

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

PREPARED DIRECT TESTIMONY

OF

FELICIA S. JOJOLA

NEW MEXICO PUBLIC REGULATION COMMISSION

UTILITY DIVISION STAFF

April 18, 2025

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STAFF INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Felicia S. Jojola. I am employed as a Public Utilities Economist in the Accounting Bureau at the New Mexico Public Regulation Commission's ("NMPRC" or "Commission") Utility Division Staff ("Staff"). My business address is P.O. Box 1269, Santa Fe NM, 87504.

Q. What is your educational background?

A. I received a Bachelors of Science and Masters of Science in Accounting from Western Governors University, in 2019 and 2022 respectively. I have completed NMSU's Center for Public Utilities "The Basics" practical regulatory training in addition to several other utility-and energy-specific trainings. Overall, I have 16 years of experience working in the field of accounting. I have worked for the State of New Mexico for the last 10 years within various governmental departments. Prior to that, I worked for a non-profit organization.

Q. Have you previously testified before this Commission?

A. Yes, I previously testified before the Commission in Case No. 23-00384-UT.

Q. Have you included any exhibits in your testimony?

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1 **A.** Yes, exhibits are attached following my testimony, beginning on page 14.

2

3 **Q.** **What is the purpose of your direct testimony in this case?**

4 **A.** The purpose of my direct testimony is to:

- 5 • Provide an overview of the transaction for the Purchase and Sale Agreement
- 6 ("PSA") filed by BCP Joint Applicants to acquire New Mexico Gas Company,
- 7 Inc. ("NMGC").
- 8 • Provide an overview of the PSA transaction in regard to the NMGC operation
- 9 remaining in Albuquerque, New Mexico.
- 10 • Provide an overview of what is to be expected following the PSA transaction
- 11 closure with regard to the day-to-day operations.
- 12 • Summarize the commitments made by the BCP Applicants to ensure proper
- 13 service at fair, just and reasonable rates with respect to Acquisition Premium
- 14 Costs, Transaction Costs, Annual Reporting Requirements and Class I
- 15 Transaction requirements.

16

17

18

19 **DESCRIPTION OF THE TRANSACTION**

20

21 **Q.** **Has NMPRC Staff reviewed the BCP Joint Applicants' application?**

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1 **A.** Yes, Staff has reviewed the application, testimonies and exhibit(s) filed in the case. I have
2 also reviewed relevant sections of 17.6.450 NMAC (“Rule 450”), 17.6.220 NMAC (“Rule
3 220”), 17.1.2.8 NMAC , 17.3.610 NMAC (“Rule 610”), NMSA 1978 Chapter 62-6 and
4 the Public Utility Act.

5
6 **Q.** **Please describe the general provisions of the PSA related to this proposed acquisition.**

7 **A.** NMGC is a New Mexico local distribution company (“LDC”), owned in full by New
8 Mexico Gas Intermediate, Inc. (“NMGI”). NMGI is fully owned by TECO Energy, LLC
9 (“TECO Energy”). EUSHI and TECO Holdings, Inc. own all the equity interest in TECO
10 Energy, with Emera Inc. being the ultimate owner. Under the PSA, all equity interest will
11 be transferred from TECO Energy to Saturn Holdco. Saturn Holdco was created solely for
12 the PSA. Saturn Holdco “is an indirect subsidiary of and controlled by the BCP
13 Infrastructure Funds.”¹

14 In 2023, Emera announced their intent to sell certain assets. On August 5, 2024, Emera US
15 Holdings, TECO Holdings and Saturn Holdco entered into the PSA. The purchase price
16 for the equity interest of TECO Energy is \$1.252 billion which includes, “a mix of equity
17 and debt consisting of \$448,900,000 of equity from the BCP Infrastructure Funds,
18 \$250,000,000 of private debt, which is non-recourse to NMGC, and the assumption of
19 approximately \$550,000,000 of portable debt currently at NMGC.”²

20 **Q.** **Please describe the current NMGC operations located in Albuquerque, New Mexico.**

¹ Joint Application Page 7, Letter A.

