

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)
_____)

REVISED APPLICATION REBUTTAL TESTIMONY

OF

DR. CHRISTOPHER A. ERICKSON

October 10, 2025

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NMPRC CASE NO. 24-00266-UT**

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I. INTRODUCTION

**Q. PLEASE STATE YOUR NAME AND A BRIEF SUMMARY OF YOUR
ACADEMIC QUALIFICATIONS.**

A. My name is Christopher A. Erickson. I am the Garrey E. and Katherine T. Carruthers Chair for Economic Development at New Mexico State University (“NMSU”), and I am also Professor in the Economics, Applied Statistics, and International Business Department at NMSU. I have researched the New Mexico economy for more than 35 years, including having authored or co-authored more than 35 economic studies for clients mostly located in New Mexico.

Q. IN WHAT CAPACITY DO YOU APPEAR HERE?

A. I appear here in my capacity as a private consultant. The opinions I express are my own and do not necessarily reflect the views of the NMSU administration or Board of Regents.

**Q. HAVE YOU PREVIOUSLY SUBMITTED PRE-FILED TESTIMONY IN THIS
CASE?**

A. Yes. I filed Direct Testimony on October 28, 2024, Rebuttal Testimony on May 16, 2025, and Revised Application Direct Testimony on July 3, 2025.

**Q. WHAT IS THE PURPOSE OF YOUR REVISED APPLICATION REBUTTAL
TESTIMONY?**

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1 **A.** The purpose is to rebut the Direct Testimony of Dr. Larry Blank (“Dr. Blank”) filed on
2 September 26, 2025, in regard to the economic impact analysis report (“Report”) filed with
3 my Revised Application Direct Testimony as JA Exhibit CAE-1 (“Revised Application”).
4

5 **II. RESPONSE TO THE DIRECT TESTIMONY OF DR. LARRY BLANK**

6 **Q. BRIEFLY SUMMARIZE DR. BLANK’S ASSESSMENT OF YOUR REPORT.**

7 **A.** Two main issues are raised in Dr. Blank’s assessment of my economic impact analysis
8 Report: (1) he believes an emphasis should be on income impact rather than output impact;
9 (2) the economic impact analysis Report did not consider the costs from returning shared
10 services to New Mexico. Dr. Blank is also critical of my analysis of the proposed economic
11 development investments for not performing a retrospective analysis of similar past
12 investments.
13

14 **Q. DO YOU AGREE WITH DR. BLANK THAT THE EMPHASIS BE PLACED ON**
15 **INCOME IMPACT?**

16 **A.** The appropriate emphasis depends on the purpose of the analysis. In some cases, as long
17 as care is taken to avoid confusion in terminology, using labor income impact as a measure
18 of economic impact is reasonable. However, a problem arises in that Dr. Blank appears to
19 use “income” as synonymous with “household income,” while the values reported in the
20 Revised Application refer to “labor income,” a narrower concept. Specifically, labor
21 income consists of wages and salaries, supplements to wages, payroll taxes, and

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1 proprietors' income. It differs from household income in that it excludes property income
2 and transfer payments. My Report was intended to address the overall economic impact
3 of the 20 new jobs on the New Mexico economy. The use of an output impact analysis is
4 appropriate for this type of study.

5
6 **Q. DR. BLANK ASSERTS THAT THE INCOME IMPACT SHOULD BE ADJUSTED**
7 **FOR \$30 MILLION IN CAPITAL EXPENDITURES. WHAT IS YOUR**
8 **RESPONSE?**

9 **A.** In his direct testimony, Dr. Blank states that:

10 We have heard that in addition to the expected labor expenses covered in Dr.
11 Erickson's analysis, there will be capital expenditures of about \$30 million.
12 There remains uncertainty regarding the exact costs to move these support
13 services inside NMGC, and the exact cost may not be known until after the fact.
14 Staff witness Naomi Velasquez presents some accounting in an attempt to
15 itemize these costs based on what we know from discovery.¹

16
17 However, Ms. Valasquez presents no testimony regarding itemized costs in her September
18 29, 2025 Direct Testimony. The source of these claimed \$30 million in capital
19 expenditures is not identified.

20
21 **Q. DR. BLANK'S CONCLUSION IS THAT THE IMPACT OF PHASING OUT**
22 **SHARED SERVICES AND BRINGING SUPPORT FUNCTIONS BACK TO NEW**

¹ Revised Application Direct Testimony of Larry Blank, Page 19, Lines 4-9

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**MEXICO ARE OVERSTATED BECAUSE THEY DO NOT ACCOUNT FOR
ADDITIONAL COSTS TO SET UP THESE SERVICES.² DO YOU AGREE?**

A. No, I do not. Dr. Blank has not provided any support for the assertion that locating business services to New Mexico will involve increased costs.

