **CONTEXT OF AN ACQUISITION OF THE ENTIRE UTILITY?**

3 A: Yes. Although there are some differences, the overarching regulatory treatment is
4 analogous because, from the ratepayers’ perspective, the same principles apply whether
5 the transaction deals with the sale of a single utility asset or all of the assets of the utility.
6 The rationale that regulatory commissions follow to protect ratepayers’ interests with
7 respect to the sale of a single asset should not be cast aside when addressing the sale of the
8 entire utility. To the contrary, from ratepayers’ perspective, utility property dedicated to
9 public service does not increase in value merely because of a change of ownership. This
10 principle is true whether it relates to an individual asset or all of the assets of the utility in
11 the context of an acquisition. Shareholders are *not* automatically entitled to retain the
12 increase in value realized from a sale of utility property when all of the property is sold at
13 once. Instead, ratepayers should be allocated a meaningful portion of the gain, or profit,
14 from such a sale. Further, a utility’s service territory and its captive customers comprise
15 a governmentally-bestowed monopoly franchise that should not be sold at a profit at
16 ratepayers’ expense.

17
18 **Q: WHAT IS THE GAIN ON THE SALE OF THE NMGC ASSETS IN THIS CASE?**

19 A: The gain on the sale of utility assets is the acquisition premium, the purchase price above
20 the net book value of the assets. I am quantifying the acquisition premium at \$212.4
21 million as a proxy. The precise amount will be known when the sale is consummated.

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1

2 **Q: HOW MUCH OF THIS GAIN IS BEING RETAINED BY SELLERS?**

3 A: All of the gain is being retained by the sellers because there is not a proposed rate credit
4 to ratepayers in this case. This means sellers will retain \$212.4 million from the sale of
5 NMGC assets and ratepayers will receive nothing.

6

7 **Q: SHOULD THERE BE A RATE CREDIT FOR RATEPAYERS IN THIS CASE?**

8 A: Yes. As discussed in the section above, ratepayers should share in the gain on sale
9 whenever utility assets are sold for more than book value. At a minimum, ratepayers
10 receive at least 50% of the gain.

11

12 **Q: WHAT DO YOU RECOMMEND?**

13 A: I recommend the Commission order the Joint Applicants to pay a rate credit equal to 50%
14 of the final acquisition premium paid in this case. Using BCP's range of \$175 million -
15 \$225 million, the credit would be from \$87 million to \$112.5 million. Using my proxy
16 premium of \$212.4 million, the credit would be \$106.2 million. The Joint Applicants
17 should be free to restructure the deal so that the responsibility for the rate credit can be
18 equitably allocated between both buyer and seller.

19

20 **Q: WOULD THE RATE CREDIT YOU PROPOSE BE A MEANINGFUL CREDIT?**

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1 A: Yes. A \$106.2 million credit over three years would be a credit of \$35.4 million per year.
2 This would be an approximate 7% annual rate reduction, assuming average annual
3 revenues of about \$504 million.⁷¹

IX. RING FENCING AND OTHER IMPORTANT COMMITMENTS

4 **Q: WHAT FINANCIAL COMMITMENTS HAS BCP MADE FOR THE**
5 **PROTECTION OF RATEPAYERS?**

6 A: BCP sets forth several financial commitments in the direct testimony of Jeffery M.
7 Baudier, at pages 35-36 (Numbering corresponds to numbering in Mr. Baudier's
8 testimony).

9 8. NMGC will not, without prior Commission approval, pay dividends any time
10 its credit metrics are below investment grade. The restriction on the amount of
11 dividends that may be paid does not apply to equity infused by NMGI into NMGC,
12 which may be transferred out of NMGC without restriction, except that such
13 transfers may not be made if NMGC's credit metrics are below investment grade.
14 Transfers of funds necessary to pay NMGC's tax obligations shall not be construed
15 as dividends. NMGC agrees to continue to have its credit rating performed by one
16 or more nationally recognized credit rating agencies so long as the BCP Applicants
17 own direct or indirect interest in NMGC;

18 9. NMGC will not, without prior Commission approval, pay dividends in excess
19 of net income, on a quarterly basis provided, however, NMGC will be permitted
20 to rollover under-utilized dividend capacity in any quarter to a subsequent period
21 for payment. The restriction on the amount of dividends that may be paid does not
22 apply to equity infused by NMGI into NMGC, which may be transferred out of
23 NMGC without restriction, except that such transfers may not be made if NMGC's
24 credit metrics are below investment grade. Transfers of funds necessary to pay
25 NMGC's tax obligations shall not be construed as dividends;

⁷¹ See Response to NMDOJ INTERROGATORY 3-6.

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1 10. NMGC will file with the Commission a notice (“Notice”) of its intent to pay
2 a dividend at least fifteen (15) days prior to the dividend being paid and will
3 provide NMPRC Utility Division Staff (“Staff”) and the New Mexico Department
4 of Justice a copy of the Notice on the same day it files the Notice with the
5 Commission;

6 11. The BCP Applicants and NMGC have filed an Amended GDP containing all
7 the required Rule 450 representations and commitments and will abide by those
8 commitments for as long as the BCP Infrastructure Funds or an affiliated entity
9 own NMGC; and

10 12. The BCP Applicants will continue, in substantially similar form, the separate
11 local subsidiary NMGC Board which will continue to provide governance
12 oversight and guidance of the strategy and business plans of the NMGC
13 management team. The NMGC Board shall continue to consist of the President of
14 NMGC, local business and community leaders, and senior executives as designated
15 by the BCP Applicants. As is currently the practice, the majority of the NMGC
16 Board shall be composed of local business and community leaders selected to
17 promote diversity on the NMGC Board consistent with good governance practices.
18 The President of NMGC will report to the NMGC Board.

19 **Q: DO YOU HAVE ANY FURTHER RECOMMENDATIONS RELATED TO THESE**
20 **COMMITMENTS?**

21 A: Yes. Since it is apparent that BCP intends to use double-leverage to increase its profits
22 at the Saturn Holdco level (at ratepayer expense), BCP should be required to add a
23 commitment that it will use the capital structure at the Holdco level for ratemaking
24 purposes at NMGC, provided the Holdco equity level is lower than the equity level at
25 NMGC. In no event should the equity level exceed 50% for ratemaking purposes.

26
27 **Q: DOES BCP MAKE FURTHER FINANCIAL COMMITMENTS?**

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1 A: Yes. BCP also provides several additional commitments in Mr. Baudier’s testimony, at
2 pages 37-38, which are intended to avoid improper subsidization of non-utility activities.
3 (Numbering below corresponds to numbering in Mr. Baudier’s testimony).

4
5 1. The BCP Applicants and the NMGC Group affirmatively commit to take all
6 actions necessary to ensure that NMGC’s customers do not subsidize the activities
7 of other utilities, or non-utility activities. NMGC will be operated as a standalone
8 LDC and it is not anticipated that affiliates will provide goods or services to
9 NMGC. NMGC will meet its obligation to report any Class I transactions, and
10 understands that in any future rate case, or upon the Commission’s initiative, the
11 Commission can inquire into any concerns regarding subsidization between other
12 businesses and NMGC. As provided for in the TSA, support services will be
13 provided to NMGC by Emera and its affiliates in an economically efficient manner
14 that avoids cross subsidization and are consistent with the cost allocation manual
15 (“CAM”) that was developed in collaboration between NMGC and the Staff and
16 filed with the Commission in 2015 as subsequently amended;

17 2 During the term the TSA is in place or in the event that NMGC begins to receive
18 services from another investment fund company supported by BCP Management,
19 NMGC will provide annual public submissions to the Commission of allocation
20 information by FERC account and subaccounts, including total amounts allocated
21 for the prior year, total amounts directly assigned to NMGC, with description of
22 the cost, the amount and nature of cost allocated to each affiliate and utility and
23 non-utility operations, the methodology used, including work papers for the
24 allocations;

25 3. The books and records of NMGC will be kept separate from those of non-
26 regulated businesses and NMGC’s affiliates in accordance with the Uniform
27 System of Accounts;

28 4. The Commission and its Staff will have access to the books, records, accounts,
29 or documents of NMGC’s affiliates, corporate subsidiaries or holding companies
30 pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19; and

31 5. NMGC agrees not to invest in businesses that do not have a significant
32 relationship to regulated services NMGC provides.

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1 **Q: DO THESE COMMITMENTS PROVIDE SUFFICIENT PROTECTION TO**
2 **RATEPAYERS?**

3 A: No. I think Commitment 2 should be revised to say that BCP Management will seek
4 Commission approval if it intends to receive any services from another investment fund
5 company supported by BCP Management. As it stands now, BCP commits to alerting the
6 Commission after the fact if it takes service from an affiliated company, but I recommend
7 that BCP seek Commission approval prior to taking service from another investment fund.

8

9 **Q: DO YOU HAVE ANY FURTHER COMMENTS ABOUT THE FINANCIAL**
10 **PROTECTIONS OFFERED BY BCP?**

11 A: Yes. The Commission set forth a thorough list of Ring Fencing protections needed in
12 acquisition cases in Case No. 19-00234-UT. I recommend that these protections be
13 implemented for BCP as a condition of the acquisition if the transaction is approved.

X. CONCLUSION

14 **Q: DO YOU HAVE ANY FURTHER COMMENTS?**

15 A: Yes. My testimony does not address every potential issue. The fact that I do not address
16 an issue in the case does not mean that I agree with the Applicants' position on that issue.

17

18 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A: Yes. It does.

MARK E. GARRETT

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EDUCATION:

Juris Doctor Degree, With Honors, Oklahoma City University Law School, 1997
Post Graduate Hours in Accounting, Finance and Economics, 1984-85:
University of Texas at Arlington; University of Texas at Pan American;
Stephen F. Austin State University
Bachelor of Arts Degree, University of Oklahoma, 1978

CREDENTIALS:

Member Oklahoma Bar Association, 1997, License No. 017629
Certified Public Accountant in Oklahoma, 1992, Certificate No. 11707-R
Certified Public Accountant in Texas, 1986, Certificate No. 48514

WORK HISTORY:

GARRETT GROUP CONSULTING, INC. – Regulatory Consulting Practice (1996 - Present)

Participates as a consultant and expert witness in gas and electric regulatory proceedings and other matters before regulatory agencies in rate case proceedings to determine just and reasonable rates. Reviews management decisions of regulated utilities regarding the reasonableness of prices paid for electric plant, gas plant, purchased power, renewable energy projects, natural gas supplies and transportation, and coal supplies and transportation. Participates in legislative advisory role regarding regulated utilities. Participates as an Instructor at NMSU Center for Public Utilities and as a Speaker at NARUC Staff Subcommittee on Accounting and Finance.

OKLAHOMA CORPORATION COMMISSION - Coordinator of Accounting and Financial

Analysis (1991 - 1994) Planned and supervised the audits of major public utility companies doing business in Oklahoma for the purpose of determining revenue requirements. Presented both oral and written testimony as an expert witness for Staff in defense of numerous accounting and financial recommendations related to cost-of-service based rates. Audit work and testimony covered all areas of rate base and operating expense. Supervised, trained and reviewed the audit work of numerous Staff CPAs and auditors. Promoted from Supervisor of Audits to Coordinator in 1992.

FREEDOM FINANCIAL CORPORATION - Controller (1987 - 1990)

Responsible for all financial reporting including monthly and annual financial statements, cash flow statements, budget reports, long-term financial planning, tax planning and personnel development. Managed the General Ledger and Accounts Payable departments and supervised a staff of seven CPAs and accountants. Reviewed all subsidiary state and federal tax returns and facilitated the annual independent financial audit and all state or federal tax audits. Received promotion from Assistant Controller in September 1988.

SHELBY, RUCKSDASHEL & JONES, CPAs - Auditor (1986 - 1987)

Audited the financial statements of businesses in the state of Texas, with an emphasis in financial institutions.

Experience Related to Cost-of-Service, Rate Design, Pricing and Energy-Related Issues

1. **Nevada Power Company, 2025 (Nevada), (Docket No. 25-02016)** – Participating as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues Nevada Power’s general rate case application.
2. **Evergy Kansas Central, Inc. and Evergy Kansas South, Inc., (Docket No. 25-EKCE-294-RTS)** – Participating as an expert witness on behalf of Citizens’ Utility Ratepayer Board (“CURB”) before the Kansas Corporation Commission to address various revenue requirement issues in Evergy’s general rate case application.
3. **NV Energy, 2025 (Nevada), (Docket No. 25-01018-19)** – Participating as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission in NV Energy’s application to establish a Wildfire Self Insurance Fund.
4. **New Mexico Gas Company, 2025 (New Mexico), (Case No. 24-00266)** – Participating as an expert witness for the New Mexico Attorney General before the New Mexico Public Regulation Commission to address various merger and acquisition ratemaking issues in the application of Saturn Holdco to acquire New Mexico Gas Company.
5. **El Paso Electric Company, 2025 (Texas), (Docket No. 57568)** – Participating as an expert witness on behalf of the City of El Paso in the El Paso Electric Company general rate case to provide recommendations to the Texas Public Utility Commission regarding rate base and operating expense issues.
6. **Atmos MidTex, 2025 (Texas), (Dallas Annual Rate Review)** – Participating as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
7. **CenterPoint Energy Houston Electric, LLC 2024 (Texas) (Docket No. 57271)** – Participating as an expert witness on behalf of the City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s Application for Determination of System Restoration Costs (May 2024 storms).
8. **Public Service Company of Oklahoma, 2024 (Oklahoma), (Case No. PUD 2024-000057)** – Participating as an expert witness on behalf of the Oklahoma Industrial Energy Consumers (“OIEC”) in response to PSO’s application for Pre-Approval of a generating facility.
9. **Atmos Energy Corp., Mid-Tex Division, 2024 (Texas) (Case No. 00019196)** – Participating as an expert witness on behalf of the Atmos Texas Municipalities before the Texas Railroad Commission to review the utility’s requested revenue requirement within the Unincorporated Areas of the Mid-Tex Division.
10. **CenterPoint Energy Entex, 2024 (Texas) (Docket No. OS-24-00018066)** – Participating as an expert witness for the Alliance of CenterPoint Municipalities (ACM) before the Texas Railroad Commission in a proceeding to address the gas utility’s Tax Act Rider calculation.
11. **Atmos Energy Corp., West Texas Division 2024 (Texas), (Case No. OS-24-00018879)** – Participating as an expert witness on behalf of the Cities of Amarillo, Lubbock, Dalhart and Channing before the Texas Railroad Commission in Atmos-WTX’s General Rate Case application, sponsoring testimony to address various revenue requirement issues.