² Jeffrey M. Baudier Direct Testimony Page 23, Lines 2-4.

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A. NMGC's headquarters is currently located in Albuquerque, New Mexico. NMGC is composed of 1 President, 8 Vice Presidents and 16 directors, all currently located in New Mexico. Additionally NMGC currently employs approximately 740 employees, all located in New Mexico. Under the current operations with Emera, shared services are performed in Florida and Canada. Shared services are discussed in more detail later in my testimony.

TRANSACTION CLOSURE

Q. What regulatory approvals are necessary for the closure of this transaction?

A. NMSA 1978, Sections 62-6-12 and 62-6-13 are applicable to acquisitions, consolidations and mergers consisting of two or more public utilities, any person and a public utility or a public utility holding company. Pursuant to NMSA 1978, Section 62-6-12, approval from the NMPRC is needed for this proceeding. In addition, an anti-trust review by the United States Department of Justice or Federal Trade Commission and filing approval from the Federal Communications Commission for changes in ownership are required. At the time of the filing, it was stated that “The parties do not have any concerns regarding the anti-trust review or FCC filing and expect that the approvals will be forthcoming in the first half of 2025.” Through discovery dated December 17, 2024, it was stated that that the anti-trust review was to be filed on or before January 5, 2025, and the filing with the FCC was expected to be filed in the second quarter of 2025.³ Staff was unable to locate any updated information on filings via the respective websites, which include the United States

³ Discovery Request NMDOJ 1-5.

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1 Department of Justice, Federal Trade Commission and Federal Communications
2 Commission.

3
4 **Q. If the regulatory approvals are granted, what can be expected following the closing**
5 **of this transaction concerning NMGC's day-to-day operation?**

6 **A.** If the requested regulatory approvals were to be granted by the Commission, NMGC's
7 current board of directors is expected to remain the same, apart from the two Emera-
8 affiliated directors being replaced. In response to a Staff discovery request, it was
9 documented that any board members that prefer not to remain on the board, will be replaced
10 by independent business and community leaders within the State of New Mexico.⁴ All
11 NMGC management and the 740 local employees will be retained per the transaction.
12 Locations of the NMGC Albuquerque headquarters, current regional offices, NMGC Gas
13 Control Operations, and its New Mexico call center operations will remain unchanged
14 unless changes are authorized by the Commission. If the requested regulatory approvals
15 were to be granted by the Commission, Staff recommends that this commitment be
16 strengthened by adding that no substantial workforce cutbacks nor location changes would
17 occur for a set period of time. For reference, in the El Paso Electric ("EPE") case, it was
18 noted that 5 years, post-closing, EPE would not implement any material involuntary
19 workforce reductions.⁵ In addition, EPE noted that "EPE's existing Headquarters will
20 remain in El Paso, Texas for so long as IIF US 2 owns EPE."⁶

⁴ Discovery Request Staff 1-1.

⁵ NMPRC Case No. 19-00234-UT, Exhibit C Page 4 of 4, #42.

⁶ NMPRC Case No. 19-00234-UT, Exhibit B Page 14 of 22, #36.

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1 Since TECO Energy, Inc.'s ("TECO") acquisition of NMGC in 2014, NMGC has been
2 part of a larger corporate group that utilizes a shared services model for many back-office
3 functions.⁷ Under the PSA, it is estimated 51-61 additional jobs will be necessary to
4 transition shared services from Emera back to NMGC. These additional jobs will either be
5 new hires to NMGC or procured services from third party vendors.⁸ Through discovery, it
6 was added that the preference was to hire new employees over third-party vendors. If that
7 was not feasible, New Mexico vendors would be given priority to fill these duties.⁹ Given
8 this information, Staff is lead to believe that hiring outside of New Mexico is an option,
9 which takes away from the New Mexico jobs being described as new benefits to NMGC
10 customers.¹⁰ With no guarantee that these positions will remain in New Mexico, whether
11 new hires or third party vendors, benefits are uncertain as written. Staff recommends that
12 the applicants devise a more detailed plan on efforts to keep jobs in New Mexico,
13 strengthening the guarantee of this benefit

14 During the transition period of up to 18 months, Emera will, however, continue to provide
15 shared services. This will include an initial period of 12 months from the closing of the
16 transaction, with an allowance for a 6-month extension. Rate impact of the transition is
17 discussed in the staff testimony of Naomi Velasquez.