**Q. DR. BLANK STATES THAT THE COSTS OF PROVIDING SHARED SERVICES
ARE GOING TO BE HIGHER AS A RESULT OF THE LOCATION OF
EMPLOYEES IN NEW MEXICO DUE TO LOSS OF ECONOMIES OF SCALE.
DO YOU AGREE?**

A. No. The premise assumes that economies of scale require co-location of employees, which is an unsupported assertion.

**Q. WHAT IS DR. BLANK'S CRITICISM OF YOUR ANALYSIS OF THE \$5
MILLION ECONOMIC DEVELOPMENT GRANT PROGRAM PROPOSED BY
NEW MEXICO NATURAL GAS COMPANY?**

A. Dr. Blank criticized my analysis for not including a retrospective evaluation of a previous economic development grant program operated by Emera, Inc. and New Mexico Gas Company ("NMGC"). I recommended not studying the prior programs because of the difficulty in tracking specific outcomes of grants completed years ago. Given those data

² Revised Direct Testimony of Larry Blank, Page 22, Lines 13-16.

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1 limitations, any results would have been unreliable and potentially misleading. However,
2 I am able to provide credible anecdotal evidence from one of our team members, Dr.
3 Winingham, who was involved in administering an NMGC economic development grant.
4 That grant achieved a cost per job created of approximately \$2,300, supporting 217 jobs—
5 a performance level that demonstrates the potential for substantial economic benefits from
6 a well-managed economic development grant program.

7
8 **Q. DR. BLANK EXPRESSES CONCERN REGARDING YOUR ESTIMATED**
9 **IMPACT OF THE \$15 MILLION IN CUSTOMER RATE CREDITS. IS THIS**
10 **CONCERN WARRANTED?**

11 **A.** No, it is not. Dr. Blank incorrectly claims that my estimated economic impact from the
12 customer rate credit program, \$3,614,482, significantly underestimates the actual
13 economic impact. Dr. Blank's error arises from his imprecise use of terminology. Dr. Blank
14 treats income as equivalent to household income, when the value reported in JA Exhibit
15 CAE-1 (Revised Application), Table 1, is labor income. The \$15 million rate credit is not
16 in payment for labor services and therefore is appropriately excluded from the labor income
17 total.

18
19 **Q. DESCRIBE THE METHODOLOGY USED BY DR. BLANK TO CALCULATE AN**
20 **ALTERNATIVE ESTIMATE OF THE ECONOMIC IMPACT OF CUSTOMER**
21 **RATE CREDITS.**

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1 **A.** Dr. Blank uses values from the Revised Application to derive an implied labor income
2 multiplier of 1.52, which he applies to the \$15 million rebate credit. This method is flawed
3 because it treats the rebate credit as if it were a wage payment rather than a transfer
4 payment. Unlike payroll expenditures, transfer payments do not originate from business
5 operations, and their effects depend on behavior of the customer who received the rebate.

6
7 **Q.** **HOW DOES YOUR APPROACH AVOID THE PROBLEMS YOU IDENTIFY**
8 **WITH DR. BLANK’S METHODOLOGY?**

9 **A.** My approach accurately reflects how the \$15 million rate credit would flow through the
10 economy by using NMGC customer data to allocate rebate credits to the counties in which
11 the customer is located. Household spending patterns were calibrated to reflect household
12 spending using IMPLAN data to capture differences in spending patterns and marginal
13 propensities to consume by county. For businesses, spending patterns were adjusted by
14 industry at the county level using 2-digit North American Industry Classification System
15 codes and Bureau of Labor Statistics data. The rate credit was applied only to output, with
16 employee compensation and intermediate inputs set to zero, since the credit does not
17 require additional production or hiring. This structure prevents double counting and
18 ensures the impact estimate reflects actual spending behavior rather than inflated
19 production effects, thereby avoiding the overstatement in Dr. Blank’s methodology.

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III. CONCLUSION

- 1
- 2 **Q. DOES THIS CONCLUDE YOUR REVISED APPLICATION REBUTTAL**
- 3 **TESTIMONY?**
- 4 **A. Yes.**

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JOINT APPLICANTS

Dr. Christopher A. Erickson

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CERTIFICATE OF SERVICE

I CERTIFY that on this date I sent via email a true and correct copy of the *Revised Application Rebuttal Testimony of Dr. Christopher A. Erickson*, to the people listed here.

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