12. **Southwestern Electric Power Company, 2024 (Texas), (Docket No. 56760)** – Participating as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application for approval of tariff to recover a regulatory asset related to an IRS Private Letter Ruling.
13. **Public Service Company of Oklahoma, 2024 (Oklahoma), (Case No. PUD 2024-000032)** – Participating as an expert witness on behalf of the Oklahoma Industrial Energy Consumers (“OIEC”) in response to PSO’s application to address an IRS Private Letter Ruling.
14. **Indiana Michigan Power, 2024 (Indiana), (Cause No. 46080)** – Participating as an expert witness on behalf of the Office of Utility Consumer Counselor in response to I&M’s petition for authority to adjust rates through a tax rider to reflect the impact of an IRS Private Letter Ruling.
15. **NV Energy, 2024 (Nevada), (Docket No. 24-03006)** – Participating as an expert witness on behalf of the Southern Nevada Gaming Group, Nevada Resorts Association, MGM Resorts International, and Caesars Enterprise Services before the Nevada PUC to provide written and oral testimony in Cost Recovery Phase of the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
16. **Public Service Company of New Mexico, 2024 (New Mexico), (Case No. 24-00089-UT)** – Participating as an expert witness for the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) before the New Mexico Public Regulation Commission to address various ratemaking issues in PNM’s rate case application.
17. **NV Energy, 2024 (Nevada), (Docket No. 24-08015)** – Participating as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission. Sponsoring written and oral testimony in the 2024 Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) to provide analysis of the Companies’ requested resource plan.
18. **Southwestern Electric Power Company, 2024 (Texas), (PUC Docket No. 56511)** – Participating as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s distribution cost recovery factor (“DCRF”) case.
19. **Oklahoma Natural Gas Company, 2024 (Oklahoma), (Case No. PUD 2024-000010)** – Participating as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in ONGs performance based rate change plan for twelve months ending December 31, 2023, addressing transportation service charges.
20. **Southwestern Electric Power Company, 2024 (Texas), (PUC Docket No. 55155)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application to address a potential refund of imprudent amounts included in rate base from 2013 forward associated with the Turk plant after remand from the Court of Appeals.
21. **Duke Energy Indiana, 2024 (Indiana), (Docket No. 46038)** – Participating as an expert witness on behalf of the Office of Utility Consumer Counselor in Duke’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
22. **Chugach Electric Association, 2024 (Alaska), (Docket No. U-24-002)** – Participated as an expert witness on behalf of Providence Health and Services before the Alaska Regulatory Commission.

Sponsoring testimony to address Chugach’s application to revise the Beluga River Unit (“BRU”) rebate to former Municipal Light and Power (“ML&P”) customers.

23. **CenterPoint Energy Houston Electric, 2024 (Texas) (Docket No. 56211)** – Participating as an expert witness on behalf of City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s rate case application to provide testimony on various revenue requirement issues.
24. **Doyon Utilities, 2024 (Alaska)** – Participated as an expert witness on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.
25. **Avista Utilities, 2024 (Washington), (Docket Nos. UE-240006)** – Participating as an expert witness on behalf of Public Counsel in Avista’s general rate case. Sponsoring testimony to address various revenue requirement issues and Avista’s requested attrition adjustments.
26. **Atmos Mid Tex, 2024 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
27. **Sierra Pacific Power Company, 2024 (Nevada), (Docket No. 24-02026 and 24-02027)** – Participating as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
28. **Southwestern Electric Power Company, 2024 (Texas), (PUC Docket No. 55438)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s transmission cost recovery factor (“TCRF”) case.
29. **Oklahoma Gas and Electric Company, 2023 (Oklahoma), (Cause No. PUD 202300087)** – Participating as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s general rate case application addressing various revenue requirement and rate design issues.
30. **Public Service Company of Oklahoma, 2023 (Oklahoma) (Cause No. PUD 202300086)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
31. **CenterPoint Energy Resources Corp., 2023 (Texas) (Docket No. OS-23-00015513)** – Participated as an expert witness for the City of Houston before the Texas Rail Road Commission in a general rate case proceeding for the gas utility.
32. **NV Energy, 2023 (Nevada), (Docket No. 23-08015)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission. Sponsoring written and oral testimony in the 2021 Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) Fifth Amendment to provide analysis of the Companies’ request for Critical Facility designation of the Sierra Solar PV and BESS project.
33. **Southwest Gas Corporation, 2023 (Nevada) (Docket No. 23-09012)** – Participated as an expert

witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.

34. **Nevada Power Company, 2023 (Nevada), (Docket No. 23-06007)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues Nevada Power’s general rate case application.
35. **Atmos Pipeline Texas 2023 (Texas), (Docket No. 13758)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in APT’s General Rate Case application, sponsoring testimony to address various revenue requirement proposals.
36. **Oklahoma Gas and Electric Company, 2023 (Oklahoma), (Cause No. PUD 2023000038)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s application for pre-approval of new generation costs.
37. **NV Energy, 2023 (Nevada), (Docket No. 23-03003)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC to provide written and oral testimony in the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
38. **NV Energy, 2023 (Nevada), (Docket No. 23-03004)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC to provide written and oral testimony in Cost Recovery Phase of the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
39. **SiEnergy, LP (Texas) 2023 (Docket No. OS-23-00013504)** - Participated as an expert witness on behalf of the Cities Served by SiEnergy (Cities) in SiEnergy’s application to increase gas utility rates.
40. **CSWR-Texas Utility Operating Company, LLC (CSWR-Texas), 2023 (Docket No. 54565)** Participated as an expert witness on behalf of the Office of Public Utility Counsel (“OPUC”) in CSWR-Texas’ application for authority to change rates.
41. **Denton Municipal Electric (DME), 2023 (Texas) (Docket No. 52715)** Participated as an expert witness on behalf of the Office of Public Utility Counsel (“OPUC”) in DME’s application to change rates for wholesale transmission service.
42. **NV Energy, 2023 (Nevada), (Docket No. 22-09006)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC. Sponsoring written and oral testimony in the 2021 Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) Third Amendment to provide analysis of the proposed Transportation Electrification Plan to accelerate the roll out of electric vehicle charging facilities.
43. **Atmos MidTex, 2023 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
44. **Public Service Company of Oklahoma, 2023 (Oklahoma) (Cause No. PUD 202200093)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.

45. **Montana-Dakota Utilities Co., 2023 (Montana), Docket No. 2022.11.099)** – Participating as an expert witness on behalf of the Montana Office of Consumer Council in MDU’s general rate case application to provide testimony on various revenue requirement issues.
46. **Public Service Company of Oklahoma, 2023 (Oklahoma) (Cause No. PUD 202200021)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application for pre-approval of renewable generation additions and the ratemaking treatment of the costs of those additions.
47. **Public Service Company of New Mexico, 2023 (New Mexico), (Case No. 22-00270-UT)** – Participated as an expert witness for the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) before the New Mexico Public Regulation Commission to address various ratemaking issues in PNM’s rate case application.
48. **Entergy Texas Inc., 2022 (Texas) (PUC Docket No. 53719)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
49. **Oklahoma Gas and Electric Company, 2022 (Oklahoma), (Cause No. PUD 202200097)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in PUD’s show cause investigation into OG&E’s fuel and purchased power under-recovered balance.
50. **Northern Indiana Public Service Company, 2022 (Indiana), (Docket No. 45772)** – Participated as an expert witness on behalf of the Office of Utility Consumer Counselor in NIPSCO’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
51. **Oncor Electric Delivery Company (Texas), 2022 (PUC Docket No. 53601)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Public Utility Commission in Oncor’s General Rate Case proceeding to provide testimony on various revenue requirement issues.
52. **York Waterworks (2022) (Pennsylvania), (Docket No. 061522)** – Participated as an expert witness on behalf of Office of Consumer Advocate (“OCA”) before the Pennsylvania Public Utility Commission to address various revenue requirement issues in York rate case.
53. **Sierra Pacific Power Company, 2022 (Nevada), (Docket No. 22-06)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
54. **NV Energy, 2022 (Nevada), (Docket No. 22-003028)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various issues in the merger application of Sierra Pacific Power Company and Nevada Power Company.
55. **Atmos MidTex (Texas), 2022 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.

56. **CenterPoint Energy Resources Corp., 2022 (Texas) (Docket No. 53442)** – Participated as an expert witness for the City of Houston before the Texas Public Utility Commission the Company’s Distribution Cost Recovery Factor sponsoring testimony on various cost recovery issues.
57. **Cascade Natural Gas, 2021 (Washington)** – Participated as an expert witness on behalf of Public Counsel in Cascade’s limited issue rate case application, sponsoring Public Counsel’s revenue requirement schedules and testimony to address various revenue requirement and tax issues.
58. **Oklahoma Gas and Electric Company, 2021 (Oklahoma), (Cause No. PUD 202100164)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s general rate case application addressing various revenue requirement and rate design issues.
59. **Southwestern Electric Power Company, 2021 (Texas), (PUC Docket No. 52397)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application to recover Uri storm costs.
60. **Southwestern Public Service Co., 2021 (Texas) (Docket No. 52210)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) before the Texas Public Utility Commission in SWEPCO’s application to recover Uri storm costs.
61. **CenterPoint Energy Resources Corp., 2021 (Texas) (Docket No. OS—00007061)** – Participated as an expert witness for the City of Houston before the Texas Rail Road Commission in a consolidated application from the large natural gas distribution utilities in Texas to securitize and recover URI storm costs from February 2021.
62. **Indiana Michigan Power, 2021 (Indiana), (Docket No. 45576)** – Participated as an expert witness on behalf of the Office of Utility Consumer Counselor in I&M’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
63. **Chugach Electric Association, 2021 (Alaska), (Docket No. U-21-059)** – Participated as an expert witness on behalf of Providence Health and Services before the Alaska Regulatory Commission. Sponsoring testimony to address Chugach’s application to address a shortfall in revenues after its acquisition of Municipal Light and Power.
64. **Southwestern Public Service Co., 2021 (Texas) (Docket No. 51802)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues.
65. **El Paso Electric Company, 2021 (Texas), (Docket No. 52195)** – Participated as an expert witness on behalf of the City of El Paso in the El Paso Electric Company general rate case to provide recommendations to the Texas Public Utility Commission regarding rate base and operating expense issues.
66. **NV Energy, 2021 (Nevada), (Docket No. 21-06001)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC. Sponsoring written and oral testimony in the Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) to provide analysis of the proposed generation additions and cost allocations.
67. **Summit Utilities Arkansas (Arkansas), (Docket No. 21-060-U)** – Participated as an expert witness

on behalf of Arkansas Gas Consumers and the Hospitals and Higher Education Group before the Arkansas Public Service Commission in Summit's proposed acquisition of CenterPoint Energy's Arkansas assets. Sponsoring testimony regarding the acquisition premium, ratepayer benefits and affiliate transactions.

68. **Doyon Utilities, 2021 Alaska (Regulatory Commission of Alaska)** – Participated as an expert witness on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.
69. **NV Energy, 2021 (Nevada), (Docket No. 21-03040)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC to provide written and oral testimony in the Nevada Power and Sierra Pacific Joint Natural Disaster Protection Plan (“NDPP”).
70. **Public Service Company of Oklahoma, 2021 (Oklahoma) (Cause No. PUD 202100022)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
71. **Oklahoma Gas and Electric Company, 2021 (Oklahoma), (Cause No. PUD 202100072)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E's application for securitization of its winter storm costs.
72. **Southwestern Electric Power Company, 2021 (Arkansas), (Docket No. 19-008-U)** – Participated as an expert witness on behalf of Western Arkansas Large Energy Consumers (“WALEC”) before the Arkansas Public Service Commission in SWEPCO's Formula Rate Plan review and extraordinary winter storm cost recovery plan.
73. **Atmos MidTex (Texas), 2021 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos's Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
74. **Atmos MidTex, 2023 (Texas), (Dallas Annual Rate Review)** – Participating as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos's Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
75. **PNM Resources / Avangrid Merger, 2021 (New Mexico), (Case No. 20-00222-UT)** – Participated as an expert witness for the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) before the New Mexico Public Regulation Commission to address various merger-related issues.
76. **Oklahoma Gas & Electric Co., 2020 (Arkansas) (Docket No. 18-046-FR)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E's Formula Rate Plan application to provide testimony on cost of service issues.
77. **Public Service Company of Oklahoma, 2020 (Oklahoma) (Cause No. PUD 202000097)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO's application for approval of facilities proposed for Fort Sill to address cost recovery and rate design issues.