⁷ Direct Testimony of Erik C. Buchanan NMPRC Case No. 23-00255-UT, p. 12, lines 3-5.

⁸ Jeffrey M. Baudier Direct Testimony Page 30, Lines 1-3.

⁹ Discovery Request Staff 2-8, Page 10.

¹⁰ Joint Application Page 10, #1.

BENEFITS OF THE TRANSACTION

Q. Will NMGC seek recovery for any of the acquisition premium cost(s) related to this proceeding?

A. BCP applicants have stated in their application¹¹, the direct testimony of Mr. Baudier¹² and in JA Exhibit JMB-3¹³, that NMGC will not seek recovery of the acquisition premium/goodwill. Further, per discovery NMDOJ 3-14, the BCP applicants have acknowledged the precedence in prior cases, wherein regulatory recovery has not been allowed, noting that they are not expecting recovery through future rate cases.¹⁴

BCP applicants provided an estimate of \$175 million – \$225 million for the acquisition premium/goodwill.¹⁵ In addition, it was stated “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.”¹⁶

¹¹ Joint Application Page 12, #9.

¹² Jeffrey M. Baudier Direct Testimony Page 34, Lines 16-20.

¹³ JA Exhibit JMB-3, Page 17, Bullet Point #3.

¹⁴ Discover Request NMDOJ 3-14, Page 18, Letter D.

¹⁵ Discover Request NMDOJ 3-14, Page 18, Letter D.

¹⁶ Discover Request NMDOJ 3-14, Page 1, Letter C.

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1 **Q. Where in the application is the recovery of acquisition premium costs related to this**
2 **proceeding addressed?**

3 **A.** The portion of the application that addresses the recovery of the acquisition premium cost
4 can be found on page 12, letter B, number 9. This is found under section “IV. BENEFITS
5 OF THE TRANSACTION AND ASSURANCE OF REASONABLE AND PROPER
6 SERVICE AT FAIR, JUST, AND RESONABLE RATES”. This section is then broken
7 into 2 separate lists, letter A, “The Transaction provides the following principal new
8 benefits to NMGC customers”, and letter B, “The Transaction and related commitments
9 maintain or strengthen existing benefits and protections to ensure NMGC will continue to
10 provide reasonable and proper utility service at fair, just, and reasonable rates”.

11
12 **Q. What benefit does the commitment to not seek recovery of the acquisition premium**
13 **costs provide, if any?**

14 **A.** The benefits of not seeking recovery of the acquisition premium will assure reasonable and
15 proper service at fair, just and reasonable rates. If the requested regulatory approvals were
16 to be granted by the Commission, Staff recommends that NMGCO should be required to
17 add to its commitment not to attempt the collection of the acquisition premium through
18 Allowance for Funds Used During Construction (“AFUDC”). In the Settlement Testimony
19 of Andrea C. Crane for Case no. 13-00231-UT, an additional term for Acquisition Premium
20 was noted, “NMGC will not seek to recover the acquisition premium from ratepayers.
21 NMGC also agrees to eliminate any impact of the acquisition premium from the Modified

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1 Massachusetts Methodology used to allocate common costs or from the calculation of an
2 Allowance for Funds Used During Construction ("AFUDC")."¹⁷

3
4 **Q. Will NMGC seek recovery for any of the transaction costs related to this proceeding?**

