

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.) Case No. 24-00266-UT
JOINT APPLICANTS)
_____)

PREPARED DIRECT TESTIMONY

OF

MARC A. TUPLER

NEW MEXICO PUBLIC REGULATION COMMISSION

UTILITY DIVISION STAFF

April 18, 2025

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CASE NO. 24-00266-UT

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EXHIBITS

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SELF AFFIRMATION

STAFF EXHIBIT MAT-1	Prior NMPRC Testimony
STAFF EXHIBIT MAT-2	Pre- and Post- Transaction Corporate Structure
STAFF EXHIBIT MAT-3	TECO Holdings, Inc. June 30, 2024 consolidated balance sheet (unaudited)
STAFF EXHIBIT MAT-4	NMGC, Inc. September 30, 2024 balance sheet (unaudited)

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1 **I. Introduction**

2 **Q. Please state your name, occupation and business address.**

3 A. My name is Marc A. Tupler. I am employed by the New Mexico Public Regulation
4 Commission (“NMPRC” or “Commission”) as a Senior Economist in the Utility Division’s
5 Economics Bureau. My official business address is 142 W. Palace Avenue (P.O. Box
6 1269), Santa Fe, NM 87501.

7
8 **Q. Please summarize your educational background.**

9 A. I hold a Bachelor of Science degree in Finance and Accounting from Arizona State
10 University (“ASU”) in Tempe, AZ. I also have extensive formal business- and corporate-
11 level training and have completed courses, seminars, symposiums, and conferences in
12 traditional banking, investment banking, financial statement analysis, budgeting,
13 forecasting, and feasibility analysis over a 25+ year corporate business career. More
14 recently, I have engaged in extensive regulatory-specific training, including utility
15 accounting, rate design, and cost of capital hosted by the Institute of Public Utilities at
16 Michigan State University, the Wisconsin Public Utility Institute, as well as significant
17 industry specific seminars and conferences focused on traditional and alternative
18 regulation, renewable energy procurement, energy efficiency, transportation
19 electrification, resource acquisition, reliability assessment, regional market participation,
20 battery/energy storage systems, and participation in many public advisory and stakeholder
21 meetings. Additionally, I have supported Commission-designated service as a voting

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1 member on the Southwest Power Pool's ("SPP") Cost Allocation Working Group
2 ("CAWG") and am former Chairman of the group. Finally, I have formerly held a Series
3 7 (Investment) Securities license and a commercial real estate broker license.
4

5 **Q. Please summarize your professional experience.**

6 A. After graduating from ASU in 1991, and into 1998, I worked for the commercial banking
7 group for Arizona's largest commercial bank, formerly known as BankOneAZ (now
8 merged with JPMorganChase Bank) as an Information Analyst and Commercial Banking
9 Relationship Management officer. From 1998 to 2006, I worked in the investment banking
10 groups for Morgan Stanley, UBS/PaineWebber and Smith Barney as a Financial Advisor
11 and Investment Consultant, with progressively larger managed equity- and bond-
12 investment portfolios, with assets under management topping \$80 million. From 2006-
13 2019, I held various consulting positions with large and small commercial banks, a regional
14 trust company, as well as a local municipal government's treasury department (in Santa Fe,
15 NM). In August 2019, I joined the NMPRC Utility Division Staff ("Staff") as a Public
16 Utility Economist and was promoted to Senior Economist in April 2022.
17

18 **Q. Have you previously testified before this Commission?**

19 A. Yes, I have. Please see Exhibit MAT-1 for a list of cases in which I have previously
20 provided testimony.
21

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1 **II. Purpose**

2 **Q. What is your responsibility in this case?**

3 **A.** My responsibility in this case is to provide a Staff review and recommendation on certain
4 aspects of the Joint Application (“Application”) in the instant case. Included in my review
5 are the mostly financial health, credit metrics, dividend plan and capital structure
6 parameters. Additionally, I provide a review of the proposed Board of Directors
7 construction, duties and limitations. Other Staff members will address other Transaction-
8 specific areas of attention, as described in the Staff testimony of Daren K. Zigich.

9
10 **Q. Please discuss the documents and materials that you used when preparing your**
11 **recommendations and testimony?**

12 **A.** Staff utilized the Application filed on October 10, 2024, including the testimonies and
13 exhibits from Joint Applicants (“JA”) witnesses Jeffrey M. Baudier, President of Saturn
14 Utilities Holdco, LLC (“Saturn Holdco”) and Senior Managing Director at Bernhard
15 Capital Partners Management, LP (“BCP Management”), Ryan Shell, President of New
16 Mexico Gas Company, Inc. (“NMGC” or the “Company”) (since 2015) and Karen Hutt,
17 Executive Vice President, Business Development & Strategy, for Emera Inc. (“Emera”).
18 Staff also utilized significant discovery responses, supplemental testimony and prior case
19 final orders and recommended decisions, to support our recommendations.

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1 **Q. Please summarize Staff’s overall recommendation in this case.**

2 **A. As discussed in greater detail in the Direct Testimony of Daren K. Zigich, Staff’s overall**
3 **recommendation is for the Commission deny the Application, as filed, as the Application**
4 **is insufficient in scope to meet the minimum threshold for net public benefit.**

5
6 **III. Overview**

7 **Q. What are the JA requesting of the Commission in this current Application?**

8 **A. The JA request Commission approval of the following:**

- 9 • Approval of the Transaction pursuant to NMSA 1978, Sections 62-6-12 and
10 -13, as the acquisition of TECO Energy by Saturn Holdco under the PSA
11 and is lawful and not inconsistent with the public interest;
- 12 • Approval of the Transition Services Agreement (“TSA”) to permit the
13 NMGC Group to receive a variety of support services from Emera and its
14 affiliates for an (18-month) period of time after closing the Transaction;
- 15 • Approval of NMGC’s Amended GDP to engage in the Class II transaction
16 in which NMGC will be acquired and wholly owned indirectly by Saturn
17 Holdco¹ and establishing the BCP Applicants as indirect public utility
18 holding companies of NMGC;

¹ Approval of the Amended GDP is in the public interest when NMGC’s ability to provide reasonable and proper utility service at fair, just, and reasonable rates will not be adversely and materially affected by the proposed Class II transaction or its resulting effects; the representations required by Rule 450.10 have been made; the information required by Rule 450.10 has been provided; and the level of investment for the proposed Class II transaction is reasonable.

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- Approval of the divestiture of the NMGC Group by Emera, EUSHI and TECO Holdings; and,
- Grant such other and further approvals, consents, authorizations, and relief as the Commission deems necessary and appropriate to consummate and implement the Transaction, the TSA and NMGC's Amended GDP.²

Q. Why did the JA file this Application with the Commission?

A. In this Joint Application, Emera Inc ("Emera"), New Mexico Gas Company, Inc. ("NMGC"), Saturn Utilities Holdco, LLC ("Saturn Holdco"), and affiliated applicants, seek approval of the acquisition by Saturn Holdco of NMGC and the divestiture by Emera, Emera U.S. Holdings, Inc., and TECO Holdings, Inc. of their current ownership of NMGC ("Transaction"). BCP Applicants seek to acquire NMGC through the purchase of TECO Energy, LLC ("TECO"). TECO Energy, LLC, currently owns all the shares of New Mexico Gas Intermediate ("NMGI"), which, in turn, owns all the shares of NMGC.