78. **El Paso Electric Company, 2020 (Texas), (Docket No. 51348)** – Participated as an expert witness on behalf of the City of El Paso in the El Paso Electric Company annual Distribution Cost Recovery Factor (“DCRF”) application to provide recommendations to the Texas Public Utility Commission regarding the Company’s requested DCRF increase.
79. **NV Energy, 2020 (Nevada), (Docket No. 20-07023)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group (“SNGG”) before the Nevada PUC. Sponsoring written and oral testimony in the Nevada Power and Sierra Pacific Joint Integrated Resource Plan (“IRP”) to provide analysis of the proposed transmission additions and cost allocations.
80. **Southwestern Electric Power Company, 2020 (Texas), (PUC Docket No. 51415)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s general rate case application to provide testimony on various revenue requirement issues.
81. **Dominion Energy South Carolina, 2020 (South Carolina), (Docket No. 2020-125-E)** – Participated as an expert witness on behalf of DOD/FEA in DESC’s rate case application, sponsoring testimony to address various revenue requirement, rate design and tax issues.
82. **Cascade Natural Gas, 2020 (Washington), (NG-UG-200568)** – Participated as an expert witness on behalf of Public Counsel in Cascade’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
83. **Nevada Power Company, 2020 (Nevada) (Docket No. 20-06003)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues in the case.
84. **El Paso Electric Company, 2020 (New Mexico), (Docket RC-20-00104-UT)** – Participated as an expert witness on behalf of the City of Las Cruces and Dona Ana County in EPE’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
85. **Oklahoma Gas and Electric Company, 2020 (Oklahoma), (Cause No. PUD 202000021)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s Grid Enhancement Plan application. Sponsoring testimony to address the utility’s proposed cost recovery mechanism and cost of service allocations.
86. **Philadelphia Gas Works, 2020 (Pennsylvania), (Docket No. R-2020-3017206)** – Participated expert witness on behalf of Office of Consumer Advocate (“OCA”) before the Pennsylvania Public Utility Commission to address various revenue requirement issues in PGW’s rate case.
87. **Atmos MidTex (Texas), 2020 (Texas), (Dallas Annual Rate Review)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring recommendations on various revenue requirement issues.
88. **Southwest Gas Corporation, 2020 (Nevada) (Docket No. 20-02023)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
89. **El Paso Electric Company, 2019 (Texas), (Docket No. 49849)** – Participated as an expert witness

on behalf of the City of El Paso in the merger of El Paso Electric Company with Sun Jupiter Holdings LLC and IIF US Holdings 2 LLP to provide recommendations to the Texas Public Utility Commission regarding the treatment of tax issues in the proposed merger agreement.

90. **Nevada Senate Bill 300 Rulemaking, 2019 (Nevada), (Docket No. 19-069008)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group before the Nevada PUC to assist with the development of alternative ratemaking regulations under SB 300.
91. **Entergy Arkansas, 2019 (Arkansas), (Docket No. 19-020-TF)** – Participated as an expert witness on behalf of the Arkansas industrial consumer group to review EAI’s application to allocate its perceived under-recovery of off-system sales margins to Arkansas customers.
92. **Public Service Company of Oklahoma, 2019 (Oklahoma) (Cause No. PUD 201900201)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application for approval for the cost recovery of selected wind facilities.
93. **Oklahoma Gas & Electric Co., 2019 (Arkansas) (Docket No. 15-034-U)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Act 310 Environmental Compliance Plan (“ECP”) Rider case to provide testimony on whether OG&E can apply for an ECP rider now that it has elected to utilize an annual Formula Rate Plan with a 4% annual cap.
94. **Oklahoma Gas & Electric Co., 2019 (Arkansas) (Docket No. 18-046-FR)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Formula Rate Plan application to provide testimony on various revenue requirement, cost of service and rate design issues.
95. **Southwestern Public Service Co., (“SPS”) 2019 (Texas), (Docket No. 49831)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.
96. **Southwestern Electric Power Company, 2019 (Arkansas), (Docket No. 19-008-U)** – Participated as an expert witness on behalf of Western Arkansas Large Energy Consumers (“WALEC”) before the Arkansas Public Service Commission in SWEPSCO’s rate case to address various revenue requirement and rate design issues.
97. **Anchorage Municipal Light and Power and Chugach Electric Association, 2019 (Alaska), (Docket No. U-19-020)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on pending acquisition of ML&P by Chugach to address the proposed acquisition premium and other issues associated with the public interest.
98. **Sierra Pacific Power Company, 2019 (Nevada), (Docket No. 19-06002)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
99. **Air Liquide Hydrogen Energy U.S., 2019 (Nevada), (704B Exit Application, Docket No. 19-02002)** – Participated as an expert witness on behalf of Air Liquide before the Nevada PUC. Sponsoring written and oral testimony in Air Liquide’s application to purchase energy and capacity from a provider other than NV Energy.

100. **Empire District Electric Company, 2019 (Oklahoma), (Cause No. PUD 201800133)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in Empire’s general rate case to address various revenue requirement, rate design and tax issues.
101. **Indiana Michigan Power, 2019 (Indiana), (Docket No. 45235)** – Participated as an expert witness on behalf of the Office of Utility Consumer Counselor in I&M’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
102. **Puget Sound Energy, 2019 (Washington), (Docket No. 190529-30)** – Participated as an expert witness on behalf of Public Counsel in PSE’s rate case application, sponsoring testimony to address various revenue requirement and tax issues.
103. **Anchorage Municipal Light and Power, 2019 (Alaska), (Docket No. U-18-102)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on the ratemaking treatment of ML&P’s acquired interest in the Beluga River Unit gas field with ratepayer funds.
104. **Oklahoma Gas and Electric Company, 2019 (Oklahoma), (Cause No. PUD 201800140)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s General Rate Case application. Sponsoring testimony to address the utility’s overall revenue requirement and rate design proposals.
105. **Cascade Natural Gas, 2019 (Washington) (Docket No. 190210)** – Participated as an expert witness on behalf of Public Counsel in Cascade’s rate case application. Sponsoring testimony to address various revenue requirement and tax issues.
106. **CenterPoint Energy Houston Electric, 2019 (Texas) (Docket No. 49421)** – Participated as an expert witness on behalf of City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s rate case application to provide testimony on various revenue requirement issues.
107. **Oklahoma Gas & Electric Co., 2018 (Arkansas) (Docket No. 18-046-FR)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Formula Rate Plan application to provide testimony on various revenue requirement, cost of service and rate design issues.
108. **Southwest Gas Corporation, 2018 (Nevada) (Docket No. 18-05031)** – Participated as an expert witness on behalf of Bureau of Consumer Protection (“BCP”) before the Nevada Public Utility Commission to address various revenue requirement issues.
109. **Puget Sound Energy, 2018 (Washington) (Docket No. UE 18089)** - Participated as an expert witness on behalf of Public Counsel in PSE’s Emergency Rate Relief proceeding. Sponsoring testimony to address the application itself and various revenue requirement and TCJA issues.
110. **Public Service Company of Oklahoma, 2018 (Oklahoma) (Cause No. PUD 201800097)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.

111. **Entergy Texas Inc., 2018 (Texas) (PUC Docket No. 48371)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
112. **Atmos Energy Corp., Mid-Tex Division, 2018 (Texas) (Docket No. GUD No. 10779)** – Participated as an expert witness on behalf of the Atmos Texas Municipalities to review the utility’s requested revenue requirement including TCJA adjustments.
113. **CenterPoint Energy Houston Electric, LLC, 2018 (Texas) (Docket No. 48226)** – Participated as an expert witness on behalf of City of Houston before the Public Utility Commission of Texas in CenterPoint Energy’s application for approval to amend its distribution cost recovery factor (DCRF) to address the utility’s treatment of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
114. **NV Energy, 2018 (Nevada) (Docket No. 17-10001)** – Participated as an expert witness on behalf of the Energy Choice Initiative (“ECI”) before the Governor’s Committee on Energy Choice, in an investigatory docket of an Issue of Public Importance Regarding the Pending Energy Choice Initiative and the Possible Restructuring of Nevada’s Energy Industry.
115. **Southwestern Electric Power Company, 2018 (Texas) (PUC Docket No. 48233)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s application to implement base rate reductions as result of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
116. **Oncor Electric Delivery Company (Texas), 2018 (PUC Docket No. 48325)** – Participated as an expert witness before the Texas Public Utility Commission in Oncor’s application for authority to decrease rates based on the Tax Cuts and Jobs Act of 2017 (“TCJA”).
117. **Public Service Company of Oklahoma (“PSO”) (Oklahoma), 2018 (Cause No. PUD 201800019)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application regarding ADIT under the Tax Cuts and Jobs Act of 2017 (“TCJA”).
118. **Oklahoma Natural Gas Company, 2018 (Cause No. PUD 201800028)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission in ONG’s Performance Based Rate Change Tariff, to address issues involving the impacts of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
119. **Oklahoma Gas & Electric Co. (Arkansas), 2018 (Docket No. 18-006-U)** – Participated as an expert on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in the matter of an Investigation of the Effect on Revenue Requirements Resulting from Changes to Corporate Income Tax Rates under the Tax Cuts and Jobs Act of 2017 (“TCJA”).
120. **Texas Gas Service, 2018** – Participated as a consulting expert on behalf of the City of El Paso regarding implementation of rate changes related to the Tax Cuts and Jobs Act of 2017 (“TCJA”).
121. **Sierra Pacific Power Company (Nevada), 2018 (Docket No. 18-02011 and 18-02015)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers¹ before the Nevada PUC in SPPC’s application related to the Tax Cuts and Jobs Act of 2017 (“TCJA”).

¹ The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

122. **Nevada Power Company (Nevada), 2018 (Docket No. 18-02010 and 18-02014)** – Participated as an expert witness on behalf of the Southern Nevada Gaming Group before the Nevada PUC in NPC’s application related to the Tax Cuts and Jobs Act of 2017 (“TCJA”).
123. **Public Service Company of Oklahoma (“PSO”) (Oklahoma), 2017 (Cause No. PUD 201700572)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s application to examine the impacts of the Tax Cuts and Jobs Act of 2017 (“TCJA”).
124. **Empire District Electric Company (“EPE”) (Oklahoma), 2018 (Cause No. PUD 201700471)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in Empire’s application to add 800MW of wind. Sponsoring testimony to address the various ratemaking and tax issues.
125. **Oklahoma Gas and Electric Company (“OG&E”), (Oklahoma), 2018 (Cause No. PUD 201700496)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s General Rate Case application. Sponsoring testimony to address the utility’s overall revenue requirement and rate design proposals.
126. **Public Service Company of Oklahoma (“PSO”) (Oklahoma), 2017 (Cause No. PUD 201700276)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s Wind Catcher case to provide testimony on various ratemaking and tax issues.
127. **Southwestern Public Service Co. (“SPS”) (Texas), 2017 (PUCT Docket No. 47527)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.
128. **Southwestern Electric Power Company, (“SWEPCO”) (Texas), 2017 (PUC Docket No. 47461)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s Wind Catcher case proceeding to provide testimony on various ratemaking and tax issues.
129. **Atmos MidTex (Texas), 2017 (Docket No. 10640)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in Atmos’s Dallas Annual Rate Review (“DARR”) proceeding. Sponsoring testimony on various revenue requirement issues.
130. **Avista Utilities (Washington), 2017 (Docket Nos. UE-170485/UG-170486)** – Participated as an expert witness on behalf of Public Counsel in Avista’s general rate case proceeding. Sponsoring testimony to address various revenue requirement issues and Avista’s requested attrition adjustments.
131. **Nevada Power Company (Nevada), 2017 (Docket No. 17-06003)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC in NPC’s general rate case. Sponsored testimony on various revenue requirement, depreciation, and rate design issues.
132. **Anchorage Municipal Light and Power (Alaska), 2017 (Docket No. U-17-008)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony in ML&P’s General Rate Case on various revenue requirement and rate design issues.
133. **Public Service Company of Oklahoma (Oklahoma), 2017 (Cause No. PUD 201700151)** –

Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various revenue requirement and rate design issues.

134. **Oncor Electric Delivery Company (Texas), 2017 (PUC Docket No. 46957)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Public Utility Commission in Oncor's General Rate Case proceeding to provide testimony on various revenue requirement issues.
135. **EverSource (Massachusetts), 2017 (DPU Docket No. 17-05)** – Participated as an expert witness before the Massachusetts Department of Public Utilities EverSource's General Rate Case application on behalf of Energy Freedom Coalition of America to provide testimony to address various revenue requirement issues.
136. **El Paso Electric Company (Texas), 2017 (PUC Docket No. 46831)** – Participated as an expert witness on behalf of the City of El Paso before the Texas Public Utility Commission in El Paso's General Rate Case proceeding to provide testimony on various revenue requirement issues.
137. **Atmos Pipeline Texas (Texas), 2017 (Docket No. 10580)** – Participated as an expert witness on behalf of the City of Dallas before the Texas Railroad Commission in APT's General Rate Case application, sponsoring testimony to address various revenue requirement proposals.
138. **Empire District Electric Company (Oklahoma), 2017 (Cause No. PUD 201600468)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC") before the Oklahoma Corporation Commission in Empire's General Rate Case application. Sponsoring testimony to address the utility's overall revenue requirement and rate design proposals.
139. **Caesars Enterprise Service, LLC (Nevada), 2016 (704B Exit Application)** – Participated as an expert witness on behalf of Caesars before the Nevada PUC. Sponsoring written and oral testimony in Caesar's application to purchase energy and capacity from a provider other than Nevada Power.
140. **Southwestern Electric Power Company (Texas), 2016 (PUC Docket No. 46449)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation ("CARD Cities") before the Texas Public Utility Commission in SWEPCO's general rate case proceeding to provide testimony on various revenue requirement issues.
141. **CenterPoint Texas, 2016 (Docket No. 10567)** – Participated as an expert witness on behalf of City of Houston before the Texas Railroad Commission in CenterPoint's general rate case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.
142. **Entergy Texas, Inc., 2016 (Docket No. 46357)** – Participated as an expert witness on behalf Cities Served by Applicant before the Texas PUC in ETI's application to amend its Transmission Cost Recovery Factor.
143. **Anchorage Municipal Light and Power, 2016 (Docket No. U-16-060)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on the ratemaking treatment of ML&P's acquired interest in the Beluga River Unit gas field with ratepayer funds.
144. **Arizona Public Service Company, 2016 (Docket No. E-01345A-16-0036)** – Participated as an expert witness before the Arizona Corporation Commission in APS's General Rate Case application

on behalf of Energy Freedom Coalition of America to provide written and oral testimony to address various revenue requirement issues.