5 **A.** BCP applicants have stated in their application¹⁸, the direct testimony of Mr. Baudier¹⁹ and
6 in JA Exhibit JMB-3²⁰, that direct costs will not be recovered, directly or indirectly, from
7 NMGC customers. These costs include, but are not limited to: "legal fees, investment
8 banking fees, accounting fees, consulting fees, costs of this Commission proceeding, Hart-
9 Scott-Rodino filing fees, FCC filing fees, and employee travel expenses, accrued by Joint
10 Applicants."²¹ Capital expenditures that are determined to be used and useful and that were
11 made to complete the transaction or as part of the transition, after the transaction has closed,
12 were noted as items that NMGC may seek recovery of, except for those capital expenses
13 that are explicitly excluded by NMGC/the applicants. Per NMDOJ discovery 1-31, it was
14 stated: "Examples of anticipated capital expenditures include software & hardware to
15 replace investments currently hosted by NMGC's affiliates, including standing up a new
16 enterprise resource planning system, enterprise security system, and other information
17 technology items. In addition, NMGC anticipates that it will need to procure additional

¹⁷ In Support of Settlement Testimony, Andrea C. Crane, Page 3, Lines 19-20, Page 4, Line 1-2. NMPRC Case no. 13-00-231-UT.

¹⁸ Joint Application Page 13, #10.

¹⁹ Jeffrey M. Baudier Page 35, #4.

²⁰ JA Exhibit JMB-3, Page 17, Bullet Point #4.

²¹ Joint Application Page 13, #10.

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furniture and other equipment for the additional positions being created at NMGC.”²²

These requests are subject to review by the Commission.

Q. Where in the application is the recovery of transaction costs addressed?

A. The portion of the application that addresses the recovery of transaction cost(s), can be found on page 13, letter B, number 10. This is found under section “IV. BENEFITS OF THE TRANSACTION AND ASSURANCE OF REASONABLE AND PROPER SERVICE AT FAIR, JUST, AND REASONABLE RATES”. This section is then broken into 2 separate lists, letter A, “The Transaction provides the following principal new benefits to NMGC customers”, and letter B, “The Transaction and related commitments maintain or strengthen existing benefits and protections to ensure NMGC will continue to provide reasonable and proper utility service at fair, just, and reasonable rates”.

Q. What benefit does the commitment to not seek recovery of transaction costs provide, if any?

A. Transaction costs include those associated with the negotiation and closing of the transaction. BCP Applicants have agreed to maintain thorough accounting to include all costs associated with the negotiation, brokers fees, costs for obtaining necessary approvals and costs incurred with the closing of this transaction.²³ Warranting that these costs are accurately tracked remains beneficial to NMGC rate payers to assure reasonable and proper

²² Discovery Request NMDOJ 1-31.

²³ Jeffrey M. Baudier Direct Testimony Page 24, Lines 6-11.

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1 service at fair, just and reasonable rates. Staff notes concern to a statement in the testimony
2 of Mr. Baudier, “However, NMGC may seek recovery of capital expenditures made in the
3 course of completing the Transaction or as part of the transition to a standalone utility if
4 the capital assets are used and useful after the closing of the Transaction, except as
5 explicitly excluded in this proceeding or through the express agreement of the parties and
6 approved by the Commission.”²⁴ These transition costs are discussed in the testimony of
7 Naomi Velasquez, in which higher rates are estimated.

8
9 **Q. Does NMGC agree to annual reporting as a part of this transaction?**

10 **A.** BCP applicants have stated in their application²⁵, the direct testimony of Mr. Baudier²⁶ and
11 in JA Exhibit JMB-3²⁷:

12 “1. NMGC will continue to abide by all applicable NMPRC rules, regulations, and orders,
13 including compliance with all Class I transaction requirements;

14 2. NMPRC jurisdiction over NMGC will remain in place and will not be diminished or
15 adversely affected in any manner as a result of the Transaction;”²⁸

16 With the above notated compliance with rules, regulations and orders, it is Staff’s
17 understanding that this is to include compliance with Rule 220, which states “NMPSC Rule
18 220 [17.3.220 NMAC] shall govern the reports required under Commission rules from

²⁴ Jeffrey M. Baudier Direct Testimony Page 35, Lines 7-12.