More simply stated, the Application is a request for approval to change the ownership of TECO Energy, an upstream parent company of NMGC. NMGC will continue to exist as

² The Transaction is also subject to certain other non-NMPPRC regulatory approvals, including an anti-trust review by the United States Department of Justice or Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvements Act ("Hart-Scott-Rodino"). Additionally, a filing with the Federal Communications Commission ("FCC") will be made associated with the FCC licenses maintained by NMGC due to the change in ownership of the parent company of the operating company holding the FCC licenses. The other regulatory approvals are anticipated to be obtained in the first half of 2025.

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1 a separate corporate entity that is wholly owned directly by NMGI (and indirectly by TECO
2 Energy).

3
4 **Q. What steps were taken to effectuate the Transaction?**

5 A. Following a competitive bidding and analysis process, on August 5, 2024, Emera US
6 Holdings, TECO Holdings, and Saturn Holdco entered into a Purchase and Sale Agreement
7 (“PSA”) through which Saturn Holdco would effect the Transaction to purchase NMGC.
8 Saturn Holdco will directly own TECO Energy, which owns NMGI, which owns NMGC.
9 The ultimate upstream owners of Saturn Holdco are the BCP Infrastructure Funds, further
10 managed by the BCP Applicants.

11
12 **Q. Please briefly describe New Mexico Gas Company, Inc.**

13 A. NMGC is a public, gas distribution utility headquartered in Albuquerque, NM. The
14 Company is a subsidiary of Florida-based TECO Energy, Inc. ("TECO"), which, in turn, is
15 a wholly-owned subsidiary of Emera Inc. ("Emera"), a publicly-traded, Canadian,
16 multinational energy holding company. NMGC is directed by a nine-member Board of
17 Directors (with six independent and local Directors) and provides natural gas sales and
18 transportation service to approximately 549,000 customers and approximately 1.3 million
19 people throughout the state of New Mexico. The Company’s service area comprises
20 approximately 6,500 square miles throughout the state and encompasses 60% of the state’s
21 population. NMGC’s largest concentration of customers (approximately 365,000) is
22 located in the Central Rio Grande Corridor, which includes the communities of

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1 Albuquerque, Belen, Rio Rancho, and Santa Fe. NMGC's headquarters are located in
2 Albuquerque, and it has service centers and offices throughout their service area.
3 Approximately 99% of the Company's customers are households or small businesses that
4 primarily use natural gas for heating their homes and businesses. Annual natural gas
5 throughput was 1 billion therms in 2024.

6
7 JA witness Shell states also that NMGC owns and operates a large gas transmission
8 network consisting of approximately 1,500 miles of transmission pipeline in its distribution
9 service territories throughout the state, which includes a distribution network of more than
10 11,000 miles of distribution pipeline, altogether serving the majority of the NM population
11 across more than two-thirds of the counties in the State. The Company has approximately
12 740 employees in its regions throughout the state.

13
14 **Q. Please briefly describe the BCP Applicants.**

15 A. BCP Applicants are comprised of a variety of stacked, integrated, and financially
16 interwoven limited partnerships ("LPs") and limited liability companies ("LLCs"). Further
17 in the corporate structure are the BCP Infrastructure Funds and the Saturn Companies, all
18 of which are intended as special purpose entities ("SPE"), and have been created within the
19 last twelve (12) months, done typically to accommodate a proposed transaction and are not
20 yet capitalized. This type of corporate structuring, with "no balance sheets, income
21 statements, cash flow statements, debt-to-equity ratios, or long-term or short-term debt

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1 obligations”³ is typical of the industry for financial, legal and tax reasons, which are beyond
2 the scope of this testimony.

3
4 Additionally, the JA state that the BCP Infrastructure Funds will be the entities seeking
5 third-party funding, not the Saturn Companies. BCP partner and JA witness Baudier states
6 that “[b]ecause third-party investment will be made at the BCP Infrastructure Funds level,
7 and not at Saturn Utilities Aggregator, LP or Saturn Utilities Topco, LP, the latter do not
8 have [Private Placement Memoranda] associated with them.”⁴ The sole investors in the
9 latter will be their respective parent entities, leading ultimately to the BCP Infrastructure
10 Funds. Further, witness Baudier summarizes that Saturn Holdco will essentially replace
11 Emera as owner of NMGC.”⁵

12
13 **Q. Please describe Bernhard Capital Partners Management, LP.**

14 A. Also included in the corporate structure is Bernhard Capital Partners Management, LP
15 (“BCP Management”), the entity which supports four downstream investment funds, (other
16 than the BCP Infrastructure Fund that is an applicant in this proceeding). Those four funds
17 include – BCP Fund II, LP; BCP Fund III, LP; BCP Energy Services Fund, LP; and BCP

³ Supplemental Testimony And Exhibits of JEFFREY M. BAUDIER In Response To February 19, 2025 Hearing Examiners’ Bench Request, p.14.

⁴ Supplemental Testimony And Exhibits of JEFFREY M. BAUDIER In Response To February 19, 2025 Hearing Examiners’ Bench Request, p.10.

⁵ Direct testimony of JA witness Baudier, p. 5.

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1 Infrastructure Fund, LP (collectively, “the Non-Participating BCP Funds”) - collectively
2 include 17 portfolio companies.⁶

3
4 BCP Management acts as an investment manager to an extensive portfolio of operating
5 companies and is well-versed in the industries in which the funds are invested. This track
6 record, and the attendant capital needs, show the BCP entities have the experience and
7 capacity to provide support for their investors and their portfolio companies. BCP
8 Management does not manage the operations of any of the portfolio companies, and,
9 accordingly, would not manage the operations of NMGC.

10
11 As described in the Amended GDP, BCP Management has worked with investors to deploy
12 capital in over 70 services focused companies across 20 operational platforms, including
13 investments in several utility companies. These companies employ over 20,000 people
14 globally. Funds BCP Management supports have invested in the following portfolio
15 companies:

- 16 • National Water Infrastructure, a wastewater utility headquartered in
17 Prairieville, La., provides wastewater services to customers in
18 Ascension, Livingstone and East Baton Rouge parishes;
19
- 20 • Elevation, headquartered in Chandler, Arizona, provides whole-home
21 energy solutions through a combination of solar, energy storage, energy
22 efficiency and energy monitoring services;
23
- 24 • Allied Power, headquartered in Baton Rouge, Louisiana, provides
25 operations, maintenance, radiological and environmental services to
26 primarily nuclear and fossil fuel markets;

⁶ Joint Applicants’ Response to New Mexico Department of Justice First Set of Interrogatories and Requests for Production of Documents, NMDOJ Interrogatory 1-3. p.5.

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- United Utility, headquartered in New Orleans, Louisiana, provides installation, maintenance and repair of overhead and underground transmission and distribution systems;
- ClearCurrent, headquartered in Raleigh, North Carolina, is a water and wastewater utility.

In addition, other funds for which BCP Management provides investment support are in the process of acquiring certain natural gas local distribution companies (“LDCs”) in Louisiana and Mississippi.

Q. Who are the partners (including both limited and general partners) of BCP Management LP, and provide the ownership interest for each such partner.