145. **Oklahoma Gas & Electric Co. (Arkansas), 2016 (Docket No. 16-052-U** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
146. **Sierra Pacific Power Company (Nevada), 2016 (Docket No. 16-06006)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers before the Nevada PUC in SPPC’s general rate case proceeding. Sponsored testimony on various revenue requirement, depreciation, and rate design issues.
147. **Tucson Electric Power, 2016 (Docket No. E-01933A-15-0322)** – Participated as an expert witness before the Arizona Corporation Commission in TEP’s General Rate Case application, on behalf of Energy Freedom Coalition of America providing written and oral testimony to address the utility’s cost of service study and rate design proposals.
148. **Texas Gas Service, 2016 (Docket No. 10506)** – Participated as an expert witness on behalf of El Paso before the Texas Railroad Commission in TGS’s General Rate Case application, sponsoring testimony to address the utility’s overall revenue requirement and various rate design proposals.
149. **Texas Gas Service, 2016 (Docket No. 10488)** – Participated as an expert witness on behalf of South Jefferson County Service Area (“SJCSA”) before the Texas Railroad Commission in TGS’s General Rate Case application, sponsoring testimony to address the utility’s overall revenue requirement and various rate design proposals.
150. **Oklahoma Gas and Electric Company, 2016 (Cause No. PUD 201500273)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) before the Oklahoma Corporation Commission in OG&E’s General Rate Case application. Sponsoring testimony to address the utility’s overall revenue requirement and rate design proposals.
151. **Oklahoma Gas & Electric Company, 2016 (Cause No. PUD 201500273)** – Participated as an expert witness on behalf of The Alliance for Solar Choice (“TASC”) before the Oklahoma Corporation Commission to address OG&E’s proposed Distributed Generation (“DG”) rates for solar DG customers.
152. **Anchorage Municipal Light and Power, 2016 (Docket No. U-13-097)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on rates and tariffs proposed for customer-owned combined heat and power plant generation.
153. **Oklahoma Natural Gas Company, 2015 (Cause No. PUD 201500213)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission in ONG’s General Rate Case application. Sponsored testimony to address the utility’s overall revenue requirement and rate design proposals.
154. **Oklahoma Gas & Electric Company, 2015 (Cause No. PUD 201500274)** – Participated as an expert witness on behalf of The Alliance for Solar Choice (“TASC”) before the Oklahoma Corporation Commission to address OG&E’s proposed Distributed Generation (“DG”) rates for solar DG customers.

155. **Nevada Power Company, 2015** (Docket No. 15-07004) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”)² before the Nevada PUC. Sponsoring written and oral testimony in NPC’s 2015 Integrated Resource Plan to provide analysis of the On Line transmission line allocation, the Siverhawk plant acquisition, and the Griffith contract termination.
156. **Oklahoma Gas & Electric Company, 2015 (Docket No. 15-034-U)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers (“ARVEC”) before the Arkansas Public Service Commission in OG&E’s Act 310 application to implement a rider to recover environmental compliance costs.
157. **MGM Resorts, LLC, 2015** (Docket No. 15-05017) – Participated as an expert witness on behalf of the MGM Resorts, LLC before the Nevada PUC. Sponsoring written and oral testimony in MGM’s application to purchase energy and capacity from a provider other than Nevada Power.
158. **Entergy Arkansas, 2015 (Docket No. 15-015-U)** – Participated as an expert witness on behalf of the Hospital and Higher Education Group (“HHEG”) an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy’s general rate case to provide testimony on various revenue requirement issues.
159. **Public Service Company of Oklahoma, 2015 (Cause No. PUD 201500208)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various cost-of-service issues and on the utility’s overall revenue requirement and rate design proposals.
160. **Nevada Power Company, 2014** (Docket No. 14-05003) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored written and oral testimony in NPC environmental compliance case, called the Emissions Reduction and Capacity Replacement case. The main focus of our testimony was our recommendation to eliminate the \$438M Moapa solar project from the compliance plan.
161. **Nevada Power Company, 2014** (Docket No. 14-05004) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC to sponsor written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
162. **Oklahoma Gas and Electric Co., 2014 (Cause No. PUD 201400229)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”) in OG&E’s Environmental Compliance and Mustang Modernization Plan before the Oklahoma Corporation Commission to provide testimony addressing the economics and rate impacts of the plan.
163. **Sourcegas Arkansas, Inc., 2014 (Docket No. 13-079-U)** Participated as an expert witness on behalf of the Hospital and Higher Education Group (“HHEG”), an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in SGA’s general rate case to provide testimony on various revenue requirement issues.
164. **Anchorage Municipal Light and Power, 2014 (Docket No. U-13-184)** – Participated as an expert witness before the Alaska Regulatory Utility Commission on behalf of Providence Health and

²The Southern Nevada Hotel Group is comprised of Boyd Gaming, Caesars Entertainment, MGM Resorts, Station Casinos, Venetian Casino Resort, and Wynn Las Vegas.

Services to provide testimony on various revenue requirement and cost of service issues.

165. **Public Service Company of Oklahoma, 2014 (Cause No. PUD 201300217)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various cost-of-service issues and on the utility’s overall revenue requirement and rate design proposals.
166. **Entergy Texas Inc., 2013 (PUC Docket No. 41791)** – Participated as an expert witness on behalf of the Cities³ in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
167. **MidAmerican/NV Energy Merger, 2013 (Docket No. 13-07021)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored testimony to address various issues raised in the proposed acquisition of NV Energy by MidAmerican Energy Holdings Company, including capital structure and acquisition premium recovery issues.
168. **Entergy Arkansas, 2013 (Docket No. 13-028-U)** – Participated as an expert witness on behalf of the Hospital and Higher Education Group (“HHEG”) an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy’s general rate case to provide testimony on various revenue requirement issues.
169. **Sierra Pacific Power Company, 2013 (Docket No. 13-06002)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers⁴ before the Nevada PUC in SPPC’s general rate case proceeding to provide testimony on various cost of service and revenue requirement issues. Sponsored written and oral testimony in the depreciation phase, the revenue requirement phase and the rate design phase of these proceedings.
170. **Gulf Power Company, 2013 (Docket No. 130140-EI)** – Participated as an expert witness on behalf of the Office of Public Counsel before the Florida Commission in Gulf Power’s general rate case proceeding to provide testimony on various revenue requirement issues.
171. **Public Service Company of Oklahoma, 2013 (Cause No. PUD 201200054)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission (“OCC”) to provide testimony in PSO’s application seeking Commission approval of its settlement agreement with EPA.
172. **Southwestern Electric Power Company, 2012 (PUC Docket No. 40443)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s general rate case proceeding to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
173. **Doyon Utilities, 2012 Alaska Rate Case (Docket No. TA7-717)** – Participated as an expert witness consultant on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.

³ The Cities include Beaumont, Conroe, Groves, Houston, Huntsville, Orange, Navasota, Nederland, Pine Forest, Pinehurst, Port Arthur, Port Neches, Rose City, Shenandoah, Silsbee, Sour Lake, Vidor, and West Orange.

⁴ The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

174. **University of Oklahoma, 2012** – Participated as an expert witness on behalf of the University of Oklahoma to provide expert testimony on various revenue requirement issues in the University’s general rate case with the Corix Group, which provides utility services to the University.
175. **Public Service Company of Oklahoma, 2012 (Cause No. PUD 201200079)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission to provide expert testimony addressing the utility’s request to earn additional compensation on a 510MW purchased power agreement with Exelon.
176. **Centerpoint Energy Texas Gas, 2012 (Docket No. GUD 10182)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Railroad Commission to provide expert testimony on various revenue requirement issues.
177. **Entergy Texas Inc., 2012 (PUC Docket No. 39896)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
178. **Oklahoma Natural Gas Company, 2012 (Cause No. PUD 2012-029)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG’s Performance Based Rate (“PBR”) application seeking Commission approval of a requested rate increase based upon formula results for 2011.
179. **University of Oklahoma, 2012** – Assisted the University of Oklahoma with an audit of the costs associated with its six utility operations and its contract with the Corix Group to provide utility services to the university.
180. **Oklahoma Gas and Electric Company, 2012 (Cause No. PUD 2011-186)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking Commission approval of a special contract with Oklahoma State University and a wind energy purchase agreement in connection therewith.
181. **Empire Electric Company, 2011, (Cause No. PUD 11-082)** – Participated as an expert witness on behalf of Enbridge before the OCC in Empire’s rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
182. **Nevada Power Company, 2011, (Docket No. 11-04010)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored written and oral testimony to address proposed changes to the Company’s customer deposit rules.
183. **Nevada Power Company, 2011, (Docket No. 11-06006)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
184. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2011-106)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking rider recovery of third party SPP transmission costs and fees.
185. **Oklahoma Gas and Electric Company, 2011 (Cause No. PUD 2011-087)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s rate case to provided testimony in both

the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.

186. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-109-U)** – Participated as an expert witness on behalf of Gerdau Macsteel before the Arkansas Public Service Commission in OG&E’s application to recover Smart Grid costs to make recommendations regarding the allocation of the Smart Grid costs.
187. **Oklahoma Gas & Electric Company, 2011 (Cause No. PUD 2011-027)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking to include retiree medical expense in the Company’s pension tracker mechanism.
188. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of OIEC before the Oklahoma Corporation Commission in AEP/PSO’s application to recover ice storm O&M expenses through a regulatory asset/rider mechanism to address tax impact and return issues in the proposed rider.
189. **Public Service Company of Colorado, 2011 (Docket No. 10AL-908E)** – Participated as an expert witness on behalf of the Colorado Retail Council (“CRC”) before the Colorado Public Utilities Commission providing written and live testimony to address PSCo’s proposed Environmental Tariff.
190. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-067-U)** – Participated as an expert witness on behalf of the Northwest Arkansas Industrial Energy Consumers (“NWIEC”)⁵ before the Arkansas Public Service Commission in OG&E’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.
191. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-146)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking rider recovery of third party SPP transmission costs and SPP administration fees.
192. **Massachusetts Electric Co. & Nantucket Electric Co. d/b/a National Grid, 2010 (Docket No. DPU 10-54)** – Participated as an expert witness providing both written and live testimony before the Massachusetts Department of Public Utilities on behalf of the Associated Industries of Massachusetts (“AIM”) to address the Company’s proposed participation in the 438MW Cape Wind project in Nantucket Sound.
193. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of the OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various cost-of-service issues and on the utility’s overall revenue requirement and rate design proposals.
194. **Texas-New Mexico Power Co., 2010 (Docket 38480)** – Participated as an expert witness on behalf of the Alliance of Texas Municipalities (“ATM”) before the Texas PUC in TMNP’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
195. **Southwestern Public Service Co., 2010 (PUCT Docket No. 38147)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and

⁵ NWIEC is an association of industrial manufacturing facilities in northwest Arkansas.

operating expense issues and sponsor the AXM Accounting Exhibits.

196. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-37)** – Participated as an expert witness on behalf of OIEC before the OCC to address the preapproval and ratemaking treatment of OG&E’s 220MW self-build wind project.
197. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-29)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking pre-approval of deployment of smart-grid technology and rider-recovery of the associated costs. Sponsored written testimony to address smart-grid deployment and time-differentiated fuel rates.
198. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-01)** – Participated as an expert witness on behalf of the OIEC before the OCC in the Company’s proposed Green Energy Choice Tariff. Sponsored testimony to address the pricing and ratemaking treatment of the Company’s proposed wind subscription tariff.
199. **Nevada Power Company, 2010 (Docket No. 10-02009)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC to provide testimony in NPC’s Internal Resource Plan to address the ratemaking treatment of the proposed ON Line transmission line.
200. **Entergy Texas Inc., 2010 (PUC Docket No. 37744)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
201. **El Paso Electric Company, 2010 (PUC Docket No. 37690)** – Participated as an expert witness on behalf of the City of El Paso in the EPI general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
202. **Public Service Company of Oklahoma, 2009 (Cause No. 09-196)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application for approval of DSM programs and cost recovery. Sponsored testimony to address program costs, lost revenue recovery, cost allocations and incentives.
203. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 09-230 and 09-231)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.
204. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 08-398)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s rate case. Provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
205. **Nevada Power Company, 2009, (Docket No. 08-12002)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
206. **Public Service Company of Oklahoma, 2009 (Cause No. 09-031)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO’s application to add wind resources from two

purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.

207. **Oklahoma Natural Gas Co., 2009 (Cause No. PUD 08-348)** – Participated as an expert witness on witness on behalf of the OIEC before the OCC in ONG’s application to establish a Performance Based Rate tariff. Sponsored both written and oral testimony to address the merits of the utility’s proposed PBR.
208. **Rocky Mountain Power, 2009 (Docket No. 08-035-38)** – Participated as an expert witness on behalf of the Division of Public Utilities (Staff) in PacifiCorp’s general rate case to provide testimony on various revenue requirement issues.
209. **Texas-New Mexico Power Co., 2008 (Docket 36025)** – Participated as an expert witness on behalf of the Alliance of Texas Municipalities (“ATM”) before the Texas PUC in TMNP’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
210. **Public Service Company of Oklahoma, 2008 (Cause No. 08-144)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s general rate case application to address revenue requirement and rate design issues to establish prospective cost-of-service based rates.
211. **Public Service Company of Oklahoma, 2008 (Cause No. 08-150)** – Participated as an expert witness on behalf of the OIEC before the OCC to address PSO’s calculation of its Fuel Clause Adjustment for 2008.
212. **Oklahoma Gas and Electric Company, 2008 (Cause No. PUD 08-059)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking authorization of its Demand Side Management (“DSM”) programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.
213. **Entergy Gulf States, 2008 (PUC Docket No. 34800, SOAH Docket No. 473-08-0334)** – Participated as an expert witness on behalf of the Cities in EGSI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
214. **Public Service Company of Oklahoma, 2008 (Cause No. 07-465)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application to recover the pre-construction costs of the cancelled Red Rock coal generation facility.
215. **Oklahoma Gas and Electric Company, 2008 (Cause No. 07-447)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking authorization to recover the pre-construction costs of the cancelled Red Rock coal generation facility using proceeds from sales of excess SO₂ allowances.
216. **Rocky Mountain Power, 2008 (Docket No. 07-035-93)** – Participated as an expert witness on behalf of Division of Public Utilities (Staff) in PacifiCorp’s general rate case to provide testimony on various revenue requirement issues.
217. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-449)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking authorization of its Demand Side Management (“DSM”) programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.

218. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-397)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO’s application seeking authorization to defer storm damage costs in a regulatory asset account and to recover the costs using the proceeds from sales of excess SO₂ allowances.
219. **Oklahoma Gas & Electric Co., 2007 (Cause No. PUD 07-012)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s application seeking pre-approval to construct the Red Rock coal plant to address the Company’s proposed rider recovery mechanism.
220. **Oklahoma Natural Gas Co., 2007 (Cause No. PUD 07-335)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG’s application proposing alternative cost recovery for the Company’s ongoing capital expenditures through the proposed Capital Investment Mechanism Rider (“CIM Rider”). Sponsored testimony to address ONG’s proposal.
221. **Public Service Company of Oklahoma, 2007 (Cause No. PUD 06-030)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking a used and useful determination for its planned addition of the Red Rock coal plant to address the Company’s use of debt equivalency in the competitive bidding process for new resources.
222. **Public Service Company of Oklahoma, 2006 (Cause No. PUD 06-285)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
223. **Nevada Power Company, 2007, (Docket No. 07-01022)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company’s deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
224. **Nevada Power Company, 2006, (Docket No. 06-11022)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
225. **Southwestern Public Service Co., 2006 (PUCT Docket No. 37766)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application. Provided testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsored the Accounting Exhibits on behalf of AXM.
226. **Atmos Energy Corp., Mid-Tex Division, 2006 (Texas GUD 9676)** – Participated as an expert witness in the Atmos Mid-Tex general rate case application on behalf of the Atmos Texas Municipalities (“ATM”). Provided written and oral testimony before the Railroad Commission of Texas regarding the revenue requirements of Mid-Tex including various rate base, operating expense, depreciation and tax issues. Sponsored the Accounting Exhibits for ATM.
227. **Nevada Power Company, 2006 (Docket No. 06-06007)** – Participated as an expert witness on behalf of the MGM MIRAGE in the Sinatra Substation Electric Line Extension and Service Contract case. Provided both written and oral testimony before the Nevada Public Utility Commission to provide the Commission with information as to why the application is consistent with the line extension requirements of Rule 9 and why the cost recovery proposals set forth in the application provide a least cost approach to adding necessary new capacity in the Las Vegas strip area.

228. **Public Service Co. of Oklahoma, 2006 (Cause No. PUD 05-00516)** - Participated as an expert witness on behalf of the OIEC to review PSO's application for a "used and useful" determination of its proposed peaking facility.
229. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 06-00041)** – Participated as an expert witness on behalf of the OIEC in OG&E's application to propose an incentive sharing mechanism for SO₂ allowance proceeds.
230. **Chermac Energy Corporation, 2006 (Cause No. PUD 05-00059 and 05-00177)** – Participated as an expert witness on behalf of the OIEC in Chermac's PURPA application. Sponsored written responsive and rebuttal testimony to address various rate design issues arising under the application.
231. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 05-00140)** – Participated as an expert witness on behalf of the OIEC in OG&E's 2003 and 2004 Fuel Clause reviews. Sponsored written testimony to address the purchasing practices of the Company, its transactions with affiliates, and the prices paid for natural gas, coal and purchased power.
232. **Nevada Power Company, 2006, (Docket No. 06-01016)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written testimony in NPC's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
233. **Oklahoma Gas and Electric Co., 2005 (Cause No. PUD 05-151)** – Participated as an expert witness on behalf of the OIEC in OG&E's general rate case application. Sponsored both written and oral testimony before the OCC to address various revenue requirement and rate design issues for the purpose of setting prospective cost-of-service based rates.
234. **Oklahoma Natural Gas Co., 2005 (Cause No. PUD 04-610)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma. Sponsored written and oral testimony to address numerous rate base, operating expense and depreciation issues for the purpose of setting prospective cost-of-service based rates.
235. **CenterPoint Energy Arkla, 2004 (Cause No. PUD 04-0187)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma: Sponsored written testimony to provide the OCC with analysis from an accounting and ratemaking perspective of the Co.'s proposed change in depreciation rates from an Average Life Group to an Equal Life Group methodology. Addressed the Co.'s proposed increase in depreciation rates associated with increased negative salvage value calculations.
236. **Public Service Co. of Oklahoma, 2004 (Cause No. PUD 02-0754)** – Participated as an expert witness on behalf of the OIEC. Sponsored written testimony (1) making adjustments to PSO's requested recovery of an ICR programming error, (2) correcting errors in the allocation of trading margins on off-system sales of electricity from AEP East to West and among the AEP West utilities and (3) recommending an annual rather than a quarterly change in the FAC rates.
237. **PowerSmith Cogeneration Project, 2004 (Cause No. PUD 03-0564)** - Participated as an expert witness on behalf of the OIEC to provide the OCC with direction in setting an avoided cost for the PowerSmith Cogeneration project under PURPA requirements. Provided both written and oral testimony on the provisions of the proposed contract under PURPA:
238. **Electric Utility Rules for Affiliate Transactions, 2004 (Cause No. RM 03-0003)** – Participated as a

consultant on behalf of the OIEC to draft comments to assist the OCC in developing rules for affiliate transactions. Assisted in drafting the proposed rules. Successful in having the Lower of Cost or Market rule adopted for affiliate transactions in Oklahoma.

239. **Nevada Power Company, 2003, (Docket No. 03-10001)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
240. **Nevada Power Company, 2003, (Docket No. 03-11019)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
241. **Public Service Company of Oklahoma, 2003 (Cause No. PUD 03-0076)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
242. **Oklahoma Gas & Electric Co., 2003 (Cause No. PUD 03-0226)** – Participated as an expert witness on behalf of the OIEC. Provided both written and oral testimony before the OCC to determine the appropriate level to include in rates for natural gas transportation and storage services acquired from an affiliated company.
243. **Nevada Power Company, 2003 (Docket No. 02-5003-5007)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony to calculate the appropriate exit fee in MGM Mirage's 661 Application to leave the system.
244. **McCarthy Family Farms, 2003** – Participated as a consultant to assist McCarthy Family Farms in converting a biomass and biosolids composting process into a renewable energy power producing business in California.
245. **Bice v. Petro Hunt, 2003 (ND, Supreme Court No. 20030306)** - Participated as an expert witness in a class certification proceeding to provide cost-of-service calculations for royalty valuation deductions for natural gas gathering, dehydration, compression, treatment and processing fees in North Dakota.
246. **Nevada Power Company, 2003 (Docket No. 03-11019)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power. Provided written and oral testimony on the reasonableness of the cost allocations to the utility's various customer classes.
247. **Wind River Reservation, 2003 (Fed. Claims Ct. No. 458-79L, 459-79L)** – Participated as a consulting expert on behalf of the Shoshone and Arapaho Tribes to provide cost-of-service calculations for royalty valuation deductions for gathering, dehydration, treatment and compression of natural gas and the reasonableness of deductions for gas transportation.
248. **Oklahoma Gas & Electric Co., 2002 (Cause No. PUD 01-0455)** – Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored written and oral testimony on numerous revenue requirement issues including rate base, operating expense and rate design issues to establish prospective cost-of-service based rates.

249. **Nevada Power Company, 2002 (Docket No. 02-11021)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power and to make recommendations with respect to rate design.
250. **Nevada Power Company, 2002 (Docket No. 01-11029)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power included in the Company's \$928 million deferred energy balances.
251. **Nevada Power Company, 2002 (Docket No. 01-10001)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
252. **Chesapeake v. Kinder Morgan, 2001 (CIV-00-397L)** - Participated as an expert witness on behalf of Chesapeake Energy in a gas gathering dispute. Sponsored testimony to calculate and support a reasonable rate on the gas gathering system. Performed necessary calculations to determine appropriate levels of operating expense, depreciation and cost of capital to include in a reasonable gathering charge and developed an appropriate rate design to recover these costs.
253. **Southern Union Gas Company, 2001** - Participated as a consultant to the City of El Paso in its review of SUG's gas purchasing practices, gas storage position, and potential use of financial hedging instruments and ratemaking incentives to devise strategies to help shelter customers from the risk of high commodity price spikes during the winter months.
254. **Nevada Power Company, 2001** - Participated as an expert witness on behalf of the MGM-Mirage, Park Place and Mandalay Bay Group before the Nevada Public Utility Commission to review NPC's Comprehensive Energy Plan (CEP) for the State of Nevada and make recommendations regarding the appropriate level of additional costs to include in rates for the Company's prospective power costs associated with natural gas and gas transportation, coal and coal transportation and purchased power.
255. **Bridenstine v. Kaiser-Francis Oil Co. et al., 2001 (CJ-95-54)** - Participated as an expert witness on behalf of royalty owner plaintiffs in a valuation dispute regarding gathering, dehydration, metering, compression, and marketing costs. Provided cost-of-service calculations to determine the reasonableness of the gathering rate charged to the royalty interest. Also provided calculations as to the average price available in the field based upon a study of royalty payments received on other wells in the area.
256. **Klatt v. Hunt et al., 2000 (ND)** - Participated as an expert witness and filed report in United States District Court for the District of North Dakota in a natural gas gathering contract dispute to calculate charges and allocations for processing, sour gas compression, treatment, overhead, depreciation expense, use of residue gas, purchase price allocations, and risk capital.
257. **Oklahoma Gas and Electric Co., 2000 (Cause No. PUD 00-0020)** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Generation Efficiency Performance Rider (GEPR). Provided a list of criteria with which to measure a utility's proposal for alternative ratemaking. Recommended modifications to the Company's proposed GEPR to bring it within the boundaries of an acceptable alternative ratemaking formula.

258. **Oklahoma Gas and Electric Co., 1999** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Performance Based Ratemaking (PBR) proposal including analysis of the Company's regulated return on equity, fluctuations in the capital investment and operating expense accounts of the Company and the impact that various rate base, operating expense and cost of capital adjustments would have on the Company's proposal.
259. **Nevada Power Company, 1999 (Docket No. 99-7035)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony addressing the appropriate ratemaking treatment of the Company's deferred energy balances, prospective power costs for natural gas, coal and purchased power and deferred capacity payments for purchased power.
260. **Nevada Power Company, 1999 (Docket No. 99-4005)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to unbundle the utility services of the NPC and to establish the appropriate cost-of-service allocations and rate design for the utility in Nevada's new competitive electric utility industry.
261. **Nevada Power Company, 1999 (Docket No. 99-4005)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to establish the cost-of-service revenue requirement of the Company.
262. **Nevada Power/Sierra Pacific Merger, 1998 (Docket No. 98-7023)** - Participated as an expert witness on behalf of the Mirage and MGM Grand before the Nevada PUC. Sponsored written and oral testimony to establish (1) appropriate conditions on the merger (2) the proper sequence of regulatory events to unbundle utility services and deregulate the electric utility industry in Nevada (3) the proper accounting treatment of the acquisition premium and the gain on divestiture of generation assets. The recommendations regarding conditions on the merger, the sequence of regulatory events to unbundle and deregulate, and the accounting treatment of the acquisition premium were specifically adopted in the Commission's final order.
263. **Oklahoma Natural Gas Company, 1998 (Cause No. PUD 98-0177)** - Participated as an expert witness in ONG's unbundling proceedings before the OCC. Sponsored written and oral testimony on behalf of Transok, LLC to establish the cost of ONG's unbundled upstream gas services. Substantially all of the cost-of-service recommendations to unbundle ONG's gas services were adopted in the Commission's interim order.
264. **Public Service Company of Oklahoma, 1997 (Cause No. PUD 96-0214)** - Audited both rate base investment and operating revenue and expense to determine the Company's revenue requirement and cost-of-service. Sponsored written testimony before the OCC on behalf of the OIEC.
265. **Oklahoma Natural Gas /Western Resources Merger, 1997 (Cause No. PUD 97-0106)** - Sponsored testimony on behalf of the OIEC regarding the appropriate accounting treatment of acquisition premiums resulting from the purchase of regulated assets.
266. **Oklahoma Gas and Electric Co., 1996 (Cause No. PUD 96-0116)** - Audited both rate base investment and operating income. Sponsored testimony on behalf of the OIEC for the purpose of determining the Company's revenue requirement and cost-of-service allocations.
267. **Oklahoma Corporation Commission, 1996** - Provided technical assistance to Commissioner Anthony's office in analyzing gas contracts and related legal proceedings involving ONG and certain of its gas supply contracts. Assignment included comparison of pricing terms of subject gas contracts

to portfolio of gas contracts and other data obtained through annual fuel audits analyzing ONG's gas purchasing practices.

