BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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| 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 | ) | |

# DIRECT TESTIMONY

OF

DWIGHT D. ETHERIDGE

ON BEHALF OF THE

UNITED STATES DEPARTMENT OF ENERGY

REPRESENTING THE FEDERAL EXECUTIVE AGENCIES

APRIL 18, 2025

EXETER
ASSOCIATES, INC.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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TABLE OF CONTENTS

EXHIBITS WITH THE DIRECT TESTIMONY OF DWIGHT D. ETHERIDGE

OVERVIEW OF SELECTED NATURAL GAS LDCs

FEA Exhibit DDE-1

Page 1 Atmos, Investor Presentation, March 2025, p. 8.

Page 2 Southwest Gas, Investor Presentation, Spring 2025, p. 4.

Page 3 ONE Gas, 2025 Financial Guidance, December 2024, p. 2.

Page 4 Spire, Investor Presentation, April 2025, p. 2.

CAPITAL INVESTMENT PLANS FOR SELECTED NATURAL GAS LDCs

FEA Exhibit DDE-2

Page 1 Atmos, Investor Presentation, March 2025, p. 31.

Page 2 Southwest Gas, Investor Presentation, Spring 2025, p. 18.

Page 3 ONE Gas, 2025 Financial Guidance, December 2024, p. 10.

Page 4 Spire, Investor Presentation, April 2025, p. 6.

STRATEGIC FOCUS FOR SELECTED NATURAL GAS LDCs

FEA Exhibit DDE-3

Page 1 Atmos, Investor Presentation, March 2025, p. 3.

Page 2 Southwest Gas, Investor Presentation, Spring 2025, p. 6.

Page 3 ONE Gas, Investor Update, February and March 2025, p. 5.

Page 4 Spire, Investor Presentation, April 2025, p. 3.

ALTERNATIVE IMPLAN MODELING RESULTS PREPARED BY EXETER

FEA Exhibit DDE-4: Scenario Excluding Incremental Finance and Accounting Jobs and Labor Income

FEA Exhibit DDE-5: Scenario Excluding Incremental Information Technology Jobs and Labor Income

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DIRECT TESTIMONY

OF

DWIGHT D. ETHERIDGE

## I. INTRODUCTION AND QUALIFICATIONS

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

A. My name is Dwight D. Etheridge. I am a Principal and Vice President with Exeter Associates, Inc. ("Exeter"), an economics consulting firm specializing in the economics of regulated industry. My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Science degree in Business Administration from the University of California, Berkeley. I have 39 years of experience in the public utility industry. My work has been focused on business plan development, industry restructuring, rate design, class cost-of-service studies, load forecasting, resource planning, transmission system evaluations, power procurement, utility benchmarking studies, distributed generation, telecommunications, and contract negotiations. From 1986 until 1999, I worked in progressively more responsible positions at Nevada Power Company, eventually

reporting to the chief executive officer while leading a team of experts assigned to industry restructuring issues. After the merger of Sierra Pacific Resources and Nevada Power Company in 1999, I worked on a variety of strategic and diverse projects related to industry restructuring, mergers, telecommunications, and resource planning.

In 2004, I became an independent consultant and worked with clients on rate design, strategic planning, competitive market analyses, and industry restructuring projects. In 2006, I joined Exeter as a Senior Analyst, and in 2008, I became a Principal and Vice President of the firm. My recent consulting work with Exeter has focused on a variety of projects related to wholesale commodity energy markets, options studies for federal facilities served at transmission voltage, review of retail service arrangements, utility benchmarking studies, and regulated ratemaking.

I have provided expert testimony on 43 occasions before the Delaware Public Service Commission, Illinois Commerce Commission, Indiana Utility Regulatory Commission, Maryland Public Service Commission, Massachusetts Department of Public Utilities, Missouri Public Service Commission, Public Service Commission of Wyoming, New Jersey Board of Public Utilities, Public Utilities Commission of Nevada, Public Utility Commission of Texas, and the Nevada Legislature on a variety of topics including: load forecasting, class cost-of-service studies and rate design, industry restructuring, hedging, transmission system evaluations, utility benchmarking studies, and various revenue requirement issues.

A summary of my qualifications is included in an appendix to this testimony.