A. According to JA witness Baudier, the partners of Bernhard Capital Partners Management, LP are J.M. Bernhard, Jr., Jeffrey S. Jenkins, Jeffrey W. Koonce, Mark D. Spender and Christopher M. Dillon.⁷ Information regarding the ownership interest of each partner is confidential and still to be determined at the time of this filing.

Q. Please briefly describe Saturn Holdco, LLC.

A. Saturn Holdco, the buyer in this proposed Transaction, is a newly created Delaware limited liability company, and special purpose entity (“SPE”), formed solely for the purpose of entering into the PSA, completing the Transaction, and ultimately owning 100% of the Equity Interest of TECO Energy. Saturn has not engaged in any business, except for the

⁷ NMDOJ Interrogatory 1-4,

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1 activities necessary and incidental to those purposes and is an indirect, SPE subsidiary of
2 the BCP Infrastructure Funds. Additionally, by retaining TECO Energy and NMGI in the
3 ownership structure, it allows NMGC to retain existing income tax-related balances and
4 treatment. This ensures that the Transaction avoids creating negative tax-related
5 consequences for customers.
6

7 **Q. How is the Saturn entity capitalized?**

8 A. Saturn Holdco intends to fund the purchase of the Equity Interests of TECO Energy
9 through a mix of equity and debt consisting of \$448,900,000 of equity from the BCP
10 Infrastructure Funds, \$250,000,000 of private debt, which is non-recourse to NMGC, and
11 the assumption of approximately \$550,000,000 of portable debt currently at NMGC.
12

13 **Q. Please summarize the proposed Transaction.**

14 A. As reflected in the PSA,⁸ dated August 5, 2024, The JA propose that Saturn Holdco will
15 acquire all of the Equity Interests of TECO Energy, the current holding company of NMGI
16 and NMGC ("Transaction"). The aggregate purchase price is proposed at \$1.252 billion,
17 which is comprised of approximately \$700 million to be paid in cash at closing, plus the
18 assumption of approximately \$550 million of existing debt of NMGC, and further, subject
19 to customary adjustments pursuant to the PSA and industry and regulatory standards. The
20 PSA describes the purchase price to be paid on the Closing Date shall be an aggregate
21 amount equal to:

⁸ Direct Testimony of Jeff M. Baudier, as JA Exhibit JMB-2

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- 1 (i) \$1,252,000,000; plus
2 (ii) Estimated Closing Cash; minus
3 (iii) Estimated Closing Indebtedness; minus
4 (iv) Estimated Closing Seller Transaction Expenses; plus
5 (v) Closing Date Net Working Capital adjustments.⁹
6

7 **Q. What impact does the proposed Transaction have on the operating entity of NMGC?**

8 A. Following the proposed Transaction, NMGC is intended to remain as a distinct, standalone
9 business entity, led by existing, local, management, having its own local, board of directors
10 and maintaining all NM PRC jurisdiction. The JA state “that this Transaction will not
11 impact NMGC’s existing assets, operations, or business. NMGC will continue to be a
12 locally operated natural gas distribution utility with experienced local leadership and
13 workforce and will retain the name New Mexico Gas Company” and with the additional
14 proposal of bringing approximately 51 to 61 new NMGC jobs to NM.¹⁰
15

16 **IV. Financial Health of BCP Entities and TECO Energy**

17 **Q. What is the importance of the up-stream BCP entities’ corporate ownership structure**
18 **and financial health in this case?**

⁹ See JA Exhibit JMB-2 p28 of 147, per the PSA, (v) if the Closing Date Net Working Capital exceeds the Target Net Working Capital, the amount by which the Closing Date Net Working Capital exceeds the Target Net Working Capital; minus (vi) if the Target Net Working Capital exceeds the Closing Date Net Working Capital, the amount by which the Target Net Working Capital exceeds the Closing Date Net Working Capital.

¹⁰ Direct Testimony of Jeff M. Baudier, p.24.

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1 **A.** The BCP entities use of specific holding company SPEs, such as the intermediate
2 companies described, is not uncommon in the context of investment or corporate
3 ownership, due to its legal, financial, and tax protections, among other corporate entity-
4 specific protections, and indeed is desirable in order to implement debt financing that is
5 non-recourse to NMGC. With this corporate structure, the intermediate entities are able to
6 obtain debt financing for the Transaction without any liability for NMGC or the use of any
7 NMGC assets as collateral. The financial health or operations of NMGC will not be
8 adversely impacted by the existence of the intermediate companies post-closing and are
9 intended to protect NMGC from any up-stream financial difficulties.

10
11 **Q.** **What is Staff's evaluation of the financial health of the BCP entities?**

12 **A.** Because each of the BCP Infrastructure Funds and the Saturn Companies were formed
13 within the last twelve months, as SPEs for the specific purpose of this Transaction only,
14 and do not yet have any operations or ownership of entities other than one-another, they do
15 not yet have balance sheets, income statements, cash flow statements, debt-to-equity ratios,
16 or debt obligations. As such, there is no financial capacity to evaluate.

17
18 **Q.** **What financial impact do the BCP entities have related to NMGC?**

19 **A.** Other than the ultimate equity ownership of NMGC, it is Staff's opinion that the BCP
20 Infrastructure Funds, outside of the Saturn Companies, have no contractual relationships
21 with NMGC, and thus, no financial obligations intended other than equity adjustments, as
22 approved and as needed.

1 **Q. How is this protective of the independence of NMGC?**

2 As described, with the absence of any contractual or direct relationships, the structural
3 separation of the companies through the use of intermediate SPE entities, and many of the
4 JA's commitments included in the Application, the BCP entities intend to ensure that there
5 is appropriate ring-fencing provisions that would avoid potential recourse to NMGC for
6 any debt that were held by the BCP funds (which will not themselves contain debt) or the
7 Saturn Companies.¹¹ This and other protective ring-fencing measures, will be
8 implemented to ensure protection from up-stream financial pressure, direct defaults, cross-
9 defaults, cross-collateralization, and other related entity defaults. Further analysis of these
10 protective, ring-fencing measures is addressed by Staff witness Larry Blank.

11
12 **Q. What is the importance of the TECO Energy financial health in this case?**

13 **A.** As TECO Energy is the up-stream, direct beneficial owner of NMGC (through 100%
14 ownership of the equity of direct parent company, NMGI), its financial health not only
15 provides proxy to NMGC health but also shows the entity's consolidated financial position.

16
17 **Q. What is TECO Energy's financial health in this case?**

18 **A.** As of June 30, 2024, TECO Holdings, Inc. reported assets of \$17 billion, consisting
19 primarily of Gas and Electric utility assets of approximately \$14.5 billion in total property,
20 plant and equipment (net of accumulated depreciation of \$4.5 billion), along with current

¹¹ Supplemental Testimony of JA's witness Jeffrey M. Baudier, at p.9.