²⁵ Joint Application Page 15-16 #23-24.

²⁶ Jeffrey M. Baudier Direct Testimony Page 39, Lines 17-20.

²⁷ JA Exhibit JMB-3, Page 27, #10 A-B.

²⁸ Jeffrey M. Baudier Direct Testimony Page 39, Lines 17-20.

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1 electric, gas, water, and sewer utilities subject to the jurisdiction of the Commission.
2 NMGC has specifically stated that it will continue to file customer service reports as
3 ordered in Case No. 09-00163-UT to also include reports regarding leak response time and
4 damages.²⁹ In addition, they have noted their compliance with reporting to any Class I or
5 Class II transactions.³⁰
6

7 **Q. What benefit does the commitment to annual reporting provide, if any?**

8 **A.** Annual reporting is a benefit in that its intent is to improve the NMPRC's ability to monitor
9 and enforce compliance with the reporting requirements set forth in the commission's Code
10 of Rules and Regulations. While it is beneficial for the reasons stated above, it is a
11 requirement per Rule 220, therefore compliance is not optional. . Rule 220 defines "Annual
12 Reports" as the reports required by NMPRC Rules 510, 610 and 720, with only Rule 610
13 applicable to this case. Rule 610 requires that the utility shall submit, annually for each
14 calendar year; Form 1 regarding jurisdiction customer numbers, annual report for natural
15 gas companies prescribed by FERC ("Form 2"), detailed listing regarding compliance or
16 failure to comply with final orders and SEC 10K, if applicable. In addition, Rule 220
17 defines "Report" as a written document or oral notification as required by the Commission
18 rule containing certain information which a utility provides to the Commission on a regular
19 basis or in response to a certain event or action prescribed by a Commission rule. NMAC
20 17.6.450.13A2(b) requires that a verified annual report covering the last calendar year's
21 Class II transactions be filed as an addendum the annual report. NMAC 17.6.450.13 B

²⁹ Jeffrey M. Baudier Direct Testimony Page 33, Lines 13-16.

³⁰ JA Exhibit JMB-3 Page 25.

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1 requires a Class I Transactions Reports, which is discussed more in detail in the following
2 section of my testimony. If the requested regulatory approvals were to be granted by the
3 Commission, NMGCO will no longer submit the Canadian securities filing, equivalent to
4 SEC 10K, as they will no longer be a publicly traded company. All securities information
5 required by rule will continue to be filed with the Commission. If the Commission wants
6 something similar to the Canadian version of the SEC 10K, the Commission would need
7 to order BCP/NMGC to file the equivalent filing since that filing was required pursuant to
8 the stipulation in the last NMGC Merger with TECO and EMERA.

9
10 **Q. How will this PSA affect NMGC Class I Transaction requirements?**

11 **A.** During the aforementioned 18-month transition period, Emera and its affiliates will
12 continue to provide services to NMGC, however, Emera and NMGC will no longer be
13 affiliated, nor fall under Class I transactions.

14 Due to NMGC transitioning to a standalone entity, there will be no anticipated affiliate
15 transactions. As stated in Jeffrey M. Baudier's testimony, "Regarding any future Class I
16 transactions, NMGC will timely comply with the notice and information requirements of
17 Rule 450."³¹ Staff is aware that compliance is not a guarantee, but compliance is enforced
18 pursuant to NMPRC 17.6.450.18 "ENFORCEMENT: Enforcement of NMPSC Rule 450
19 [17.6.450 NMAC], any provision thereof, or any order of the Commission pursuant to
20 NMPSC Rule 450 [17.6.450 NMAC] may be accomplished through any sanction, method,

³¹ Jeffrey M. Baudier Direct Testimony Page 47, Lines 16-17.