Q. PLEASE DESCRIBE THE INTERESTS OF THE FEDERAL GOVERNMENT IN THIS CASE.

A. The U.S. General Services Administration ("GSA") delegated its authority to the U.S. Department of Energy ("DOE" or "Department") to intervene in New Mexico Gas Company ("NMGC" or "Company") proceedings on behalf of federal government facilities taking service from NMGC.[1] Under its GSA-delegated authority, DOE intervenes in utility-related proceedings in New Mexico and several other states on behalf of the Federal Executive Agencies ("FEA"). The Department adheres to the principles that utility rates should be reasonable and cost based and that service should be reliable. The Department has asked Exeter to review Joint Applicants' proposal for Saturn Utilities Holdco, LLC ("Saturn") to acquire NMGC (the Joint Applicants' "Application")[2] because NMGC provides natural gas delivery service to two National Nuclear Security Administration ("NNSA") facilities - Los Alamos National Laboratory ("LANL") and Sandia National Laboratory ("Sandia") facilities in New Mexico. In addition, NMGC provides natural gas delivery service to three U.S. Air Force ("Air Force") bases - Kirtland Air Force Base ("AFB"), Holloman AFB, and Cannon AFB. Sandia is collocated at Kirtland AFB. Each of these federal facilities receive natural gas delivery service under either or both of NMGC's Rate No. 58, Large Volume - General Service, or Rate No. 56, Medium Volume - General Service.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. In my testimony, I provide FEA's position on various aspects of the Joint Applicants' proposed value proposition for NMGC customers with the Joint Applicants' proposal for

[1] *See* 40 U.S.C. §§ 501(c) and 121(d).
[2] Joint Applicants are New Mexico Gas Company, Inc.; Emera Inc.; Emera U.S. Holdings Inc.; New Mexico Gas Intermediate, Inc.; TECO Holdings, Inc.; TECO Energy, LLC (formerly TECO Energy, Inc.); Saturn Utilities, LLC; Saturn Utilities Holdco, LLC; Saturn Utilities Aggregator, LP; Saturn Utilities Aggregator GP; Saturn Utilities Topco, LP Saturn Utilities Topco GP, LLC; BCP Infrastructure Fund II, LP; BCP Infrastructure Fund II-A, LP; and BCP Infrastructure Fund II GP, LP.

Saturn to acquire NMGC.[3] Importantly, I provide my assessment of that value proposition from the perspective of a large industrial customer taking delivery service from NMGC, which is the case with the FEA.

## II. SUMMARY AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR POSITION ON THE JOINT APPLICANTS' PROPOSAL FOR SATURN TO ACQUIRE NMGC.

A. Joint Applicants' value proposition for Saturn to acquire NMGC is not compelling for several reasons. First, Joint Applicants' plans for NMGC do not include demonstrable synergies that present a compelling argument that approval of the of Joint Applicants' Application would put downward pressure on NMGC's rates for natural gas delivery service. To the contrary, Joint Applicants' plans to replicate shared services currently provided by Emera, Inc. ("Emera") subsidiaries with incremental staffing at NMGC would put upward pressure on those rates. Second, Joint Applicants are not offering a direct benefit to NMGC's customers with bill credits or a rate freeze or a commitment to use a historical test year in at least one subsequent rate case. Each of these commitments would represent tangible value to customers. Prior acquisitions of NMGC by TECO Energy, Inc. ("TECO") and then by an Emera subsidiary did include bill credits as part of the resolutions of those cases, and the TECO acquisition included a rate freeze while the Emera acquisition included a commitment to use a historical test year in NMGC's next general rate case. In addition, from my perspective, Saturn represents a riskier possible parent company for NMGC compared with other potential suitors with deep expertise

[3] Bernhard Capital Partners Management, LP ("BCP Management" or "BCP") is an independent services and infrastructure-focused private equity firm. BCP Management acts as an investment manager for its private equity investors and provides support for its investors and funds in which they invest. Saturn is owned by BCP affiliated investment funds, that are the ultimate parents of NMGC under the proposed transaction.

operating utility companies, particularly natural gas local distribution companies ("LDCs"). Therefore, on a risk-adjusted basis, it is reasonable for the New Mexico Public Regulation Commission ("PRC" or "Commission") to require comparably more tangible value for customers in this case as a condition for approving the acquisition of NMGC by Saturn. Third, Joint Applicants' proposed minimum level of ongoing capital investments in NMGC is so low that it represents a commitment of de minimis value for NMGC's customers. A capital investment commitment that is triple Joint Applicants' proposal is appropriate if the commitment is to represent tangible value for NMGC's customers. Fourth, Joint Applicants' estimated economic value associated with incremental jobs at NMGC warrants clarification as to the probable value that may or may not result and the cost incurred by NMGC customers to create that economic value. Finally, Joint Applicants' proposed $5 million one-time grant is comparably less attractive as a value proposition for NMGC's customers compared with bill credits. With bill credits, the PRC is the ultimate arbiter of how value is dispersed to customers, whereas the proposed grant represents a difficult to quantify value proposition, and one that lacks direct linkages to customers that bear the risks of the proposed change in NMGC ownership.