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1 assets of \$849 million, consisting mainly of Accounts Receivable of \$408 million,
2 materials and supplies reported at \$196 million and cash of \$59 million.¹² TECO Energy
3 liabilities of \$10 billion, at the same date, consist mainly of current liabilities of
4 approximately \$1.80 billion, long term debt totaling \$5.3 billion, deferred tax liabilities of
5 \$1.2 billion and regulatory liabilities of \$1.2 billion. Reported equity in the entity was
6 \$6.98 billion as of June 30, 2024 and shows a Debt/Equity ratio of 1.43x. TECO Holdings,
7 Inc. also reported net income for the most recent year ended 12/31/23 of \$589 million on
8 \$3.7 billion in revenues. Revenues for the year consisted of \$2.7 billion from regulated
9 electric holdings and approximately \$1.1 billion from regulated gas holdings. Expenses
10 reported of \$2.7 billion consisted of operations and maintenance expenses of \$888 million,
11 fuel of \$594 million, depreciation and amortization of \$516 million, taxes (other than
12 income taxes) of \$313 million. Including depreciation/amortization of \$516 million,
13 interest expense reported at \$280 million and income taxes of \$129 million, net income
14 was reported at \$589 million for a margin of 16%.

15
16 **Q. Does Staff make any other observations in its evaluation of TECO Energy's financial**
17 **health?**

18 A. Yes, Staff notes that the JA affirm that there are no material off-balance sheet transactions,
19 arrangements, obligations or relationships involving or attributable to the businesses that
20 are not already reflected in the financial statements.

¹² Inclusive of \$10 million in restricted cash as reported on their June 30, 2024 balance sheet (attached as Staff Exhibit MAT-3).

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1
2 Additionally, Staff notes that each intermediary entity, described above, is stated by the JA
3 as "...a limited partnership duly organized, validly existing and in good standing under the
4 laws of Delaware and has all requisite organizational power required to carry on its
5 business as proposed and as now conducted."¹³
6

7 **Q. How can the Commission be assured that the JA are financially sound and qualified**
8 **to own NMGC?**

9 A. While the TECO Holdings' financial strength is outlined in their 2024 financial results
10 described above, Saturn Holdco (and NMGC) will continue to have its credit rating
11 performed by one or more nationally recognized credit rating agencies so their credit
12 metrics can be independently ascertained. Further, the BCP Infrastructure Funds are
13 capitalized by their respective limited partner investors, who are described in the
14 Application as large, institutional investors, such as public and private pension funds,
15 college endowments, insurance companies, labor union funds and other investment groups
16 with extensive experience investing in infrastructure and utility investment vehicles such
17 as the BCP Infrastructure Funds. Each such limited partner is contractually obligated to
18 fund its capital commitments to the fund within 10 business days of BCP Infrastructure
19 Fund II General Partner issuing a capital call notice.
20

¹³ Section 5.9 of the PSA JA Exhibit JMB-2

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1 Further, there are other regulated utilities and other non-regulated utility service providers
2 in the utility, energy, government, infrastructure, and industrial sectors, within the BCP
3 family of portfolio companies, which shows the breadth of experience and funding
4 capabilities of the BCP Applicants.

5
6 Staff's evaluation of the elements in this section shows that the financial health provided
7 by the JA are well within business and industry parameters of balance sheet strength,
8 operating margins and net margins.

9
10 **Q. How do the BCP Applicants intend to fund the future capital requirements of**
11 **NMGC?**

12 A. As reported in the Application, the sources of funding available for the BCP-related
13 transactions will be a blend of debt and equity consistent with the NMPRC-approved
14 capital structure currently in place. These sources will be inclusive of long-term note
15 facilities, a revolving credit facility, utilization of unrestricted cash reserves, and injections
16 of capital to NMGC through the ownership entities, as needed and approved. BCP
17 Applicants expect that the regulated nature of the business, which structurally supports a
18 fair return of and on capital, will continue to attract both debt and equity capital to the
19 business sufficient to accommodate the NMPRC's needs.

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1 **Q. Are these funding provisions adequate?**

2 A. Yes, based on industry and business standards, the funding mechanisms proposed by the
3 JA are fully reasonable and well within industry and business standards.
4

5 **Q. Are there other financial considerations important to the subject Transaction?**

6 A. Yes, the Amended General Diversification Plan (“Amended GDP” or “GDP”) describes
7 the several intermediate entities¹⁴ that will sit between the BCP Infrastructure Funds and
8 Saturn Holdco in the corporate structure. The existence of this ownership structure is
9 favorable, in order to allow higher level debt financing that is non-recourse to NMGC,
10 which in turn, also provides structural flexibility during the BCP Applicant’s time frame
11 and investment horizon in NMGC. The GDP further describes how each of the
12 intermediate companies is to be managed by its direct parent or its general partner, as
13 applicable. Accordingly, it is Staff’s opinion that the governance of Saturn Holdco and
14 NMGC will not be impacted in any material adverse way by the financial actions of the
15 up-stream, intermediate companies post-closing.
16

17 **Q. Does Staff make any other observations related to financial health?**

18 A. Yes, Staff notes that each intermediary entity, described above, is stated by the JA as “...a
19 limited partnership duly organized, validly existing and in good standing under the laws of
20 Delaware and has all requisite organizational power required to carry on its business as

¹⁴ Staff notes that the fund investors are not parties to this proceeding.

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1 proposed and as now conducted.”¹⁵ This proper, legal entity formation assures adequate
2 corporate responsibility upstream, and ensures legal and financial protection for the
3 ultimate, downstream operating entity (NMGC).

4
5 **V. Capital Structure Limits**

6 **Q. What are the basic elements of the current capital structure of NMGC, as reported**
7 **in the Application?**

8 A. According to JA witness Baudier,¹⁶ the actual capital structure of NMGC is portrayed as
9 58% equity and 42% debt, as shown in the top section of the following table:

¹⁵ Section 5.9 of the PSA JA Exhibit JMB-2.

¹⁶ Joint Applicants’ Response to Staff’s First Set of Interrogatories and Requests for Production of Documents:
Staff Interrogatory 1-5. Please note, error in footnote 3 in table, September 30, 2025 date exists in the original
table.

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Table-1 – NMGC Actual and Imputed Cap Structure

Category	As of 9/30/24	Adjustments	As of 9/30/25	Capital Structure	Post-tax Cost of Capital
(in thousands, except percentages)					
Actual					
Equity ⁽¹⁾	\$ 669,010	\$ 107,000	\$ 776,010	58%	***
Debt ⁽¹⁾	\$ 485,000	\$ 70,000	\$ 555,000	42%	4.08%
Total Capitalization	\$ 1,154,010	\$ 177,000	\$ 1,331,010	100%	***
Imputed					
Equity ⁽¹⁾⁽²⁾	\$ 525,417	\$ 107,000	\$ 632,417	52%	9.375%
Debt ⁽¹⁾⁽³⁾	\$ 485,000	\$ 70,000	\$ 555,000	48%	4.08%
Total Capitalization	\$ 1,010,417	\$ 177,000	\$ 1,187,417	100%	6.833%

Footnotes:

*** NMGC does not have an actual cost of equity since equity balances include non-equity rate base such as goodwill

(1) Adjustments include a forecasted \$70 million issuance of long-term debt in 2025 consistent with NMGC's 2023 Rate Case as well as a matching equity contribution at a 52% authorized equity capital structure, and \$31.2 million of remaining equity contributions associated with NMGC's October 2023 \$100 million long-term debt issuance

(2) Equity assumptions based upon NMGC's current approved 52% equity / 48% debt and 9.375% authorized ROE pursuant to the 2023 Rate Case

(3) Debt assumptions were derived from NMGC's 2023 Rate Case as of September 30, 2025

Q. What are the basic elements of the proposed capital structure of NMGC?

A. As shown above, the Application states NMGC's equity ratio is imputed at 52%, and the BCP Applicants have committed to maintaining a post-closing equity ratio of at least fifty percent (50%), until a Final Order in the next general rate case, using a capital structure that includes equity and the par amount of long-term debt.

