

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

LISA M. QUILICI

OCTOBER 10, 2025

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REVISED APPLICATION REBUTTAL TESTIMONY OF
LISA M. QUILICI
NMPRC CASE NO. 24-00266-UT**

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**REVISED APPLICATION REBUTTAL TESTIMONY OF
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I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, AFFILIATION, AND BUSINESS ADDRESS.

A. My name is Lisa M. Quilici. I am a Senior Vice President and member of the Board of Directors of Concentric Energy Advisors, Inc. (“Concentric”), located at 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THE RECORD IN THIS CASE?

A. Yes, I filed Revised Application Direct Testimony on July 3, 2025. I also submitted Rebuttal Testimony pertaining to the original Application on May 16, 2025.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THE INSTANT REVISED APPLICATION REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. I am submitting this Revised Application Rebuttal Testimony on behalf of the Joint Applicants (i.e., Emera Inc. (“Emera”), New Mexico Gas Company (“NMGC”), Saturn Utilities Holdco, LLC (“Saturn Holdco”), and affiliated applicants) in the application regarding the proposed acquisition of TECO Energy, NMGI, and NMGC (collectively, the “NMGC Group”) by Saturn Holdco (the “Transaction”).

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

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1 **A.** The primary purpose of my Revised Application Rebuttal Testimony is to respond to
2 testimony submitted by Larry Blank on behalf of the Utility Division Staff (“Staff”) of the
3 Commission as it pertains to the acquisition premium and goodwill. I also react briefly to
4 the testimonies submitted by Michael Kenney on behalf of Western Resource Advocates
5 (“WRA”) and Stefani Penn, Jason Price and Angela Vitulli of the Coalition for Clean
6 Affordable Energy (“CCAЕ”) as they pertain to the scope of Commission’s review of the
7 Transaction.

8
9 **II. SUMMARY OF REVISED APPLICATION REBUTTAL TESTIMONY**

10 **Q.** **PLEASE PROVIDE A BRIEF SUMMARY OF YOUR RESPONSE TO DR.**
11 **BLANK.**

12 **A.** Dr. Blank asserts that the goodwill that will be recorded on the books of the Buyer if this
13 Transaction is approved and closes is the “value of the intangible assets created by a
14 government-protected monopoly” and “represents that amount that should be transferred
15 to customers as part of this transaction”.¹ This position is both outside the norms of utility
16 regulation in North America and in conflict with economic and financial principles that
17 underlie these regulatory norms. The acquisition premium is in no way the agreed-to
18 valuation of the monopoly franchise of the company. The purchase price reflects the value
19 of the company in its entirety – physical and intangible assets and liabilities. The ultimate
20 value of NMGC includes many items, including NMGC’s skilled workforce, reputation,
21 licenses and permits (which also involve a government grant), among other factors, and

¹ Direct Testimony of Dr. Larry Blank at 8.

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1 reflect current market conditions, expectations about NMGC's performance, and the
2 willingness of investors to put their capital at risk.

3
4 As I discussed in my Direct Testimony, NMGC's customers are entitled to adequate,
5 reasonable, and efficient utility service in return for payment of fair, just, and reasonable
6 rates established by this Commission.² The receipt of utility service in exchange for the
7 payment of regulated rates does not give NMGC's customers ownership rights in NMGC
8 or any entitlement to the acquisition premium. Emera's investors assumed all of the risk
9 of ownership of NMGC, including the risk of loss on their investment, in exchange for the
10 opportunity to earn a return on that investment. The Transaction does not alter this
11 framework, and the gains or losses of the holding company and its investors are not relevant
12 to a determination of whether the Transaction is in the public interest.

13
14 Over the past fifteen years, there have been dozens of utility regulatory proceedings
15 involving acquisition transactions. None of the decisions in those proceedings transferred
16 or allocated all or a portion of the transaction's acquisition premium to utility ratepayers.
17 Regulators across America have consistently rejected proposals similar to those proposed
18 by Dr. Blank. I encourage the Commission to reject them here.