Q. WHAT ARE YOUR RECOMMENDATIONS?

A. I recommend that the Commission deny the Joint Applicants' Application. NMGC's customers are in a preferable position with the existing Emera affiliate as a parent company compared to having Saturn as NMGC's parent company. Further, Emera is free to pursue a sale of NMGC to another entity, preferably one with demonstrable capabilities in operating an LDC and that is willing to provide a higher value proposition to NMGC customers.

Q. IF THE COMMISSION WAS INCLINED TO APPROVE SATURN'S ACQUISITION OF NMGC, THEN DO YOU HAVE RECOMMENDED IMPROVEMENTS TO JOINT APPLICANTS' PROPOSED VALUE PROPOSITION THAT WOULD, IN YOUR OPINION, MORE EQUITABLY POSITION NMGC'S CUSTOMERS RELATIVE TO SATURN'S INVESTORS?

A. Yes, I do. The Commission should adopt the following recommendations if it chooses to approve Saturn's acquisition of NMGC to create a more equitable balance between the interests of NMGC customers and Saturn's investors:

- NMGC is ordered to provide bill credits to customers totaling $17.2 million. Those bill credits will be spread over a 36-month bill credit period beginning with the first day of the month in the second month following transaction closing. Bill credits will be allocated to the rate classes consistent with the methodology adopted by the Commission in Case No. 13-00231-UT, the TECO acquisition case.[4]
- NMGC is ordered to maintain capital investments of no less than 2.5 times the rolling three-year average of total depreciation and amortization expenses and no more than 3.5 times that three-year average level of expense for three calendar years following transaction closing. Deviations from this approved range of capital investments are allowable only after an application by NMGC to the PRC for a deviation request on a forward-looking basis and approval by the PRC.

[4] *See* the Testimony in Support of the Stipulation of John M. Fernald.

- Joint Applicants' proposed $5 million grant is denied because the value proposed with the grant is implicitly incorporated into the bill credits required after transaction closing.

## III. LACK OF SYNERGIES AND RESULTING UPWARD PRESSURE ON NMGC'S RATES

Q. HAVE THE JOINT APPLICANTS PRESENTED EVIDENCE THAT SUGGESTS THAT THE PROPOSED ACQUISITION OF NMGC WILL PRODUCE SYNERGIES AND CORRESPONDING DOWNWARD PRESSURE ON NMGC'S DELIVERY SERVICE RATES?

A. No, they have not. Instead, Joint Applicants are proposing to replace services currently provided by Emera subsidiaries for the benefit of NMGC via inter-company billings (i.e., the expense associated with these services is in NMGC's cost structure) by having incremental NMGC employees perform these services prospectively.

Q. IS THIS PROPOSAL LIKELY TO PUT UPWARD PRESSURE ON NMGC'S DELIVERY SERVICE RATES?

A. Yes. Emera can produce synergies by spreading the expense of functions that are common to utility operating companies (e.g., finance and corporate accounting departments) across its various utility operating companies. However, Joint Applicants' proposal to perform comparable services as a standalone entity guarantees either an increase in the cost of services to NMGC and its customers or a reduction of service quality levels. Neither is a good outcome for NMGC's customers.

I also address the topic of upward pressure on NMGC's rates further below in the context of the issue of economic benefits associated with the transaction espoused by the Joint Applicants.

Q. CAN YOU PROVIDE AN EXAMPLE OF SYNERGIES IN THE OPERATION OF NATURAL GAS LOCAL DISTRIBUTION COMPANIES?

A. Certainly. A good example of a synergy in the operation of natural gas LDCs is having a single chief financial officer ("CFO") at a holding company level in charge of all aspects of the financial requirements of multiple LDCs. This creates synergies because the expense of a single CFO and associated staff can be spread across a larger customer footprint, thereby putting downward pressure on the cost of natural gas delivery service for all customers.