Q. Have the BCP Applicants proposed a method for curing any equity deficiency at NMGC during the interim period until the next filed rate case?

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1 Yes, the BCP Applicants have stated that if the twelve (12) month average equity ratio falls
2 below fifty percent (50%) for more than two (2) consecutive quarters, additional capital
3 will be invested in NMGC to achieve the minimum fifty percent (50%) equity ratio.
4

5 **Q. Have the BCP Applicants proposed a potential equity rate anticipated in the next filed**
6 **rate case?**

7 A. Yes, it is stated that NMGC will not seek a regulatory equity ratio in its next base rate case
8 in excess of fifty-four percent (54%). The JA agrees that the Commission is not bound to
9 accept this as the equity ratio and acknowledges that other parties may propose different
10 equity ratios in the next rate proceeding.
11

12 Staff's evaluation of the elements in this section show that the capital structure proposed
13 by the JA are well within reasonable industry parameters regarding capital structure and
14 further acquiesce to alternate capital structure proposals, by any party, in the next rate case.
15 As such, Staff supports the proposed capital structure parameters, as filed in the
16 Application.
17

18 **VI. No New NMGC or NMGI Debt**

19 **Q. What is NMGC's current debt structure?**

20 A. From the unaudited balance sheet dated 09/30/24, included in JA's Exhibit NMDOJ 1-1a
21 (attached as Staff Exhibit MAT-4), NMGC's reports total debt of \$895 million. Total debt
22 consists of: (1) \$484 million in long-term debt, (2) \$190 million in regulatory liabilities;

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1 (3) deferred income taxes of \$114 million; and various current liabilities of approximately
2 \$94 million, consisting of approximately \$32 million in accounts payable, \$23 million in
3 customer deposits, \$14 million in short notes payable, \$9.7 million in regulatory liabilities
4 and various other short-term instruments stated at \$15 million.

5
6 **Q. Will the Transaction require the reissuance or refinancing of any existing debt held**
7 **by NMGC?**

8 A. No. The Transaction will not require any issuance, nor refinancing, of existing debt held
9 by NMGC. The JA disclose that any such existing debt will be retired or refinanced in the
10 ordinary course of NMGC's business, but not as part of the Transaction. As such, no
11 further analysis of the NMGC debt structure is within the scope of this testimony.

12
13 **Q. What other measures have the JA committed to in order to protect NMGC from**
14 **undue, up-stream debt or financial influence?**

15 A. In the Application, the JA state that NMGC will not pay excessive dividends to any holding
16 company, and any holding company will not take any action which will have an adverse
17 and material effect on NMGC's ability to provide reasonable and proper service at fair, just
18 and reasonable rates."¹⁷ Further, at section 5 of the GDP, NMGC will not without prior
19 approval of the Commission:

20 "(a) loan its funds or securities or transfer similar assets to any affiliated
21 interest; or

¹⁷ JA Exhibit JMB-3 p26 of 29, GDP Section XIII(4).

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1 (b) purchase debt instruments of any affiliated interests or guarantee or
2 assume liabilities of such affiliated interests.”¹⁸

3 Also, the books and records of NMGC will be kept separate from those of non-regulated
4 businesses and NMGC’s affiliates in accordance with the Uniform System of Accounts.
5 Further, the JA have stated that the Commission and its Staff will have access to the books,
6 records, accounts, or documents of NMGC’s affiliates, corporate subsidiaries or holding
7 companies pursuant to NMSA 1978, Sections 62-6-17 and 62-6-19, and that NMGC will
8 continue to abide by all applicable NMPRC rules, regulations, and orders, including
9 compliance with all Class I transaction requirements.
10

11 **Q. Are there any other Staff observations?**

12 A. The JA state that they are in compliance in all respects with the material terms and
13 conditions of the surviving indebtedness of NMGC, to the extent necessary to avoid an
14 event of default. The proposed corporate structure promotes the non-recourse nature of
15 financing for the benefit of NMGC by ensuring that, in the event of a default by an upstream
16 parent entity (which is not anticipated), the only asset of the defaulting entity would be its
17 immediate subsidiary; NMGC would, reinforced by the continued existence of NMGC
18 Intermediate and TECO Energy, have multiple levels of remoteness from any defaulting
19 entity, and would thereby be protected from any recourse against the defaulting entity.
20

¹⁸ JA Exhibit JMB-3 p26 of 29, GDP Section XIII(5)(a).

1 Staff's evaluation of the elements in this section show that new debt limitations, and indeed
2 prohibitions, provided by the JA are well-defined, measurable and in line with protective,
3 regulatory covenants.

4
5 **VII: Credit Metrics and Ratings**

6 **Q. What is the current credit reporting agency rating of NMGC?**

7 A. The most recent available Fitch Ratings report on the NMGC, dated July 15, 2022, states
8 that:

9 NMGC (rated BBB+/stable)¹⁹ is well positioned within its rating category.

10 Regulation in New Mexico has been less constructive than some other
11 jurisdictions, but has shown signs of improvement, such as the re-
12 introduction of a future test year, which minimizes regulatory lag, and the
13 implementation of a weather-tracker mechanism. While NMGC's stand-
14 alone business profile and credit metrics could warrant a higher rating, Fitch
15 has constrained NMGC's rating to one notch higher than Emera's given
16 NMGC small size within Emera's family.

17
18 **Q. What is an "Investment Grade" rating and what does it signify?**

19 A. While there is no single standard for investment or credit grading, the three major credit
20 rating agencies, S&P, Moody's and Fitch each have their own categories, and granularity

¹⁹ Fitch report dated July 15, 2022 also affirmed the LT IDR of New Mexico Gas Company, Inc. (NMGC) at 'BBB+'.