268. **Tenkiller Water Company, 1996** - Provided technical assistance to the Attorney General of Oklahoma in his review of the Company's regulated cost-of-service for the purpose of setting prospective utility rates.
269. **Arkansas Oklahoma Gas Company, 1995 (Cause No. PUD 95-0134)** - Sponsored written and oral testimony before the OCC on behalf of the Attorney General of Oklahoma regarding the price of natural gas on AOG's system and the impact of AOG's proposed cost of gas allocations and gas transportation rates and tariffs on AOG's various customer classes.
270. **Enogex, Inc., 1995 (FERC 95-10-000)** - Analyzed Enogex's application before the FERC to increase gas transportation rates for the Oklahoma Independent Petroleum Association and made recommendations regarding revenue requirement, cost-of-service and rate design on behalf of independent producers and shippers.
271. **Oklahoma Natural Gas Company, 1995 (Cause No. PUD 94-0477)** - Analyzed a portfolio of ONG's gas purchase contracts in the Company's Payment-In-Kind (PIC) gas purchase program and made recommendations to the OCC Staff on behalf of Terra Nitrogen, Inc. regarding the inappropriate profits made by ONG on the sale of the gas commodity through the PIC program pricing formula. Also analyzed the price of gas on ONG's system, ONG's cost-of-service based rates, and certain class cross-subsidizations in ONG's existing rate design.
272. **Arkansas Louisiana Gas Company, 1994 (Cause No. PUD 94-0354)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of the other auditors on the case. Sponsored cost-of-service testimony on cash working capital and developed policy recommendations on post test year adjustments.
273. **Empire District Electric Company, 1994 (Cause No. PUD 94-0343)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of other auditors. Sponsored cost-of-service testimony on rate base investment areas including cash working capital.
274. **Oklahoma Natural Gas Company, 1992 through 1993 (Cause No. PUD 92-1190)** - Planned and supervised the rate case audit of ONG for the OCC Staff. Reviewed all workpapers and testimony of the other auditors on the case. Sponsored written and oral testimony on numerous cost-of-service adjustments. Analyzed ONG's gas supply contracts under the Company's PIC program.
275. **Oklahoma Gas and Electric Company, 1991 through 1992 (Cause No. PUD 91-1055)** - Audited the rate base, operating revenue and operating expense accounts of OG&E on behalf of the OCC Staff. Sponsored written and oral testimony on numerous revenue requirement adjustments to establish the appropriate level of costs to include for the purpose of setting prospective rates.

Calculation of Increase in Rates from Increasing Equity Levels

I. Return with 52% Equity

Capital	Capital Structure (STIP 23-00255)	Cost of Capital (STIP 23-00255)	WACC	Pre-Tax WACC	Return
1 Equity	52.000%	9.375%	4.875%	1.265823	6.171%
2 Debt	48.000%	3.990%	1.915%		1.915%
3 Total	100.000%		6.790%		8.086%
4 Rate Base	\$ 1,000,000,000			8.086%	\$ 80,860,861

II. Return with [REDACTED] Equity

Capital	Capital Structure (STIP 23-00255)	Cost of Capital (STIP 23-00255)	WACC	Pre-Tax WACC	Return
1 Equity					
2 Debt					
3 Total					
4 Rate Base					

III. Difference					<u>\$ 6,301,671</u>
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BCP Acquisition of NMGC
 Case No. 24-00266-UT
 NMDOJ Schedules

Calculation of Revenue Requirement on \$25M System Software and Hardware Investment

I. Return and Depreciation on System Software and Hardware Standup

	Capital	Capital Structure	Cost of Capital	WACC	Tax Factor	Pre-Tax WACC	Revenue Requirement
		(Assumed)	(Assumed)				
1	Equity	50.000%	9.500%	4.750%	1.2658	6.013%	
2	Debt	50.000%	4.000%	2.000%		2.000%	
3	Total	100.000%		6.750%		8.013%	
4	Return	\$ 25,000,000				8.013%	\$ 2,003,165
5	Depreciation	\$ 25,000,000			Life	10	\$ 2,500,000
6	Revenue Requirement						\$ 4,503,165

New Mexico Gas Company, Inc.**Balance Sheets**

(Unaudited)

	September 30,	
	2024	2023
<i>(in thousands, except for number of shares and par value)</i>		
Current assets		
Cash	\$ 2,940	\$ 4,549
Receivables, less allowance for credit losses of \$1,267 and \$3,332 at September 30, 2024 and 2023, respectively	29,191	33,994
Inventories, at weighted average cost:		
Gas in underground storage	1,374	3,249
Materials and supplies	5,176	4,963
Regulatory assets	14,350	21,176
Income tax receivable	3,306	-
Prepayments and other current assets	17,726	29,250
Total current assets	<u>74,063</u>	<u>97,181</u>
Property, plant and equipment , net of accumulated depreciation and amortization of \$197,010 and \$170,239 at September 30, 2024 and 2023, respectively	1,205,961	1,122,599
Deferred charges and other assets		
Goodwill	212,426	408,426
Rights-of-way assets	44,972	47,623
Regulatory assets	5,690	7,534
Postretirement benefit asset	20,311	17,646
Deferred charges and other assets	1,030	3,825
Total deferred charges and other assets	<u>284,429</u>	<u>485,054</u>
Total assets	<u>\$ 1,564,453</u>	<u>\$ 1,704,834</u>
Current liabilities		
Notes payable	\$ 14,000	\$ -
Current maturities of long-term debt	-	23,000
Accounts payable	31,987	38,804
Customer deposits and advance payments	23,333	17,508
Regulatory liabilities	9,709	24,829
Accrued taxes	-	4,129
Other	15,174	13,570
Total current liabilities	<u>94,203</u>	<u>121,840</u>
Deferred credits and other liabilities		
Long-term debt	483,895	484,011
Regulatory liabilities	190,025	189,227
Deferred income taxes	114,654	111,295
Deferred credits and other liabilities	12,666	12,569
Total deferred credits and other liabilities	<u>801,240</u>	<u>797,102</u>
Common shareholder's equity		
Common stock - \$0.01 par value; 100 shares authorized; 10 shares outstanding	-	-
Additional paid in capital	854,553	777,386
Retained earnings	(185,543)	8,506
Total common shareholder's equity	<u>669,010</u>	<u>785,892</u>
Total liabilities and shareholder's equity	<u>\$ 1,564,453</u>	<u>\$ 1,704,834</u>

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NMDOJ INTERROGATORY 3-14:

Regarding the Acquisition Premium that is not being recovered from ratepayers, please provide the following additional information:

- a. Please provide the Applicants' definition of an Acquisition Premium.**
- b. Please provide the amount of Acquisition Premium paid for NMGC.**
- c. Please provide the amount of purchase price that is above the net book value of the assets acquired.**
- d. Please provide the amount of Goodwill that will be recorded on the books of the utility after the acquisition.**
- e. Will the equity in the capital structure of the utility after the acquisition include an amount that covers/includes the Goodwill recorded on the balance sheet of the utility?**
- f. Will the capital structure of the utility after the acquisition that includes an amount for the Goodwill recorded on the balance sheet of the utility be the capital structure used in determining cost of capital in the utility's next rate case?**
- g. How will BCP recover the Acquisition Premium paid for NMGC.**
- h. Please provide copies of all calculations, memos, presentations, emails or other communications that discuss how the Acquisition Premium paid in this transaction will be recovered.**
- i. Please provide copies of all calculations, modeling, cost-benefit analysis, memos, presentations, emails and other communications that address the return on investment from this transaction without the Acquisition Premium**

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
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being recovered in rates.

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

- a. The Joint Applicants do not have their own definition of the Acquisition Premium, and will apply generally accounting principles provided in the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 805 – Business Combinations to determine the value of goodwill (or, as referenced in this question, the Acquisition Premium). Goodwill/Acquisition Premium will occur after the closing of the proposed transaction. ASC Topic 805 generally defines goodwill as “an asset representing the future economic benefits arising from other assets acquired in a business combination...upon formation...that are not individually identified and separately recognized...”.
- b. The value of goodwill recognized in TECOs 2014 acquisition of NMGC was approximately \$408 million. Please see response to NMDOJ 3-15 for the current estimate of the balance of goodwill that will be recorded in the future if the proposed transaction is approved.
- c. Because of the expected changes to NMGC’s balance sheet and purchase price adjustments between now and the potential financial close of the transaction, the amount of Purchase Price that is above the net book value of NMGC’s assets will not be determined until the transaction reaches financial close.
- d. In accordance with the authoritative accounting guidance, after consultation with

JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
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qualified accountants, the purchase price of an acquired business is generally allocated to the identifiable assets acquired and liabilities assumed based on fair value at the acquisition date. Please see response to NMDOJ 3-15 for current estimate of the balance of goodwill that will be recorded in the future if the proposed transaction is approved

However, given that substantially all of NMGC's operations are subject to the rate-setting authority of the state regulatory commission and are accounted for in accordance with GAAP for regulated operations and the assets and liabilities of the business are subject to rate setting provisions which provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base, we would expect the fair value of these assets and liabilities to be consistent with their historical net book values. Based on such assumption, we would estimate that goodwill of approximately \$175 million - \$225 million would be recorded in relation to the Proposed Transaction and replace any existing goodwill recorded within the financial statements. It is important to note that goodwill historically recorded at NMGC has not been included within rate base or subject to regulatory recovery and similarly would not be expected to be included in rate base or recovered through rates going forward.

- e. Yes.
- f. Goodwill historically recorded at NMGC has not been included within rate base or

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

subject to regulatory recovery and similarly would not be included in rate base or recovered through rates going forward. Similar to NMGC's historical approach, we expect that NMGC will continue to utilize an imputed capital structure in its general rate case filings.

- g. Please see the response to subpart (f). Further, it is not correct to describe the Acquisition Premium as something being "recovered." The BCP Applicants are seeking approval to invest in NMGC, with NMGC charging just and reasonable rates that balance the interests of customers and investors while recovering prudently-incurred costs and earning a reasonable return on its investments that are used and useful, as they are today. The BCP Applicants note that it is their understanding that there was no "recovery of" an acquisition premium or other change in rate-setting associated with any acquisition premiums that were part of prior Class II Transactions.
- h. Please see the response to subpart (g). There are no documents responsive to this request.
- i. Notwithstanding the following objection, please see JA Exhibit NMDOJ 3-1 Confidential. The Joint Applicants object to this request on the grounds that it is ambiguous, overly broad, unduly burdensome, and is not reasonably calculated to lead to the discovery of admissible evidence. Additionally, the information sought is available through less burdensome means: specifically, JA Exhibit NMDOJ 3-1 Confidential. Therefore, complying with this request would impose an undue

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
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burden and expense on the defendant without serving any significant purpose.

**TO NEW MEXICO DEPARTEMENT OF JUSTICE THIRD SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NMDOJ INTERROGATORY 3-15:

Regarding the Goodwill balances currently on the balance sheet of NMGC, please provide

the following additional information:

- a. What makes up the \$408.4M balance at September 30, 2023?**
- b. What makes up the \$212.4M balance at September 30, 2024?**
- c. Is the Goodwill balance on the balance sheet of NMGC being recovered in rates?**
- d. Please explain the decrease in the Goodwill balance between 2023 and 2024.**
- e. What will the balance in the Goodwill account on the books of the utility be after the acquisition?**

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

- a. The \$408.4 million goodwill recorded at September 30, 2023, was recorded upon the acquisition of NMGC by TECO in 2014. Goodwill is calculated as the excess of the purchase price of an acquired entity over the estimated fair values of assets acquired and liabilities assumed at the acquisition date.
- b. The \$212.4 million goodwill balance at September 30, 2024, reflects the balance of goodwill on NMGC's books after recording a \$196 million impairment resulting from this proposed transaction. Goodwill is carried at initial cost less any write-down for impairment. As the transaction proceeds from the pending sale of NMGC are expected to be lower than the carrying amount of the assets and liabilities being sold on the estimated closing date, the goodwill recorded on NMGC's balance sheet was considered impaired and was written down to the \$212.4 million shown on

JOINT APPLICANTS' RESPONSE
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NMGC's September 30, 2024, financial statements.

- c. No.
- d. See response to subpart (b) above.
- e. In accordance with the authoritative accounting guidance, the purchase price of an acquired business is generally allocated to the identifiable assets acquired and liabilities assumed based on fair value at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment as well as the potential involvement of independent valuation experts and can involve the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items, the undertaking of which has not yet been performed at this time.

However, given that substantially all of NMGC's operations are subject to the rate-setting authority of the state regulatory commission and are accounted for in accordance with GAAP for regulated operations and the assets and liabilities of the business are subject to rate setting provisions which provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base, we would expect the fair value of these assets and liabilities to be consistent with their historical net book values. Based on such assumption, we would estimate that

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
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goodwill of approximately \$175 million - \$225 million would be recorded in relation to the Proposed Transaction and replace any existing goodwill recorded within the financial statements. It is important to note that goodwill historically recorded at NMGC has not been included within rate base or subject to regulatory recovery and similarly would not be included in rate base or recovered through rates going forward.

**JOINT APPLICANTS' RESPONSE TO NEW MEXICO
AFFORDABLE RELIABLE ENERGY ALLIANCE'S FIRST SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NM AREA INTERROGATORY 1-5:

Please provide a list of every current principal and/or employee of Bernhard Capital Partners Management (“BCP Management”), or any of the other acquiring entities among the Joint Applicants, that has actual experience operating a natural gas local distribution company (“LDC”). In your response, please provide a full description of that individual’s experience including educational background, job titles and duties, number of employees managed, years on the job and other information relevant to determining that individual’s level of expertise.

RESPONSE:

Jeffrey M. Baudier

Please see the Joint Applicants’ response to NEE Interrogatory 2-31 and NEE Interrogatory 3-13.

The BCP Applicants are acquiring NMGC as a going concern with an experienced and proven leadership team and over 750 employees who will continue to operate NMGC following the acquisition. This team includes Ryan A. Shell, President of NMGC, who is a witness in this case and whose qualifications and experience are detailed in JA Exhibit RAS-1 attached to his Direct Testimony. Additional leaders remaining at NMGC are the Company’s executive team, business directors, managers, and supervisors.

Employees of BCP Management with general experience in the utility sector include:

- Jeffrey M. Baudier, Executive Managing Director for BCP Management, whose qualifications and experience are detailed in JA Exhibit JMB-1 attached to his Direct Testimony.