Table 1 below compares the customer totals and states served for various LDCs. The first four companies listed in Table 1 are holding companies with natural gas LDCs in various western, central, southern, and eastern U.S. states. Each serves a substantial number of customers across multiple states.[5] By comparison, Emera's two LDCs have much smaller customer totals, and each serves a single state. Finally, Delta States Utilities, LLC ("Delta Utilities"), a BCP affiliated company, is acquiring two even smaller LDCs operating in Louisiana and Mississippi.[6]

[5] An overview of the four selected LDCs is provided in FEA Exhibit DDE-1, attached hereto. Overviews for Atmos, Southwest Gas, ONE Gas, and Spire are provided in that exhibit on pages 1 through 4, respectively.
[6] Delta Utilities is acquiring LDCs from CenterPoint Energy, Inc. ("CenterPoint") and Entergy Corporation ("Entergy"). Delta Utilities completed the acquisition of CenterPoint's LDCs on April 1, 2025.

**Table 1**

**Natural Gas Local Distribution Companies**[1]

| Local Distribution Companies | Customers | States |
|---|---|---|
| Atmos Energy Corporation | 3,300,000 | CO, KS, KY, LA, MS, TN, TX, VA |
| Southwest Gas Holdings, Inc. | 2,300,000 | AZ, CA, NV |
| ONE Gas, Inc. | 2,265,000 | KS, OK, TX |
| Spire Inc. | 1,700,000 | AL, MO, MS |
| Emera LDCs | | |
| New Mexico Gas Company | 540,000 | NM |
| TECO Peoples Gas | 445,000 | FL |
| Combined LDCs | 985,000 | |
| Delta Utilities | | |
| CenterPoint LDCs | 380,000 | LA, MS |
| Entergy LDCs | 204,000 | LA |
| Combined LDCs | 584,000 | |

(1) Compiled from utility websites, SEC filings, and press releases.

Atmos Energy Corporation ("Atmos") is headquartered in Dallas, Texas, and serves approximately 3.0 million customers across the eight states of Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee, Texas, and Virginia. It is the largest LDC operating in Texas. Southwest Gas Holdings, Inc. ("Southwest Gas") is headquartered in Las Vegas, Nevada, and serves approximately 2.3 million customers in Arizona, California, and Nevada. It is the largest LDC in both Arizona and Nevada. ONE Gas, Inc. ("ONE Gas") is headquartered in Tulsa, Oklahoma, and serves approximately 2.3 million customers in Kansas, Oklahoma, and Texas. It is the largest LDC in both Kansas and Oklahoma. Spire Inc. ("Spire") is headquartered in St. Louis, Missouri, and serves

approximately 1.7 million customers in Alabama, Missouri, and Mississippi. It is the largest LDC operating in Missouri.

Emera is headquartered in Nova Scotia, Canada, and owns two LDCs operating in the U.S., NMGC and TECO Peoples Gas, with a combined customer count of approximately 1 million. Delta Utilities is headquartered in New Orleans, Louisiana. It recently acquired CenterPoint's LDC operating in Louisiana and Mississippi with 380,000 customers, and it is in the process of acquiring Entergy's LDCs operating in New Orleans and Baton Rouge, Louisiana, with a combined customer count of 204,000.

Atmos, Southwest Gas, ONE Gas, and Spire customers all benefit from the synergies of having a single CFO and associated staff. NMGC customers also benefit from being part of Emera's family of companies with a single CFO at Emera. By contrast, Delta Utilities is just embarking on the task of establishing a management structure for the LDCs it is acquiring, so its cost structure is highly uncertain. Joint Applicants' proposal to operate NMGC as a standalone utility presents serious doubts as to whether NMGC's resulting cost structure will represent an efficient and cost-effective structure for NMGC's customers that can stand the test of time. The synergies of a single CFO at Emera will be lost and the new financial organization to support NMGC is undefined.

## IV. INSUFFICIENT PROPOSED BILL CREDITS

Q. WHAT BILL CREDITS HAVE THE JOINT APPLICANTS PROPOSED FOR CUSTOMERS IN THEIR APPLICATION?

A. The Joint Applicants did not propose any bill credits for customers in their Application.

Q. HAS THE COMMISSION ORDERED BILL CREDITS FOR CUSTOMERS IN PRIOR CASES INVOLVING THE ACQUISITION OF NMGC BY AN ACQUIRING ENTITY?