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1 or procedure expressed or implied in the Public Utility Act.”, in order to support
2 compliance.

3
4 **Q. Where in the application is the commitment to reporting of class I transactions**
5 **addressed?**

6 **A.** The portion of the application that addresses the commitment to reporting of class I
7 transactions can be found on page 14-15, letter B, number 18. This is found under section
8 “IV. BENEFITS OF THE TRANSACTION AND ASSURANCE OF REASONABLE
9 AND PROPER SERVICE AT FAIR, JUST, AND REASONABLE RATES”. This section
10 is then broken into 2 separate lists, letter A, “The Transaction provides the following
11 principal new benefits to NMGC customers”, and letter B, “The Transaction and related
12 commitments maintain or strengthen existing benefits and protections to ensure NMGC
13 will continue to provide reasonable and proper utility service at fair, just, and reasonable
14 rates”.

15
16 **Q. What benefit does the commitment to reporting of class I transactions provide, if any?**

17 **A.** Reporting of class I transactions is a benefit as it assures reasonable and proper utility
18 service at fair, just, and reasonable rates, to assure that appropriate cost allocations are
19 made; and to assure that no cross-subsidization occurs between the utility and an affiliated
20 interest. While it is beneficial for the reasons stated above, it is a requirement per Rule
21 450, therefore compliance is not optional.

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1

2 **Q. Does Staff agree that all of the above commitments are indeed “benefits” as they**
3 **indicate by their placement in the application?**

4 **A.** Staff does believe that all of the above listed commitments are beneficial to New Mexico
5 rate payers. This ensures that rates are kept fair just and reasonable. With that being said,
6 these benefits are already in existence, they are only a continuation of existing benefits and
7 do not provide any betterment to the current conditions already in place. These conditions
8 would continue to be in place regardless of the proposed transaction, if the requested
9 regulatory approvals were not to be granted by the Commission.

10

11 **Q. Does Staff have any additional comments to add?**

12 **A.** Yes, concerns remain regarding a more detailed commitment to no workforce cutbacks, no
13 location changes and hiring plans to keep jobs within New Mexico, in addition to the
14 possibility of the Acquisition Premium collection through AFUDC. Also, as mentioned in
15 my testimony, added costs associated with transitioning from shared services to stand
16 alone remain of concern to rates, which is addressed in the testimony of Naomi Velasquez.

17 Staff recommends that the Commission disapprove the Joint Application until the above
18 commitments are solidified with greater detail on intentions. If the Commission orders to
19 approve the Joint Application, Staff is requesting that Joint Applicants submit a more
20 detailed plan on efforts to keep new jobs in New Mexico, commit that no substantial
21 workforce cutbacks nor location changes would occur for a set period of time, and agree
22 to eliminate any impact of the acquisition premium from the Modified Massachusetts

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1 Methodology used to allocate common costs or from the calculation of an Allowance for
2 Funds Used During Construction ("AFUDC").

3 **Q. Does this conclude your testimony?**

4 **A.** Yes.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION)
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GAS COMPANY, INC. BY SATURN UTILITIES)
HOLDCO, LLC.)
) Case No. 24-00266-UT
JOINT APPLICANTS)
_____)

AFFIRMATION OF FELICIA S. JOJOLA

Pursuant to 1.2.2.10(E) and 1.2.2.35(A)(3) NMAC of the Public Regulation Commission Rules of Procedure, Felicia S. Jojola 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 *Prepared Direct Testimony of Felicia S. Jojola* are true and correct to the best of my knowledge, information, and belief.

FURTHER, AFFIRMANT SAYETH NAUGHT.

Executed on April 18th, 2025.