19
20 **Q. PLEASE PROVIDE YOUR REACTION TO THE CCAE AND WRA WITNESSES.**

² Section 62-8-2 NMSA 1978, <https://nmonesource.com/nmos/nmsa/en/item/4407/index.do#62-8-2>.

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1 **A.** These witnesses express a variety of concerns regarding natural gas. Mr. Kenney is
2 “concerned that NMCG and BCP are intent on making decarbonization investments that
3 are more costly and lead to fewer GHG emissions reductions than alternatives”.³ Mr. Price,
4 Mr. Penn and Ms. Vitulli are concerned about future expansion of NMGC’s natural gas
5 distribution system.⁴ My reaction is simply that these witnesses’ concerns are not
6 applicable to the determination necessary in this proceeding.

7
8 It is my understanding that for the Transaction to be approved, the Commission must
9 determine that it is not “inconsistent with the public interest”.⁵ This determination is made
10 by comparing the likely circumstances following the Transaction to the likely
11 circumstances of the status quo, i.e. continued ownership of NMGC by Emera using the
12 six-factor test described by Mr. Baudier. While these witnesses testify about various
13 hypothetical future states, they ignore two important facts. First, if the Transaction is
14 approved and closes, the Commission’s jurisdiction will be preserved and future
15 investment or expansions by NMGC will continue to be subject to the jurisdiction of the
16 Commission.

17
18 Second, NMGC has an obligation to serve customers at regulated rates, and the requirement
19 that NMGC not discriminate against customers. The obligation to serve and the
20 requirement not to discriminate will exist regardless of whether the Commission approves

³ Direct Testimony of Michael Kenney at 33.

⁴ Direct Testimonies of Jason Price at 5-6, Stefani Penn at 5-6, and Angela Vitulli at 5-6.p

⁵ Sections 62-6-12 and 62-6-13 of the PUA. See Direct Testimony of Mr. Baudier.

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1 the Proposed Transaction. NMGC is required to serve customers in its service territory
2 who seek service, even if doing so would be contrary to an Emera corporate goal. As a
3 public utility, NMGC will continue to be regulated by the Commission and obligated to
4 comply with New Mexico law. New ownership does not change this.

5
6 The issues raised by Mr. Kenney, Mr. Price, Mr. Penn, and Ms. Vitulli simply are not
7 affected by the Proposed Transaction and are not properly part of the analysis the
8 Commission should perform in this case.

9
10 **III. ACQUISITION PREMIUM AND GOODWILL**

11 **Q. PLEASE RESPOND TO DR. BLANK’S TESTIMONY DEFINING ACQUISITION**
12 **PREMIUM AND GOODWILL.**

13 **A.** I agree with Dr. Blank that an acquisition premium is the difference between the purchase
14 price of a transaction and the net book value of the seller’s physical, or tangible, assets. I
15 disagree, however, with Dr. Blank’s characterization of goodwill as “the buyer’s and
16 seller’s agreed-to valuation” of “the intangible asset created by the government-protected
17 monopoly”.⁶

18
19 The purchase price, inclusive of the acquisition premium, agreed upon by Emera and
20 Saturn Holdco through arms-length negotiations reflects the value of the company in its
21 entirety – physical and intangible assets and liabilities – based on current market

⁶ Direct Testimony of Larry Blank at 7-8.

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1 conditions, expectations about the company’s performance, including the opportunity for
2 gain or loss, and the willingness of investors to put their capital at risk. Importantly,
3 goodwill is a distinct class of intangible asset which may be created by a transaction and
4 unlike other intangible assets such as copyrights or website domain names cannot be sold
5 separately from the business in its entirety.