A. Yes, in the two most recent cases involving the acquisition of NMGC, the Commission ordered bill credits for customers. In Case No. 13-00231-UT, where a TECO subsidiary was the acquiring entity, the Commission approved a stipulation that included approximately $11 million in bill credits for customers over approximately 39 months. That bill credit period began in the month following transaction closing and continued through the end of the rate freeze adopted in that stipulation, or between October 2014 and December 2017.

Before the end of that bill credit period, NMGC was acquired by an Emera subsidiary following the completion of Case No. 15-00327-UT. Pursuant to a stipulation in that case that the Commission approved, NMGC agreed to extend the TECO case bill credits for an additional six months through June 2018. That brought the total bill credits resulting from the TECO case, as extended by the Emera case, to approximately $13 million.

Q. APPROXIMATELY WHAT WOULD THE $13 MILLION TOTAL BILL CREDIT FROM OCTOBER 2014 THROUGH JUNE 2018 RESULTING FROM THE TECO AND EMERA CASES EQUATE TO IN CURRENT 2025 DOLLARS?

A. A $13 million bill credit from that 45-month bill credit period would equate to approximately $17.2 million in 2025 dollars. This reflects a Consumer Price Index for All

Urban Consumers ("CPI-U") change from approximately 241.7 in the middle of that bill credit period to approximately 319.1 in February 2025.[7]

Q. WOULD IT BE REASONABLE FOR THE COMMISSION TO CONDITION APPROVAL OF SATURN'S ACQUISITION OF NMGC ON A REQUIREMENT THAT NMGC PROVIDE CUSTOMERS WITH BILL CREDITS TOTALING APPROXIMATELY $17.2 MILLION OVER SOME PERIOD OF MONTHS?

A. Yes, in my opinion, the Commission would be acting reasonably by adopting bill credits totaling approximately $17.2 million for customers as one element of a package of conditions that may be appropriate for approving the acquisition of NMGC by Saturn.

Q. IF THE COMMISSION AGREES WITH YOU, WHAT BILL CREDIT PERIOD DO YOU RECOMMEND?

A. I recommend a bill credit period of 36 months.

Q. WHY DO YOU RECOMMEND A BILL CREDIT PERIOD OF 36 MONTHS?

A. NMGC has been in a cycle of filing general rate cases approximately every two years. It is possible that a bill credit period of 36 months would partially counteract the negative effects of NMGC's next general rate case on customers. In addition, the bill credits would expire prior to the rate effective date of NMGC's subsequent general rate case. Effectively, the expiration of the bill credits represents a rate increase. It is preferable in my opinion for the bill credits to expire prior to the rate effective date of NMGC's subsequent general rate case, thereby creating a more measured effect of future rate increases than if the bill credits expired coincident with rate increases in the subsequent general rate case. From my perspective, given NMGC's two-year cycle of general rate

[7] The CPI-U is available at https://www.bls.gov/cpi/data.htm.

cases, a 36-month bill credit period provides an adequate balance between the positive effect of the bill credits and the negative effect of rate increases over the next four or so years.

Q. WHAT CONCERNS DO YOU HAVE WITH THE RELATIVE RISK OF SATURN AS AN ACQUIRING ENTITY FOR NMGC AS COMPARED TO ANOTHER POTENTIAL SUITOR?

A. As I discuss later in my testimony, I view Saturn as a riskier potential acquiring entity for NMGC compared with other entities that have long histories of successfully operating LDCs; the ability to create organizational synergies; demonstrated capabilities in managing capital investments in natural gas systems of LDCs; and a strategic long-term focus of being in the business of owning and operating LDCs. By contrast, Saturn's ownership poses risks associated with no history of a BCP affiliate operating LDCs, negative changes in NMGC's cost structure given the lost synergies of no longer having NMGC affiliated with Emera; uncertain commitments or strategic focus on making the appropriate level of capital investments in NMGC's natural gas system; and an uncertain strategic focus on a long-term commitment to being a natural gas company.

Q. WITH THESE RISKS IN MIND, HOW DO YOU THINK THE COMMISSION SHOULD VIEW BILL CREDITS WITH THE PROPOSED ACQUISITION OF NMGC BY SATURN?

A. I recommend that the Commission err on the high side when establishing an appropriate level of bill credits if it is inclined to approve the acquisition of NMGC by Saturn.