**JOINT APPLICANTS' RESPONSE TO NEW MEXICO
AFFORDABLE RELIABLE ENERGY ALLIANCE'S FIRST SET OF
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- R. Foster Duncan, Operating Partner, for BCP Management. Mr. Duncan has thirty-five years of experience in the utility and energy industry sectors. He previously held numerous positions at Cinergy Corporation, including serving as CEO and President of the Commercial Business Unit, as well as EVP, CFO and Chairman of the Investment Committee. Mr. Duncan has executive leadership experience at LG&E Energy Corp., the Edison Electric Institute, Atlantic Power Corporation, Essential Power LLC and KKR. Mr. Duncan graduated with Distinction from the University of Virginia with a B.A. in Government and Economics and later received his M.B.A. in Finance from the A.B. Freeman Graduate School of Business at Tulane University.

- Jeffrey Yuknis, Managing Director at BCP Management, has over 20 years of experience in the utility industry, including 16 years at Exelon, where he served as Vice President. Exelon is a Fortune 100 company involved in every stage of the energy business: power generation, competitive energy sales, transmission, and delivery. At Exelon, Mr. Yuknis held a variety of leadership roles through the electric value chain including in wholesale generation and trading, corporate development (Mergers and Acquisitions), electric transmission and electric microgrids. Mr. Yuknis has a B.S. in Finance from the University of Illinois and an M.B.A. from the University of Chicago.

After completion of the approved Delta Utilities acquisitions of the Entergy and CenterPoint Energy natural gas LDCs in Mississippi and Louisiana, and the acquisition of NMGC, individuals throughout the BCP Management portfolio of companies will be available to share their experience and insights of utility operations. This will include the leadership teams of Delta Utilities and NMGC who will be available to share ideas and coordinate on sharing best practices for the natural gas LDC industry. Along with the NMGC leadership team, and the BCP Management leaders identified above, the following leaders of Delta Utilities will be part of this group of experienced professionals sharing their experience and insights. Many of these leaders, – including Mr. Tumminello, Mr. Poché, Mr. Malter, Mr. Tichnor, Ms. Bowen, Mr. Morris, Mr. Murdock, and Mr. Savage – are already working for Delta Utilities.

**JOINT APPLICANTS' RESPONSE TO NEW MEXICO
AFFORDABLE RELIABLE ENERGY ALLIANCE'S FIRST SET OF
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- Peter Tumminello, the Executive Chairman of Delta Utilities, who has over 30 years of utility and energy industry experience. Mr. Tumminello was the former President of Southern Company Gas and led the commercial businesses for Southern Company Gas including Midstream Storage, LNG, and Pipeline Investments, Retail Energy, Retail Services, and Wholesale Energy businesses. Mr. Tumminello was responsible for all operations outside of the regulated entities, including wholesale services, retail energy, and all midstream businesses including pipeline investments and gas storage. Mr. Tumminello has a Bachelor of Science in Petroleum Engineering from Louisiana Tech University and an M.B.A. from the University of Southwestern Louisiana (now University of Louisiana Lafayette).
- Tim Poché, the President of Delta Utilities, has 24 years of utility experience. He provided consulting on capital markets and regulatory matters. Mr. Poché was a leader within Deloitte's Utility practice, working on 13 Merger & Acquisition transactions.
- Bo Murphy, who will serve as the Chief Operating Officer for Delta Utilities, has 17 year of utility experience at CenterPoint Energy and currently serves as the Vice President of Louisiana / Mississippi Gas. Mr. Murphy has extensive experience in engineering and operations, with supplemental experiences in operations support, corporate finance and warehouse and logistics. Mr. Murphy has progressive experience from an entry level engineer, progressing through compliance, area operating leadership, field operations, investor relations, support services and finally as vice president of a multi-state gas utility operations. Mr. Murphy has a unique mix of capital and O&M planning, execution and communication with a strong understanding of financial drivers in a regulated utility.
- Jeff Savage, the Chief Financial Officer of Delta Utilities, has over 30 years of experience with over 18 of those working with LDCs in various roles including corporate accounting, internal audit, and supply chain.
- Anthony P. Arnould, Jr., who will serve as the Senior Vice President of Gas Operations at Delta Utilities, has 25 years of utility experience and is currently the Director of Gas Distribution for Entergy Services LLC. Mr. Arnould's experience includes managing multi-jurisdictional gas operations, customer service, and engineering. Mr. Arnould currently oversees all aspects of the safe, reliable delivery of natural gas service to natural gas customers of Entergy New Orleans and Entergy Louisiana.
- Doug Boudreaux, who will serve as the Senior Vice President of Gas Operations at Delta Utilities, has over 18 years of gas operations experience at CenterPoint Energy.

**JOINT APPLICANTS' RESPONSE TO NEW MEXICO
AFFORDABLE RELIABLE ENERGY ALLIANCE'S FIRST SET OF
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- Mr. Boudreaux has progressive experience with a focus in operations, including a multi-year stint, operating gas assets in Minnesota and responsibility across a multi-state gas utility. Mr. Boudreaux currently serves as the Director of Gas Operations for Louisiana at CenterPoint Energy and previously served as the District Director of Gas Operations, Area Manager of Gas Operations, and Marketing Consultant.
- Benjamin Orem, who will serve as the Director of Engineering at Delta Utilities, has 14 years of utility experience at CenterPoint Energy. Mr. Orem has progressive experience from an entry level electrical engineer, moving to the natural gas utility business in 2013, with further roles as an operations manager and engineering manager before assuming his current role.
 - Kenny Malter, the Senior Vice President of Gas Supply and Services at Delta Utilities, has over 25 years of experience leading the gas supply operations and system control of a large multi-state LDC.
 - Jessie Bowen, the Director of Supply Chain at Delta Utilities, has 17 years of experience in procurement and supply chain throughout several industries including 6+years of progressive leadership of capital and operational procurement in a regulated utility, including LDC operations.
 - Beau Tichnor, the Director of Gas Supply at Delta Utilities, has over 15 years of experience leading the gas supply functions for the transmission, distribution, storage, and industrial segments of a large multi-state LDC.
 - Sam Walters, who will serve as Director of Programs and Contractor services at Delta Utilities, has nearly 20 years of natural gas utility experience. Walters has progressive experience from an entry level engineer, multiple supervisor postings in compliance operations, management roles in engineering and operations and director roles in engineering and operations.
 - Keith Morris, the VP EHS and Training at Delta Utilities, has over 25 years of oil and gas experience in mid-stream from gathering and processing to interstate and downstream delivery of refined products, crude, NGL's and natural gas with 11 years in a corporate leadership role.

**JOINT APPLICANTS' RESPONSE TO NEW MEXICO
AFFORDABLE RELIABLE ENERGY ALLIANCE'S FIRST SET OF
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- Anthony Murdock, the VP Customer Operations at Delta Utilities, has over 20 years of utility experience, including LDC experience.

**JOINT APPLICANTS' RESPONSE
TO NEW ENERGY ECONOMY'S THIRD SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NEE INTERROGATORY 3-25:

What experience does BCP have training workers in information technology, finance and accounting, human resources, Accounting, tax preparation, bookkeeping, and payroll services, other computer related services, and management consulting services? Please explain in detail.

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

The BCP Applicants do not have experience training workers in these areas. The BCP Applicants will not train NMGC's workers. NMGC will continue to train workers as it does today.

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTMENT OF JUSTICE FIRST SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NMDOJ INTERROGATORY 1-22:

Please identify, by job title and description, the new positions that are expected to be created in New Mexico if the transaction is approved.

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

The specific job titles and descriptions of the new positions have not yet been developed. As stated in Exhibit CAE-1 at page 5, the new positions will be “primarily back-office functions, such as accounting, billing, administration, human resources, and information technology.” Tables 4 and 5 from Exhibit CAE-1 provide the number of new full-time equivalent (FTE) jobs by job role (i.e., Information Technology, Finance and Accounting, Human Resources, and Other) for the High and Low FTE scenarios.

Table 4: Model Assumptions for Scenario 1 - High FTE

Job Role	New FTE Jobs	New Total Jobs	Labor Income
Information Technology	41	43	\$5,380,020
Finance and Accounting	12	13	\$1,487,160
Human Resources	4	4	\$437,400
Other	4	4	\$437,400
Total	61	64	\$7,741,980

Table 5: Model Assumptions for Scenario 2 - Low FTE

Job Role	New FTE Jobs	New Total Jobs	Labor Income
Information Technology	35	36	\$5,294,065
Finance and Accounting	11	11	\$1,705,973
Human Resources	3	3	\$489,816
Other	2	2	\$215,498
Total	51	52	\$7,705,352

JOINT APPLICANTS' FIRST SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025

TO STAFF'S FIRST SET OF DISCOVERY REQUESTS

STAFF INTERROGATORY 1-12:

Please provide all analyses, research or forecasts that the applicant has developed pertaining to NMGC staffing levels following the post-18 month closing period.

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

Joint Applicants are preparing a response to this interrogatory and will provide it when completed.

SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025:

Jeffrey M. Baudier / Ryan A. Shell

Please see JA Exhibits Staff 1-12(a) – (f). JA Exhibits 1-12(b), (d), and (e) contain confidential information which has been redacted. Unredacted copies of these exhibits have been provided to parties who have executed a confidentiality agreement. The analyses in these Exhibits are preliminary based on information available at the time prepared, and the ultimate conclusions may vary from these preliminary analyses.

**JOINT APPLICANTS' FIRST SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025
TO STAFF'S FIRST SET OF DISCOVERY REQUESTS**

STAFF INTERROGATORY 1-20:

Assuming the closing of this transaction and the break from Emera, would NMGC be responsible for developing new “information technology, human resource related systems, check processing, other finance and accounting function” systems (see testimony of witness Shell at page 9, lines 1-5)? If so, please provide all information pertaining to the quantification of these new development costs in addition to the net cost-benefit from the existing shared services model.

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

Joint Applicants are preparing a response to this Interrogatory and will provide it when completed.

SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025:

Jeffrey M. Baudier / Ryan A. Shell

Yes, if this Transaction closes, NMGC would be responsible to obtain or develop certain new software solutions.

As a part of its diligence, the BCP Applicants developed an analysis of the technology and shared service requirements to operate NMGC with a standalone Enterprise Resource Planning software system (“ERP”). This preliminary analysis, initially completed in July 2024, is provided in JA Exhibit Staff 1-12(a). While the report contains reliable estimates based on reasonable scenarios at the time, the ultimate solutions may vary.

The BCP Applicants anticipate that the total costs to create standalone capabilities to support NMGC and transition ownership to the BCP Applicants will be approximately \$29 million. The

**JOINT APPLICANTS' FIRST SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025
TO STAFF'S FIRST SET OF DISCOVERY REQUESTS**

following table provides a preliminary summary of the estimated transition costs, which are subject to change. It is possible that additional cost categories may be identified in the future.

<i>Cost Category</i>	Estimated Cost (\$M)	
	<i>2025</i>	<i>2026</i>
ERP	\$3.3	\$5.2
General IT	\$6.2	\$2.4
Operational	\$0.9	\$3.1
Program Management	\$0.8	\$1.7
Communications	\$0.3	\$0.4
Accounting	\$0.2	\$0.2
Insurance	\$0.1	\$0.2
Personnel / Operational Readiness	\$2.4	\$1.5
Total	\$14.2	\$14.7

Please see also the Direct Testimony of Jeffrey M. Baudier at 42:15 - 43:5.

If the Transaction is approved, and these investments are made to stand up a fully standalone NMGC, NMGC customers (as well as New Mexico residents generally) will receive economic and operational benefits from the Transaction. It is anticipated that by the end of the TSA term, NMGC will require an additional 51 to 61 full time equivalent employees in New Mexico. Joint Applicant witness Shell addresses the additional benefits to customers from the additional employees located in New Mexico where service is provided. In addition to certain operational benefits to NMGC from bringing support services back to New Mexico, and the benefit of hiring skilled employees in New Mexico, Joint Applicant witness Dr. Erickson estimates an annual economic benefit to New Mexico of approximately \$40 million. Further, it is not anticipated that this Transaction will have an adverse impact on existing rates.

JOINT APPLICANTS' FIRST SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025

TO STAFF'S FIRST SET OF DISCOVERY REQUESTS

Please see additional information regarding some of the major categories below. These tables are a re-representation of the information included in JA Exhibit Staff 1-12(a), removing reference to an SAP system as such a system may not be utilized. Cost estimates were based on an SAP system, but as described below, the exact ERP system has not yet been selected.

At present, NMGC has not performed studies to determine or quantify the precise software systems it will have as a standalone utility. Any new systems would be subject to requests for proposals from multiple vendors after assessing NMGC's needs and status, and NMGC would expect to institute a procurement process similar to the one it used in upgrading its Banner system, which was described in the testimony of Tommy H. Sanders in Case No. 23-000255-UT, which includes a net cost-benefit analysis. As part of any cost-benefit analysis, new system costs would be offset by anticipated expenditures on upgrades or future investments in current shared systems.