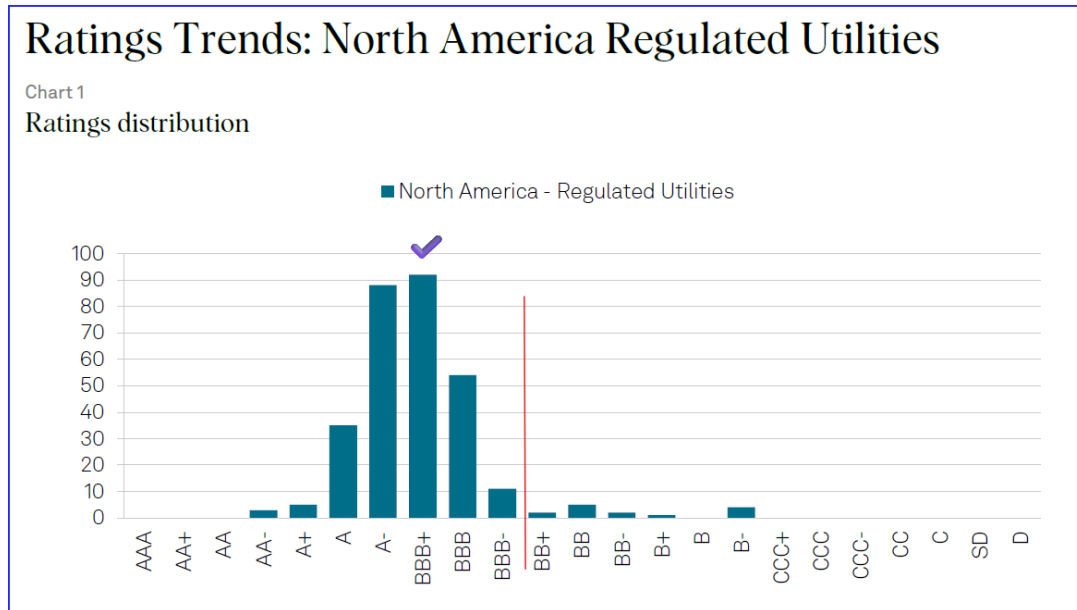
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1 enhancements, for their assigned ratings. These credit ratings are intended to provide
2 market investors, lending banks, related partners, and other market participants with an
3 independent assessment of the creditworthiness of a company. Ratings are not
4 standardized industry wide, but typically range from AAA (highest-quality, lowest risk)
5 down to D (debt in default, highest risk), or some variation on these letter grades.
6 Additionally, a numbering convention of 1 through 3, or a "+" or "-" symbol, are typically
7 used to show relative ranking within each credit category (AAA-D).

8
9 **Q. Where does NMGC's existing (BBB+) credit rating grade fall in the regulated utilities**
10 **environment?**

11 A. The general break out for the credit ratings by the national credit rating agencies is typically
12 identified as the ratings to the left of the red line dividing the chart below. Any credit rating
13 from AAA to BBB- is generally considered investment grade, with ratings to the right of
14 the red line designated as "junk bond" status, or speculative.

Table-2²⁰



As shown above, NMGC's reported credit rating of BBB+ appears adequately in the middle of an industry-wide distribution, and in Staff's opinion, is well positioned for continued success. Staff further notes that any potential improvement in credit rating and metrics would lead to interest cost savings to ratepayers, and indeed provide additional financial protections, if achievable.

Q. How will the Transaction affect the existing credit rating grade of NMGC?

A. In Staff's opinion, this transaction will not materially impact NMGC's existing assets, operations, or business, and thus very little, if any, affect on NMGC's stand-alone credit rating. Additionally, the BCP Applicants have committed to continue to make capital

²⁰ Derived from the S&P Global Ratings: North America Regulated Utilities, Industry Credit Outlook 2024, dated January 9, 2024.

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1 investment in NMGC and to support NMGC's local management team and workforce to
2 maintain the financial health, and investment grade credit rating of the Company.

3
4 **Q. Are there any other credit metrics considerations from Staff's review of the**
5 **Application?**

6 **A.** Staff notes that with continued investment grade credit metrics, as described above, NMGC
7 will continue to have ready access to the debt markets, at reasonable, market-based rates
8 and terms. Staff also notes that any credit grade improvements, as possible, would typically
9 strengthen the Company's balance sheet and would provide potential interest cost savings
10 to ratepayers.

11
12 **VIII. Board of Directors Composition and Duties**

13 **Q. What is the composition of the current NMGC Board of Directors?**

14 **A.** The current NMGC Board of Directors ("NMGC Board" or "Board") consists of nine
15 members, including the NMGC President Ryan A. Shell, two Emera employees (Daniel
16 Muldoon and Scott Balfour), and the remaining members consisting of local business and
17 community leaders²¹ selected to promote experience, knowledge and diversity on the
18 NMGC Board, consistent with good governance practices, with the majority composed of
19 local business and community leaders. Staff notes that the Chair of the Board of Directors

²¹ Remaining current Board of Director members are: Deborah Peacock, Jack McGowan, Marie Longserre, Michael Canfield, Jacqueline Baca, and Adelmo Archuleta.

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1 is Daniel Muldoon, Executive Vice President, Project Development and Operations
2 Support, Emera Inc. and will be replaced after completion of the Transaction.
3

4 **Q. What commitments have the JA made to ensure continuation of the existing NMGC**
5 **Board of Directors?**

6 **A.** Significant additional commitments in the Application include continuation, in
7 substantially similar form, of the local NMGC Board of Directors, post-closing. This
8 Board will continue to provide governance oversight and guidance of the strategy and
9 business plans of the NMGC management team. This Board will continue to have a
10 majority, in form and voting, of NM business and community leaders, as it is currently, but
11 with new members designated by Saturn Holdco, instead, to replace the existing members
12 associated with Emera, upon approval of the Transaction.
13

14 **Q. Are there any other considerations of the NMGC board to be determined after the**
15 **closing of the transaction?**

16 **A.** As mentioned above, after closing the Transaction, the local NMGC Board will continue
17 in substantially similar form and function. In addition to the functions described above,
18 the NMGC President will continue to report to the NMGC Board, which in turn, will
19 continue to provide governance oversight and guidance of the strategy and business plans
20 of the NMGC management team.
21

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1 The only change, as expected, will be to the two (2) Emera-related board members/
2 employees who will be replaced with appointees, as designated by the BCP Applicants.

3 The BCP Applicants affirm that they will seek to retain the other current Board members.
4
5

6 **IX. Dividend Restrictions**

7 **Q. Does NMGC currently pay a dividend to its equity owner?**

8 A. Yes, as reported in the most recent FERC Financial Report Form 2²² dated December 31,
9 2023, NMGC paid dividends of \$54,848,718 to direct parent company, NMGI in 2023 and
10 \$33,330,853 in 2022.
11

12 **Q. Does NMGC intend to continue paying a dividend after the close of this Transaction?**

13 A. Yes.
14

15 **Q. What is the importance of a dividend restriction covenant, as described in the**
16 **Application?**

17 A. The purpose of a dividend-related restrictive covenant is to prevent the funneling of a
18 company's earnings, to an up-stream holding company, to pay debts related to a holding

²² NMGC states in its FERC Form 2 that it is not subject to regulation by the FERC, nor is it required to furnish or file a FERC Form 2 with the FERC. As a result, this FERC Form 2 has not been furnished or submitted to the FERC. However, the Company is subject to regulation by the NMPRC, which requires the Company to furnish an annual FERC Form 2 to the NMPRC. The FERC Form 2 referenced above has been prepared for that purpose.

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1 company's other activities, and to ensure that in this case, NMGC “retains sufficient funds
2 to operate a reliable and stable, regulated utility operation.”²³

3
4 **Q. What has the JA provided as a dividend payment protective covenant?**

5 A. From the Application, the JA have committed that NMGC will not, without prior
6 Commission approval, pay dividends any time its credit metrics are below investment
7 grade.²⁴ Additionally, NMGC agrees to continue to have its credit rating performed by
8 one (currently Fitch), or more, nationally recognized credit rating agencies so long as the
9 BCP Applicants own direct or indirect interest in NMGC.

10
11 Also from the Application, NMGC pledges that it will not, without prior Commission
12 approval, pay dividends in excess of net income, on a quarterly basis; provided, however,
13 NMGC will be permitted to rollover under-utilized dividend capacity in any quarter to a
14 subsequent period for payment.²⁵ Dividends are decided and declared by the NMGC Board
15 of Directors, typically on a quarterly basis, and paid to shareholders, as of a specific
16 declaration and payment date.