6
7 **Q. DR. BLANK IDENTIFIES A NUMBER OF INTANGIBLE ASSETS BUT ASSERTS**
8 **THAT “ANY OTHER INTANGIBLE ASSETS THAT MAY BE IDENTIFIED**
9 **WERE DERIVED FROM THAT GOVERNMENT PROTECTED MONOPOLY.”⁷**
10 **DO YOU AGREE?**

11 **A.** No. The franchise is one intangible asset and is not dissimilar to NMGC’s other licenses
12 or permits, which are also granted by the government. Other intangible assets such as its
13 skilled workforce, organizational culture, intellectual property, customer relationships and
14 brand recognition, are not without value or “derived from” NMGC’s franchise as is
15 suggested by Dr. Blank.⁸ It bears noting that many non-utility companies have goodwill
16 recorded on their books without owning a franchise, which is a demonstration that goodwill
17 is more than just the value of a government-issued franchise. Further, Dr. Blank ignores
18 the fact that the agreement to award and abide by the terms of a franchise comes with both
19 privileges and responsibilities.

⁷ Direct Testimony of Larry Blank at 8.

⁸ Direct Testimony of Larry Blank at 7.

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Q. PLEASE EXPLAIN.

A. As I discussed in my Direct Testimony, the franchise is granted for the benefit of society, not for the benefit of the utility as implied by Dr. Blank's testimony. The franchise provides the utility with service exclusivity, but also imposes an affirmative duty to serve. The government has been compensated for the franchise by the utility's acceptance of this obligation to serve at regulated rates. All of these attributes have an impact on the utility's service, operations, prices, profits and risks.

Q. DOES THE EXISTENCE OF THE FRANCHISE CREATE ANY EXPRESS OR IMPLIED UTILITY OWNERSHIP RIGHTS FOR NMGC'S CUSTOMERS AS IMPLIED BY DR. BLANK?

A. No. As I stated earlier, conventional regulatory principles in New Mexico require that NMGC's customers are entitled to adequate, reasonable, and efficient utility service in return for payment of fair, just and reasonable rates established by this Commission. The receipt of utility service in return for the payment of regulated rates does not grant NMGC's customers ownership rights in NMGC or its assets or an entitlement to all or a portion of the acquisition premium.

Emera's investors assumed all of the risk of ownership of NMGC, including the risk of loss on their investment, in exchange for the opportunity to earn a return on that investment. For example, when an investor in a share of utility common stock sells a share of stock, customers have no rights to the "gains" or exposure to the "losses" on that share

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1 experienced by the investor. That is the nature of investment risk; not all risks or returns
2 are within the control of the investor. Nonetheless, the investor is entitled to the upside and
3 must bear the downside.

4
5 The Transaction does not alter this framework, and the gains or losses of the holding
6 company and its investors are not relevant to a determination of whether the Transaction
7 is in the public interest. Dr. Blank's desire to deny Emera and its investors the acquisition
8 premium disregards how financial markets and equity investments function.

9
10 **Q. WHAT IS YOUR RESPONSE TO THE RECOMMENDATION OF DR. BLANK**
11 **THAT THE COMMISSION ORDER A REGULATORY LIABILITY BENEFIT**
12 **FOR CUSTOMERS EQUIVALENT TO THE FULL GOODWILL AMOUNT?⁹**

13 **A.** Customer benefits and acquisition premiums have very different purposes. Customer
14 benefits are just that – an element of the Transaction that is intended to provide clear and
15 quantifiable benefits to utility customers. Mr. Baudier discusses the benefits that will
16 accrue to customers if the Transaction is approved and closes.

17
18 The gains or losses of Emera and its investors are not relevant to a determination of whether
19 the Transaction is in the public interest. The fact that an acquisition premium exists is
20 neither unusual in a utility transaction nor does it mean that utility customers and the public
21 interest will not benefit, or will not benefit enough, from the Transaction. Whether the

⁹ Direct Testimony of Larry Blank at 9.

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1 Transaction is in the public interest should be assessed on its own merits rather than by
2 creating a quid pro quo linking approval of the transaction to relinquishment of all or a
3 portion of the acquisition premium.