Q. HOW DO YOU PROPOSE THE COMMISSION SHOULD ALLOCATE ANY BILL CREDITS RESULTING FROM THIS CASE TO CUSTOMERS?

A. I recommend that the Commission adopt the same methodology that it approved in Case No. 13-00231-UT.[8] All non-discounted, on-system end-users and on-system transportation customers receiving service under Rate No. 70 would be eligible for bill credits. Bill credits would be allocated to rate classes based upon base revenue from NMGC's most recent general rate case, Case No. 23-00255-UT. Bill credits would be on a volumetric basis for all eligible customers, which results in different volumetric bill credits for each rate class. Finally, NMGC would resolve any over- or under-recovery of bill credits by rate class at the end of the bill credit period in the same manner agreed to in Case No. 13-00231-UT with one final credit or charge by rate class in a single subsequent month.

## V. A CAPITAL INVESTMENT COMMITMENT WITH DE MINIMUS VALUE

Q. DID JOINT APPLICANTS PRESENT A COMMITMENT TO INVEST CAPITAL IN NMGC'S NATURAL GAS SYSTEM?

A. Yes. Joint Applicants committed to having NMGC invest a minimum of the three-year rolling average of NMGC's total depreciation and amortization expense in NMGC's natural gas system on an average annual basis until the issuance of a final order in NMGC's next general rate case.

Q. IS JOINT APPLICANTS' CAPITAL INVESTMENT PROPOSAL REASONABLE?

A. No. It represents a commitment of de minimis value for NMGC's customers because the commitment provides NMGC with the opportunity to substantially underinvest in its natural gas system. NMGC's recent historical capital investments and recently projected

[8] *See* the Testimony in Support of the Stipulation of John M. Fernald.

capital investments equate to approximately three times the three-year average of NMGC's historical total depreciation and amortization expense. Therefore, Joint Applicants' commitment creates the potential for NMGC to materially underinvest in NMGC's system and raises reliability and safety concerns, as well as environmental concerns regarding timely leak repairs.

Q. IS JOINT APPLICANTS' CAPITAL INVESTMENT COMMITMENT A NEW CONCEPT FOR A NMGC ACQUISITION?

A. No. Joint Applicants proposed the same capital investment commitment that the PRC approved in the Emera acquisition stipulation.

Q. WHY IS THE CAPITAL INVESTMENT COMMITMENT MADE BY EMERA AND THEN REPEATED BY JOINT APPLICANTS IN THIS CASE NO LONGER REASONABLE FOR NMGC'S NATURAL GAS SYSTEM?

A. Simply put, NMGC's capital investment requirements to maintain the reliability and safety of its natural gas system have nearly tripled since the time of the Emera acquisition. In calendar year 2015, NMGC had $50.5 million in capital investments, yet those requirements increased to $130.4 million in 2023.[9]

Q. CAN YOU RECOMMEND AN ALTERNATIVE TO JOINT APPLICANTS' CAPITAL INVESTMENT COMMITMENT THAT PROVIDES VALUE TO NMGC'S CUSTOMERS?

A. Yes. The PRC can create value for NMGC's customers by conditioning approval of the proposed acquisition of NMGC on a commitment from NMGC to invest no less than 2.5 times the rolling three-year average of NMGC's total depreciation and amortization expenses and no more than 3.5 times that level for at least a period of three calendar years

[9] *See* Staff 1-21.

following transaction closing. I would condition this recommendation with an additional recommendation that NMGC make annual informational filings with the PRC that describe the efficacy of its capital investments for the previous year and planned capital investments for the next three years, including the year in which the information filing is made.

Q. WHY DID YOU INCLUDE BOTH A MINIMUM AND A MAXIMUM COMPONENT TO YOUR RECOMMENDED CAPITAL INVESTMENT COMMITMENT?

A. I included both a minimum (i.e., a floor) and a maximum (i.e., a cap) in my capital investment commitment recommendation because customers are harmed by both under and over investment of capital in NMGC's natural gas system. Inadequate capital investment in the NMGC system raises reliability and safety concerns, as well as environmental concerns associated with timely leak repairs. Over investment puts unnecessary upward pressure on rates.

Q. IS YOUR RECOMMENDED FLOOR AND CAP ON NMGC'S FUTURE CAPITAL INVESTMENTS REASONABLE GIVEN AVAILABLE HISTORICAL AND PROJECTED DATA ON NMGC'S CAPITAL INVESTMENTS AND DEPRECIATION AND AMORTIZATION EXPENSE?