²³ Case No. 3170, Recommended Decision at 29 (6-14-01)

²⁴ The restriction on the amount of dividends that may be paid does not apply to equity infused by NMGI into NMGC, which may be transferred out of NMGC without restriction, except that such transfers may not be made if NMGC’s credit metrics are below investment grade. Transfers of funds necessary to pay NMGC’s tax obligations shall not be construed as dividends.

²⁵ The restriction on the amount of dividends that may be paid does not apply to equity infused by NMGI into NMGC, which may be transferred out of NMGC without restriction, except that such transfers may not be made if NMGC’s credit metrics are below investment grade. Transfers of funds necessary to pay NMGC’s tax obligations shall not be construed as dividends.

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1 Staff's evaluation of the elements in this section show that the dividend restriction
2 covenants provided by the JA are well within business best practices²⁶ and ensure proper
3 dividend distributions, as determined by their independent Board of Directors and are
4 adequate in scope to prevent any unjustified dilution of NMGC earnings.

5 **Q. Have the JA provided any dividend reporting provisions?**

6 A. Yes, the JA have committed to continuation of NMGC's practice of filing with the
7 Commission, a notice of its intent to pay a dividend at least fifteen (15) days prior to the
8 dividend being paid, as determined by the independent Board of Directors. Additionally,
9 JA will provide NMPRC Utility Division Staff and the NM Department of Justice with a
10 copy of the applicable notice on the same day it files the notice with the Commission.
11

12 **Q. Please describe the rationale for the JA request that NMGC be "*permitted to rollover*
13 *under-utilized dividend capacity in any quarter to a subsequent period of payment*" as
14 **stated in the Application.****

15 A, JA witnesses Baudier and Shell state in their responses to Staff Interrogatory 1-15,
16 that this dividend provision is similar to the dividend provisions contained in the prior two
17 merger and acquisition transactions involving NMGC. (Case Nos. 13-00231-UT and 15-
18 00327-UT).²⁷ The rationale for this provision is to clarify that the Company has the
19 financial flexibility to adjust the timing of its dividend payments and roll-over any unused

²⁶ Business "best practices" mean generally accepted business techniques to provide quality and efficient service and/or product, as well as providing for company specific measurements against those used by market leaders.

²⁷ Outlined in response to Staff Interrogatory 1-15.

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1 dividend capacity to a future declared dividend. This flexibility allows the Company to
2 better time dividends in ways that help NMGC financially, considering its cash flow and
3 debt requirements in a particular quarter. Staff's agrees that this roll-over provision,
4 addressed here, is a business best practice of protecting justified ownership interest in the
5 Company's earnings distribution. This provision also adds financial flexibility to NMGC's
6 operating and cashflow cycle, while still providing protection of the owner's declared
7 dividend, regardless of when paid.

8
9 **X. Conclusions and Recommendations**

10 **Q. Please summarize Staff's recommendations and conclusions as set forth in this**
11 **testimony.**

12 **A.** As described herein, under the direction and expertise of the existing, local management
13 and leadership team, NMGC will continue to interact with its customers, employees and
14 the community on a day-to-day basis, as it does presently. The majority of the NMGC
15 Board of Directors will continue to be comprised of New Mexico business and community
16 leaders, thereby continuing the local influence on the management direction of the
17 Company, regardless of up-stream ownership.

18
19 Additionally, the JA have attested that "...the Transaction [will not] obstruct, hinder,
20 diminish, impair or unduly complicate the Commission's supervision and regulation of

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1 NMGC”²⁸ and that “the proposed Class II Transaction will not result in any adverse and
2 material effect on NMGC’s utility operations, and NMGC will continue to provide
3 reasonable and proper natural gas utility service at fair, just, and reasonable rates.”²⁹
4 Staff’s evaluation of each of the elements in this testimony show that the provisions
5 provided by the JA are well within business and industry best practices and are adequately
6 structured to continue to provide strong regulatory oversight and reporting.

7
8 However, as indicated earlier in my testimony and based on other Transaction elements
9 not addressed herein, Staff’s overall recommendation is that the Commission deny the
10 Application in this case, as detailed by Staff witness Zigich.

11
12 **Q. Does this conclude your testimony?**

13 **A.** Yes. Thank you.
14

²⁸ JA Exhibit JMB-3, Amended GDP at page 14.

²⁹ JA Exhibit JMB -3, Amended GDP at page 14.