/s/ Felicia S. Jojola
Felicia.jojola@prc.nm.gov
1.2.2.7(E)(2) and 1.2.2.10(E)(4) NMAC electronic signature
Public Utilities Economist
Utility Division
New Mexico Public Regulation Commission

NMDOJ INTERROGATORY 1-5:

Please list all approvals required to complete the transaction, other than approval by the New Mexico PRC. Please include the status of each such approval and provide copies of all documentation submitted to date related to each approval.

RESPONSE:

Karen Hutt / Jeffrey M. Baudier

1. Clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR”). The filing of the requisite Notification and Report Forms is anticipated on or before January 5, 2025. No documentation has been submitted to date.

2. Consent from the Federal Communications Commission (“FCC”) for a transfer of control over wireless radio licenses is required. Joint Applicants anticipate that they will apply for such FCC consent during the second quarter of 2025 by submitting one or more FCC Form 603s. No documentation has been submitted to date.

**IN THE MATTER OF THE JOINT APPLICATION
FOR APPROVAL TO ACQUIRE
NEW MEXICO GAS COMPANY, INC.
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JOINT APPLICANTS

/s/ Karen Hutt

Karen Hutt

STAFF INTERROGATORY 1-1:

Regarding the statement on page 14, lines 17-18, of the testimony of witness Baudier concerning the composition of the new board of directors, will the referenced “business and community leaders” be independent board members?

RESPONSE:

Jeffrey M. Baudier

Yes. The expectation is that the current NMGC board members, with the exception of the Emera board members, will remain on the NMGC board. If current board members who are business and community leaders choose not to remain on the NMGC board, they will be replaced by business and community leaders who will be independent board members.

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JOINT APPLICANTS

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Staff's First Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

/s/ Jeffrey M. Baudier

Jeffrey M. Baudier

STAFF INTERROGATORY 2-8:

In Part B of JA Exhibit JMB-3, the applicants state that they will seek to procure certain services “from third-party vendors.” Would New Mexico vendors for these services be given priority during the procurement process?

RESPONSE:

Ryan A. Shell

On page 14 of 29 of JMB-3 (NMGC’s Amended General Diversification Plan) NMGC states that “Over the course of the term of the TSA, NMGC will replace the shared service functions by hiring new employees in New Mexico or procuring such services from third-party vendors.” As stated in response to WRA Interrogatory 1-7, “the Company is proceeding under the stated preference of hiring in-house before retaining third-party vendors to provide support services, and will only retain outside vendors if the service cannot be provided efficiently and competently with in-house hires.” NMGC’s first preference is to hire new employees to replace shared services. These employees would be in New Mexico. In the event NMGC retains outside third-party vendor[s] it would give priority to New Mexico vendors in the evaluation process.

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BY SATURN UTILITIES HOLDCO, LLC.**

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JOINT APPLICANTS

RYAN A. SHELL

SIGNED this 13th day of February 2025.

Ryan A. Shell

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 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

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 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 burden and expense on the defendant without serving any significant purpose.

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

$$\begin{array}{c}) \\) \\) \\) \\) \\) \\) \end{array}$$

JOINT APPLICANTS

RYAN A. SHELL

SIGNED this 24th day of February 2025.

Ryan A. Shell

NMDOJ INTERROGATORY 1-31:

Please provide examples of the types of capital expenditures anticipated at page 35, lines 7-9 of Jeffrey Baudier's testimony.

RESPONSE:

Jeffrey M. Baudier

Examples of anticipated capital expenditures include software & hardware to replace investments currently hosted by NMGC's affiliates, including standing up a new enterprise resource planning system, enterprise security system, and other information technology items. In addition, NMGC anticipates that it will need to procure additional furniture and other equipment for the additional positions being created at NMGC.

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

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JOINT APPLICANTS

Jeffrey M. Baudier

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

CERTIFICATE OF SERVICE

I CERTIFY that on this date I sent via email a true and correct copy of the Prepared Direct Testimony and Affirmation of Felicia S. Jojola to the parties listed here.

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DATED this April 18, 2025

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ *Peggy Martinez-Rael* (Electronically signed)
Peggy Martinez-Rael, Paralegal