A. Yes, it is. Table 2 below demonstrates that my recommended floor and cap is reasonable given recent pertinent data on NMGC's capital investments and depreciation and amortization expense. To understand the commitment, it reflects a forward-looking commitment to invest capital relative to a historical level of depreciation and amortization expense. I present this commitment as a three-year forward average capital investment commitment relative to a three-year backward expense level for both

historical and projected investment and expense data provided by Joint Applicants. As Table 2 shows, the commitment made in the Emera case to invest capital at the 3-year average expense level (i.e., at one time the expense level) is no longer relevant or reasonable for the present day NMGC. Instead, a going-forward capital investment commitment at three times the expense level is reasonable. I have simply bracketed that level with my recommendation that capital investment over three years should average between 2.5 and 3.5 times the three-year average of depreciation and amortization expense.

**Table 2**

**Capital Investment Commitment**

| Year | Capital Investment[1] | 3-Year Backward Rolling Average of Depeciation & Amortization Expense[2] | 3-Year Forward Rolling Average of Capital Investment[3] | 3-Year Forward CAPEX / 3-Year Backward Dep./Amrt. Expense[4] |
|---|---|---|---|---|
| 2014 | 39.1 | | | |
| 2015 | 50.5 | | | |
| 2016 | 63.4 | 34.1 | | |
| 2017 | 67.1 | 33.9 | 70.1 | 2.1 |
| 2018 | 74.3 | 35.0 | 95.0 | 2.8 |
| 2019 | 69.1 | 36.8 | 99.6 | 2.8 |
| 2020 | 141.7 | 37.6 | 112.5 | 3.1 |
| 2021 | 88.1 | 38.3 | 108.7 | 2.9 |
| 2022 | 107.7 | 38.6 | 122.6 | 3.2 |
| 2023 | 130.4 | 41.0 | 127.6 | 3.3 |
| 2024 | 129.6 | 43.0 | 131.7 | 3.2 |
| 2025 | 122.7 | 46.2 | 137.0 | 3.2 |
| 2026 | 142.7 | 50.3 | 145.9 | 3.2 |
| 2027 | 145.7 | 55.1 | 150.6 | 3.0 |
| 2028 | 149.2 | 58.8 | | |
| 2029 | 156.9 | 61.7 | | |

(1) Historical figures through 2024 are from WRA 2-23. Projected figures are from WRA 2-24.

(2) Figures are from Staff 1-21 and WRA 4-12b. The 3-year average reflects the year listed and the prior two years (e.g., 38.6 in 2022 is the average level of expense from 2020 through 2022.

(3) The figures are the average of the current and subsequent two years (e.g., 127.6 in 2023 is the average of 130.4, 129.6, and 122.7 for the years 2023 through 2025).

(4) The ratios are a forward-looking 3-year average of capital investment divided by the most recently available backward 3-year average of expense. This is depicted by the three shaded examples (e.g., a projected 3-year capital investment level of 150.6 for the years 2027 through 2029 is compared to the backward 3-year expense level of 50.3, thereby producing a ratio of 3.0).

Q. DO YOU HAVE INFORMATION FROM ANOTHER LDC THAT CORROBORATES THE REASONABLENESS OF YOUR RECOMMENDATION?

A. I do. I've included pages from recent investor presentations published by Atmos, Southwest Gas, ONE Gas, and Spire that show capital investment information for these four holding companies in FEA Exhibit DDE-2, attached hereto. On page three of that exhibit, ONE Gas explains its "Well-Defined Capital Investment Plan" equates to investments at approximately three times depreciation expense.

I note that each of these four natural gas companies have substantially higher capital investment requirements than NMGC. Atmos has plans to invest $3.7 billion in its fiscal year 2025, of which approximately $2.8 billion is associated with investments in natural gas distribution systems. Southwest Gas estimates capital investments of $880 million in 2025, with ONE Gas and Spire slightly below that level at $750 million and $790 million, respectively. By contrast, as shown in Table 2 above, NMGC's projected 2025 capital investments are only $130 million.

From my perspective, the four selected natural gas companies have demonstrated track records of raising capital and making large levels of capital investments in their respective LDCs. By contrast, BCP affiliated companies have no experience financing and making large capital investments in any LDCs.