STAFF EXHIBIT MAT-1

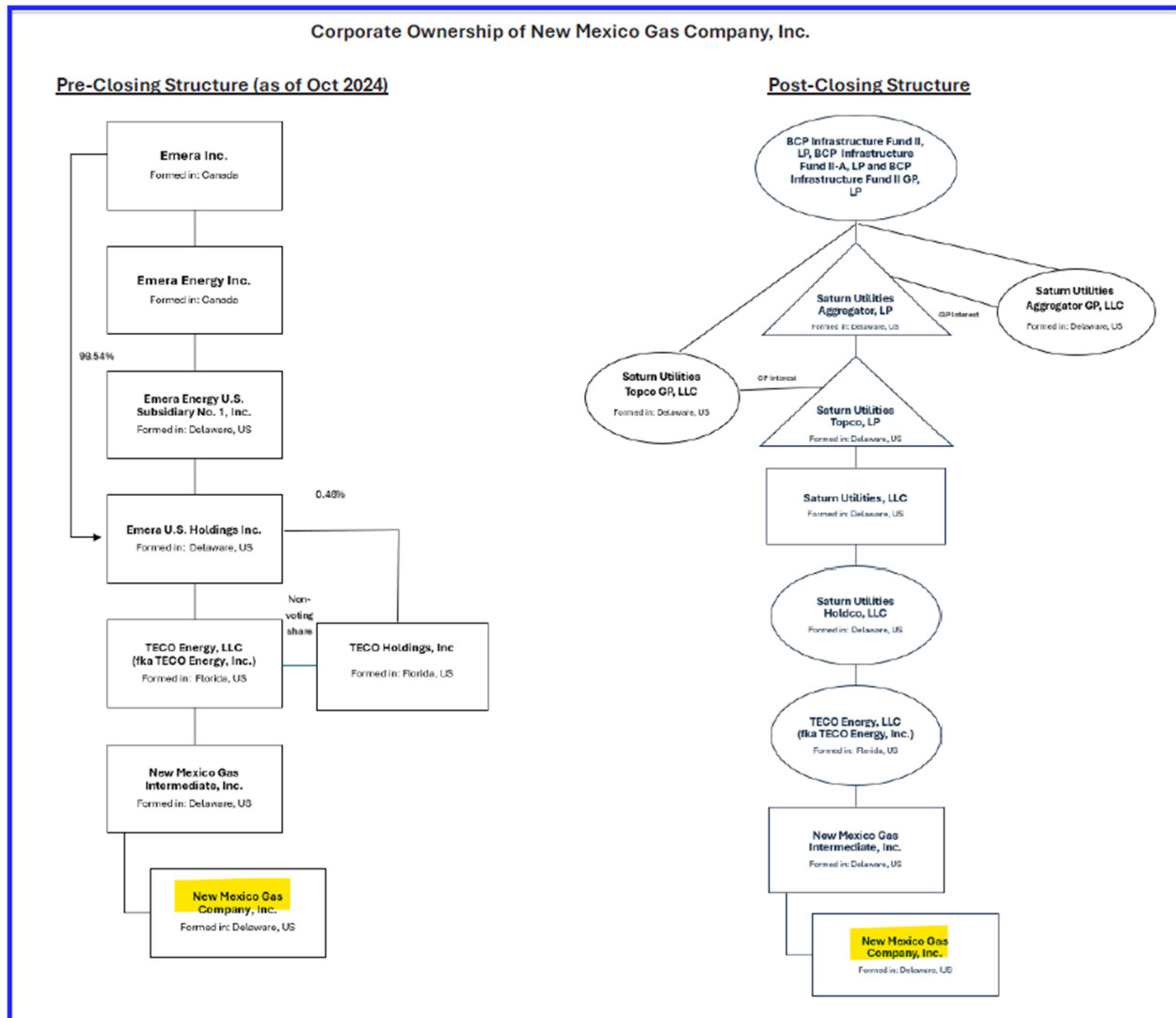
NMPRC Case Participant List

Marc A. Tupler – Senior Utility Economist

Testimony filed:

19-00018-UT	Public Service Company of New Mexico	Abandonment
19-00099-UT	El Paso Electric Company	RPS
19-00348-UT	El Paso Electric Company	Purchased Power
19-00349-UT	El Paso Electric Company	CCN
19-00317-UT	New Mexico Gas Company	Rates
20-00052-UT	Southwestern Public Service Company	Financing
20-00087-UT	Public Service Company of New Mexico	Energy Efficiency
20-00104-UT	El Paso Electric Company	Rates
20-00124-UT	Public Service Company of New Mexico	RPS
20-00177-UT	Raton Natural Gas Company	Energy Efficiency
20-00222-UT	Public Service Company of New Mexico	Merger
20-00238-UT	Southwestern Public Service Company	Rates
20-00241-UT	El Paso Electric Company	TEP
21-00017-UT	Public Service Company of New Mexico	4C Abandonment
21-00143-UT	Public Service Company of New Mexico	RPS
21-00244-UT	New Mexico Gas Company	Financing
21-00222-UT	Zia Natural Gas Company	Energy Efficiency
21-00267-UT	New Mexico Gas Company	Rates
22-00058-UT	Public Service Company of New Mexico	Grid Mod
22-00093-UT	El Paso Electric Company	RPS
22-00143-UT	Public Service Company of New Mexico	RPS
22-00286-UT	Southwestern Public Service Company	Rates
23-00138-UT	Public Service Company of New Mexico	Energy Efficiency
23-00196-UT	Public Service Company of New Mexico	RPS
23-00255-UT	New Mexico Gas Company	Rates
24-00089-UT	Public Service Company of New Mexico	Rates
24-00207-UT	Public Service Company of New Mexico	RPS
24-00259-UT	Southwestern Public Service Company	Rate - IM DR Tariff

STAFF EXHIBIT MAT-2



Source: JA Supplemental Information 2, Page 1 of 1

STAFF EXHIBIT MAT-3

TECO HOLDINGS, INC.

Consolidated Condensed Balance Sheets

Unaudited

Page 1 of 3

TECO HOLDINGS, INC.
Consolidated Condensed Balance Sheets
Unaudited

<i>Assets</i> <i>(millions)</i>	<i>June 30,</i> <i>2024</i>	<i>December 31,</i> <i>2023</i>
Current assets		
Cash and cash equivalents	\$ 49	\$ 220
Restricted cash	10	0
Receivables, less allowance for credit losses of \$5 and \$5 at June 30, 2024 and December 31, 2023, respectively	408	448
Due from affiliates	21	46
Inventories, at average cost		
Fuel	37	39
Materials and supplies	196	191
Regulatory assets	99	200
Prepayments and other current assets	59	46
Total current assets	<u>879</u>	<u>1,190</u>
Property, plant and equipment		
Utility plant		
Electric	14,176	13,655
Gas	4,827	4,648
Other property	29	29
Property, plant and equipment, at original costs	19,032	18,332
Accumulated depreciation	(4,494)	(4,330)
Total property, plant and equipment, net	<u>14,538</u>	<u>14,002</u>
Other assets		
Regulatory assets	891	890
Goodwill	408	408
Deferred charges and other assets	306	273
Total other assets	<u>1,605</u>	<u>1,571</u>
Total assets	<u>\$ 17,022</u>	<u>\$ 16,763</u>

TECO HOLDINGS, INC.
Consolidated Condensed Balance Sheets - continued
Unaudited

<i>Liabilities and Capital</i> <i>(millions, except share amounts)</i>	<i>June 30,</i> <i>2024</i>	<i>December 31,</i> <i>2023</i>
Current liabilities		
Long-term debt due within one year	\$ 450	\$ 473
Notes payable	391	468
Accounts payable	377	483
Due to affiliates	44	35
Customer deposits	169	169
Regulatory liabilities	137	114
Accrued interest	51	39
Accrued taxes	79	23
Other	60	59
Total current liabilities	<u>1,758</u>	<u>1,863</u>
Other liabilities		
Deferred income taxes	1,211	1,168
Regulatory liabilities	1,210	1,177
Investment tax credits	234	238
Deferred credits and other liabilities	287	282
Long-term debt, less amount due within one year	5,339	5,340
Total other liabilities	<u>8,281</u>	<u>8,205</u>
Commitments and contingencies		
Capital		
Common equity (10.0 million shares authorized, par value \$0.01 per share and 1,002 shares outstanding at June 30, 2024 and December 31, 2023)	0	0
Additional paid in capital	3,769	3,385
Retained earnings	3,203	3,299
Accumulated other comprehensive income	11	11
Total capital	<u>6,983</u>	<u>6,695</u>
Total liabilities and capital	<u>\$ 17,022</u>	<u>\$ 16,763</u>

STAFF EXHIBIT MAT-4

NEW MEXICO GAS COMPANY, INC.

Balance Sheet at 09/30/2024

Unaudited

Page 1 of 2

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><u>\$ 1,564,453</u></u>	<u><u>\$ 1,704,834</u></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><u>\$ 1,564,453</u></u>	<u><u>\$ 1,704,834</u></u>

PREPARED DIRECT TESTIMONY OF
MARC A. TUPLER
CASE NO. 24-00266-UT

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.)	Case No. 24-00266-UT
)	
JOINT APPLICANTS)	
)	

**AFFIRMATION (IN LIEU OF AFFIDAVIT)
OF MARC A. TUPLER**

In compliance with Paragraph (3) of Subsection A of Section 1.2.2.35 NMAC (2021) of the Public Regulation Commission Rules of Procedure, I, **Marc A. Tupler**, hereby submit this affirmation and state as follows:

I hereby affirm in writing under penalty of perjury under the laws of the State of New Mexico that the statements, facts, and representations of the NMPRC Utility Division Staff set forth in the foregoing **Prepared Direct Testimony of Marc A. Tupler** are true and correct to the best of my knowledge, information, and belief.

Executed on this 18th day of April, 2025.

/s/ Marc A. Tupler

Sr. Economist, Utility Division
New Mexico Public Regulation Commission

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 Marc A. Tupler** to the parties listed here.

NM Gas Company	
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NEW MEXICO PUBLIC REGULATION COMMISSION

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