4
5 **Q. WHAT IS YOUR RESPONSE TO DR. BLANK’S ALTERNATIVE**
6 **RECOMMENDATION THAT THE COMMISSION ORDER A REGULATORY**
7 **LIABILITY BENEFIT FOR CUSTOMERS OF \$100 MILLION?¹⁰**

8 **A.** My response is the same as it was to his primary recommendation - the gains or losses of
9 Emera and its investors are not relevant to a determination of whether the Transaction is in
10 the public interest. Further, it bears noting that while Dr. Blank argues that “a fifty percent
11 goodwill decision in this case will set precedent that may be gamed in future acquisition
12 decisions” he nonetheless supports a regulatory liability benefit for customers equal to
13 roughly 50% of the acquisition premium as of September 30, 2024.

14
15 Additionally, establishing a regulatory liability for an item that has never been in customer
16 rates and in which customers have no ownership interest or expectation, would be a
17 significant departure not only from the Commission’s past actions, but from the regulatory
18 norms across the country.

19

¹⁰ Direct Testimony of Larry Blank at 12.

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1 **Q. DOES DR. BLANK RECOGNIZE THAT THE ACQUISITION PREMIUM IS**
2 **PART OF THE PURCHASE PRICE WHICH CANNOT BE TRANSFERRED TO**
3 **CUSTOMERS?¹¹**

4 **A.** Yes, he does. His “solution” to this fact is his expectation that “re-negotiation of the
5 purchase price may be necessary”.¹² What Dr. Blank seeks is to substitute his judgment
6 regarding the value of the Transaction for that established through a competitive
7 transaction process and arms-length negotiations. This is unreasonable and would set a
8 dangerous precedent that conflicts with economic and financial principles, would make
9 New Mexico an outlier and negatively impact the risk of doing business in the state.

10
11 **Q. HAVE ANY UTILITY REGULATORY COMMISSIONS REQUIRED THAT ALL**
12 **OR A PORTION OF A TRANSACTION’S ACQUISITION PREMIUM BE**
13 **PROVIDED TO THE UTILITY’S CUSTOMERS?**

14 **A.** Not that I am aware of. Over the past 15 years, there have been dozens of utility regulatory
15 proceedings involving acquisition transactions in the United States. In a number of these
16 proceedings, positions similar to that taken by Dr. Blank in this Transaction were put forth.
17 None of the decisions in those proceedings included a commission-required allocation of
18 all or a portion of the transaction’s acquisition premium to utility ratepayers or linked
19 customer benefits to the acquisition premium.

¹¹ Direct Testimony of Larry Blank at 12.

¹² Ibid at 10.

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**Q. DR. BLANK TESTIFIES THAT THE “CURRENT OWNERS” DO NOT HAVE A
“CLAIM TO THE GOODWILL PAID IN THE LAST ACQUISITION OF
NMGC.”¹³ DO YOU AGREE?**

A. I agree that the current owners have no guarantee that they will recover the full value of goodwill paid in the last acquisition of NMGC. While not the point Dr. Blank appears to be seeking to make, this demonstrates and supports my testimony that investors bear the risk of loss, and, on the contrary, are entitled to the gain on their investments. As discussed by Mr. Shell, in the third quarter of 2024 Emera recognized non-cash goodwill and other impairment charges of \$221 million related to NMGC. The goodwill booked by Emera when it acquired TECO in 2015 was funded by investors and had no impact on the rates paid by NMGC’s customers. Likewise, the impairment taken by Emera in 2024 was absorbed by investors and had no impact on NMGC’s rates.

**Q. DOES THIS CONCLUDE YOUR REVISED APPLICATION REBUTTAL
TESTIMONY?**

A. Yes, it does.

¹³ Direct Testimony of Larry Blank at 13.

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

))))))))

JOINT APPLICANTS

Lisa M. Quilici

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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 Lisa M. Quilici*, to the people listed here.

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DATED October 10, 2025

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