<i>Values in \$M</i>		ERP
Stand Up Activity	Estimate	Assumptions
Stand Up ERP Activities	\$8.5	
A. Initial Effort (i.e., carving out solution from current solution, "lift/shift")	\$6.0	<ul style="list-style-type: none"> • Seller is cooperative and willing to engage in planned approach • Those responsible for implementation can optimize the management of resources (including third-party and those from the seller) • No upgrades are required/included • On prem solution • Pre-existing Interfaces are coming over • Modules have been correctly identified based on information
B. Additional Requirements including ERP, HR, Payroll, Time, and Expenses (i.e., SuccessFactors & Concur)	\$1.75	<ul style="list-style-type: none"> • No required software acquisition • Does not include infrastructure costs to host ERP on prem
C. Required Integration Work (e.g., interfaces)	\$0.75	<ul style="list-style-type: none"> • Scope is defined correctly (zero/minimal required data separation activities) • Scope will include building interfaces from the new ERP systems to the existing systems

**JOINT APPLICANTS' FIRST SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025
TO STAFF'S FIRST SET OF DISCOVERY REQUESTS**

Values in \$M		
	General IT	
Stand Up Activities	<i>Estimate</i>	Assumptions
Enterprise Security	\$3.3	<ul style="list-style-type: none"> • Scope of Requirements/Systems/Tools are accurate (Full List of Assumptions is Referenced on Slide 20) • No Incremental OT Requirements • Minimal Conversions Required • Relatively few interconnection costs • Estimates are derived from information provided by the seller regarding IT systems/tools for all other shared services. Estimate includes setting up new IT Service Desk. • The estimations reflect an accurate assessment of scope of body • NMGC has Telephony already for operational purposes, in which the IT Help Desk may be able to utilize. • Delta's infrastructure can accommodate the increase of usage with minimal additional overhead costs • Estimate accounts for high availability design for infrastructure, to support BC/DR expectations
Network Connectivity & Telecom	\$1.5	
"General Shared Services"	\$1.8	
A. Corporate Applications (i.e., Corporate Income Tax, Legal Apps)	N/A	
B. IT Service Desk	N/A	
Infrastructure Requirements	\$2.0	
Total	\$8.6	

Values in \$M		
	Operational	
Stand Up Activities	<i>Estimate</i>	Assumptions
Operational		
PowerPlan	\$2.5	<ul style="list-style-type: none"> • Based on vendor costs, scale, consistency, modules / functionality • Banner is included in the transaction and requires little stand-up work other than interfacing with the new ERP • The preliminary assessment of a 'relatively simple greenfield build and migration' is accurate • ~800-900 users • Quorum currently operates as a 'stand-alone' entity (with relatively simple data feeds into TECO's ERP and gas control for transportation/meter volumes) • Application support and/or maintenance for Quorum utilizes current model in place • Zero/Minimal Requirements, as discussed with the seller
Banner Billing System	\$0	
Microsoft 365	\$0.88	
Quorum Product	\$0.63	
End User Devices	\$0	
Total	\$4.0	

**JOINT APPLICANTS' FIRST SUPPLEMENTAL RESPONSE OF JANUARY 10, 2025
TO STAFF'S FIRST SET OF DISCOVERY REQUESTS**

Values in \$M

Non-IT Stand Up		
Stand Up Activities	Estimate	Assumptions
General Non-IT		
TSA Overlap	\$3.9	<ul style="list-style-type: none"> Assumes that hiring/onboarding new shared service personnel will be delayed until FTE services are needed Directors, Managers and individual contributors are hired 6, 4 and 2 months prior to system go-live for IT dependent processes Benefits, Healthcare, Other Corporate, and Insurance & Risk are assumed to be non-system dependent activities Payroll, Planning & Forecasting, Accounting, and Tax are dependent on Core ERP
Program Management	\$3.3	<ul style="list-style-type: none"> Includes costs of on-going program management associated with the transition to future state.
Operational Readiness	-	<ul style="list-style-type: none"> Cost is based on an estimated scope of work for 8-12 weeks Low and high end of range
Communications	\$0.7	<ul style="list-style-type: none"> Aligned with precedents
Accounting	\$0.4	<ul style="list-style-type: none"> Aligned with precedents
Insurance	\$0.3	<ul style="list-style-type: none"> Aligned with precedents
Total	\$8.6	

Respectfully submitted this 10th day of January 2025.

NEW MEXICO GAS COMPANY, INC.

/s/Nicole V. Strauser

NICOLE V. STRAUSER

Vice President and General Counsel

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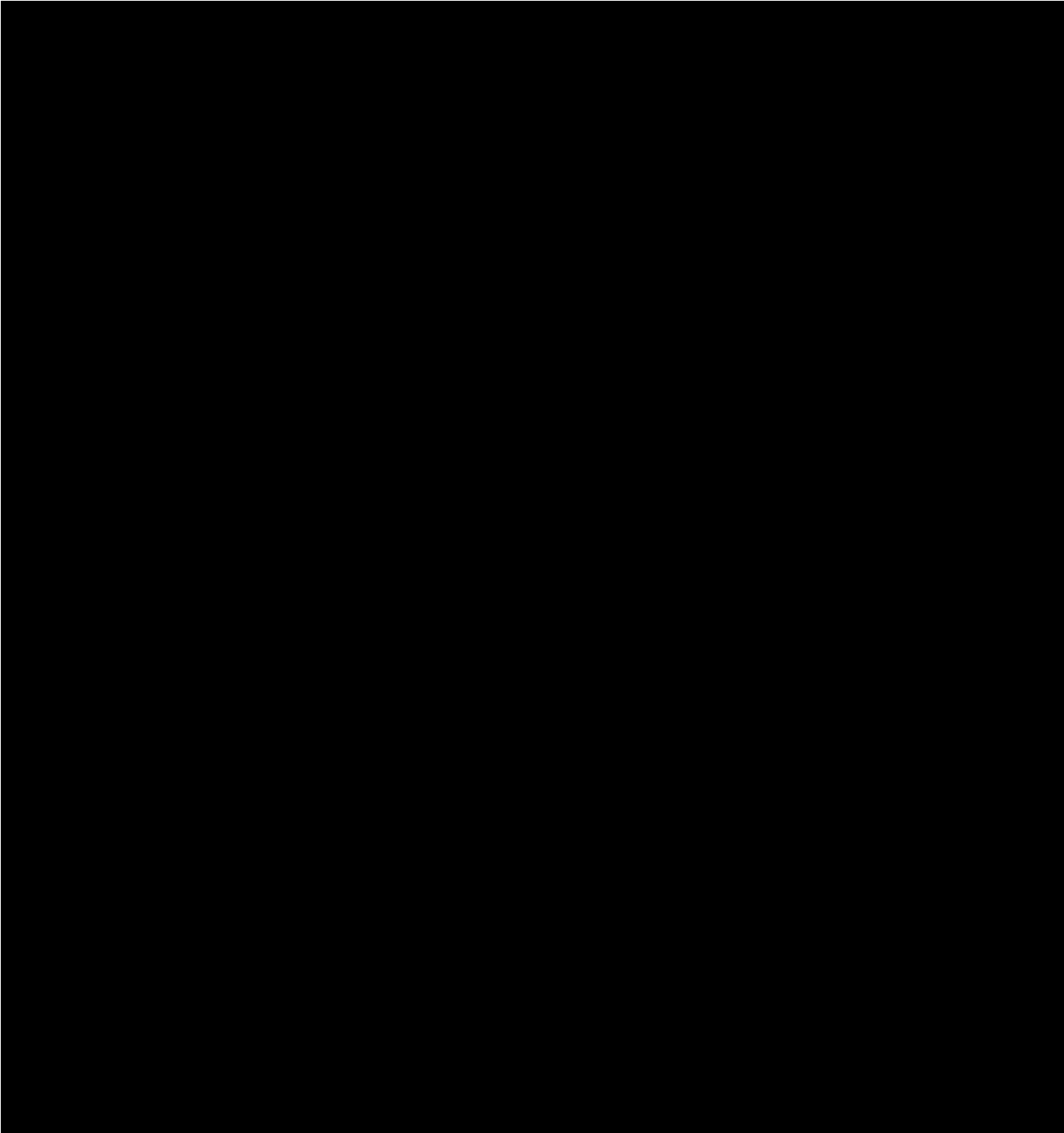
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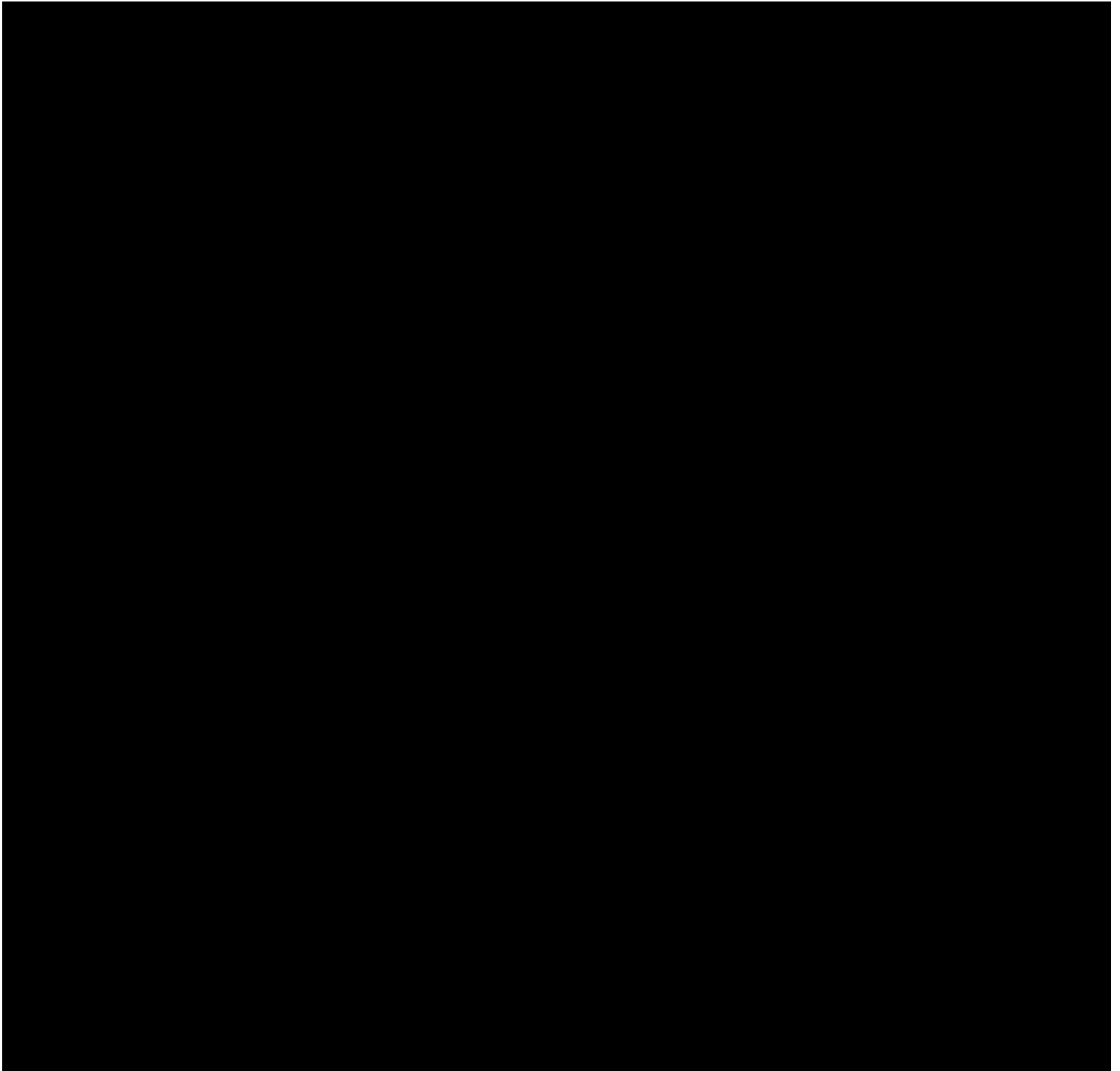
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JA Exhibit Staff 2-10 WITH CONFIDENTIAL MATERIAL UNREDACTED
Page 1 of 2
SUBJECT TO PROTECTIVE ORDER IN CASE NO. 24-00266-UT



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SUBJECT TO PROTECTIVE ORDER IN CASE NO. 24-00266-UT



**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTMENT OF JUSTICE FIRST SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NMDOJ INTERROGATORY 1-40:

Does Dr. Erickson's analysis in JA Exhibit CAE-1 consider the economic impact of increasing utility rates, due to the fact that certain employees will now be dedicated to NMGC instead of having their costs shared with other utilities? If so, please explain how these increased costs are factored into his analysis.

RESPONSE:

Dr. Christopher Erickson

No. The Economic Study did not include any assumptions about changes to NMGC rates, if any.

**JOINT APPLICANTS' RESPONSE
TO NEW MEXICO DEPARTEMNT OF JUSTICE THIRD SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

NMDOJ INTERROGATORY 3-6:

Please provide the revenue projections for the period 2025-2035 that support the decision to acquire NMGC and the price paid for the utility.

RESPONSE:

Jeffrey M. Baudier

Please see JA Table NMDOJ 3-6 below:

JA TABLE NMDOJ 3-6

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue (\$s in millions)	\$493	\$506	\$512	\$530	\$549	\$568	\$584	\$601	\$615	\$630	\$649

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE JOINT)
APPLICATION FOR APPROVAL TO)
ACQUIRE NEW MEXICO GAS COMPANY,)
INC. BY SATURN UTILITIES HOLDCO,)
LLC.)
)
)
JOINT APPLICANTS.)**

Case. No. 24 00266-UT

AFFIRMATION OF MARK GARRETT

Pursuant to 1.2.2.10(E) and 1.2.2.35(A)(3) NMAC of the Public Regulation Commission Rules of Procedure, Mark Garrett files this unsworn affirmation and states as follows:

I hereby affirm in writing under penalty of perjury under the laws of the State of New Mexico that the statements contained in the foregoing *Direct Testimony of Mark Garrett* are true and correct to the best of my knowledge, information, and belief.

Executed on April 18, 2025.

/s/ Mark Garrett
Mark Garrett (electronically signed)
Expert Witness on behalf of the New Mexico Department of Justice
Garrett Group Consulting, Inc.
4028 Oakdale Farm Circle
Edmond, OK 73013

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT)
APPLICATION FOR APPROVAL TO)
ACQUIRE NEW MEXICO GAS COMPANY,)
INC. BY SATURN UTILITIES HOLDCO,) Case No. 24-00266-UT
LLC.)
)
JOINT APPLICANTS)

CERTIFICATE OF SERVICE

I CERTIFY that on this date I sent via email a true and correct copy of the *NMDOJ's Direct Testimony of Mark E. Garrett* to the parties listed below.

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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DATED this April 18, 2025.

/s/ Nicole Teupell
Nicole Teupell