## VI. UNCERTAIN ECONOMIC OUTPUT VALUE WITH INCREMENTAL NMGC EMPLOYEES

Q. PLEASE PROVIDE A SUMMARY OVERVIEW OF THE ISSUES ASSOCIATED WITH JOINT APPLICANTS' PRESENTATION OF

ECONOMIC OUTPUT VALUE ASSOCIATED WITH JOINT APPLICANTS' PROPOSAL FOR INCREMENTAL JOBS AT NMGC TO REPLACE SERVICES CURRENTLY PROVIDED TO NMGC BY EMERA AFFILIATES.

A. Certainly. Joint Applicants retained representatives of New Mexico State University ("NMSU") to model the economic output associated with Joint Applicants' proposal to add 51 to 61 jobs at NMGC. NMSU's Dr. Christoper Erickson testifies in this case regarding the NMSU modeling effort. Dr. Erickson presents summary results of that effort showing that both of Joint Applicants' scenarios of adding either 51 or 61 jobs at NMGC could produce approximately $40 million in annual economic output for the State of New Mexico.[10] NMSU's modeling effort relied on inputs provided by Joint Applicants and utilized the IMPLAN input-output modeling software to produce that level of projected economic output.

Q. WHY DO THE TWO SCENARIOS OF ADDING EITHER 51 OR 61 JOBS AT NMGC PRODUCE THE SAME LEVEL OF ANNUAL ECONOMIC OUTPUT OF APPROXIMATELY $40 MILLION?

A. Joint Applicants used different mixes of salary levels for the two incremental job scenarios that, coincidentally, produced approximately the same level of incremental labor income for input-output modeling purposes.[11] Effectively, the Commission is presented with one result for purposes of evaluating the relative value of the proposed acquisition of NMGC by Saturn. Therefore, I suggest that the Commission should focus on the key results from the NMSU studies (i.e., $40 million in annual economic value)

[10] *See* JA Exhibit CAE-1, p. 12, Tables 6 and 7.

[11] *Id*. For example, Joint Applicants estimated four human resources jobs produce $437,400 in the high full-time equivalent scenario (i.e., Table 4) and three human resources jobs produce $489,816 in the low FTE scenario (i.e., Table 5). This counterintuitive result reflects Joint Applicants' assumption of a higher paid employee in the low FTE scenario.

and not become administratively burdened in this proceeding with Joint Applicants' two incremental job scenarios that produce practically the same level of economic output.

Q. DO YOU HAVE CRITICISMS WITH NMSU'S MODELING OF JOINT APPLICANTS' ESTIMATES OF INCREMENTAL LABOR INCOME ASSOCIATED WITH PROPOSED INCREMENTAL JOBS AT NMGC?

A. No. I was able to nearly duplicate the results of NMSU's modeling efforts using IMPLAN. Slight differences in my output results and those produced by NMSU may be due to small changes in IMPLAN's embedded datasets between the time NMSU performed its modeling effort and when I attempted to duplicate that effort. Therefore, I do not have any criticisms with NMSU's modeling of Joint Applicants' estimates of incremental labor income associated with incremental jobs at NMGC.

Q. DO YOU HAVE ANY CRITICISMS OF JOINT APPLICANTS' ESTIMATES OF INCREMENTAL LABOR INCOME ASSOCIATED WITH INCREMENTAL JOBS AT NMGC?

A. I do. My criticism is that Joint Applicants unnecessarily added to the incremental costs for the PRC and parties to prosecute this case by presenting two job scenarios that produce practically the same level of incremental income for modeling purposes, or $7.70 million in direct labor income for the 51 incremental employees and $7.74 million in direct labor income for the 61 employees.[12] I would have presented a single scenario (e.g., $7.72 million) and explained that it represents a reasonable outcome of various possible scenarios that Joint Applicants believe are reasonable for economic output modeling purposes.

[12] In modeling the incremental jobs estimated by the Joint Applicants, the NMSU study slightly adjusts those full-FTE job estimates upwards using an FTE-to-Total employment ratio. *See* JA Exhibit CAE-1, p. 9.

Q. WHAT ARE THE KEY FIGURES ASSOCIATED WITH THE $40 MILLION ESTIMATE OF ANNUAL ECONOMIC OUTPUT?

A. The key figures associated with the estimated $40 million in annual economic output are the $7.72 million of incremental labor income (i.e., the average of the Joint Applicants' two scenarios), which I've rounded to $7.7 million for simplicity, and the resulting $40.2 million in annual economic output (i.e., again the average of the Joint Applicants' two scenarios). The first figure is the key input to IMPLAN and the latter figure is the key output.[13]

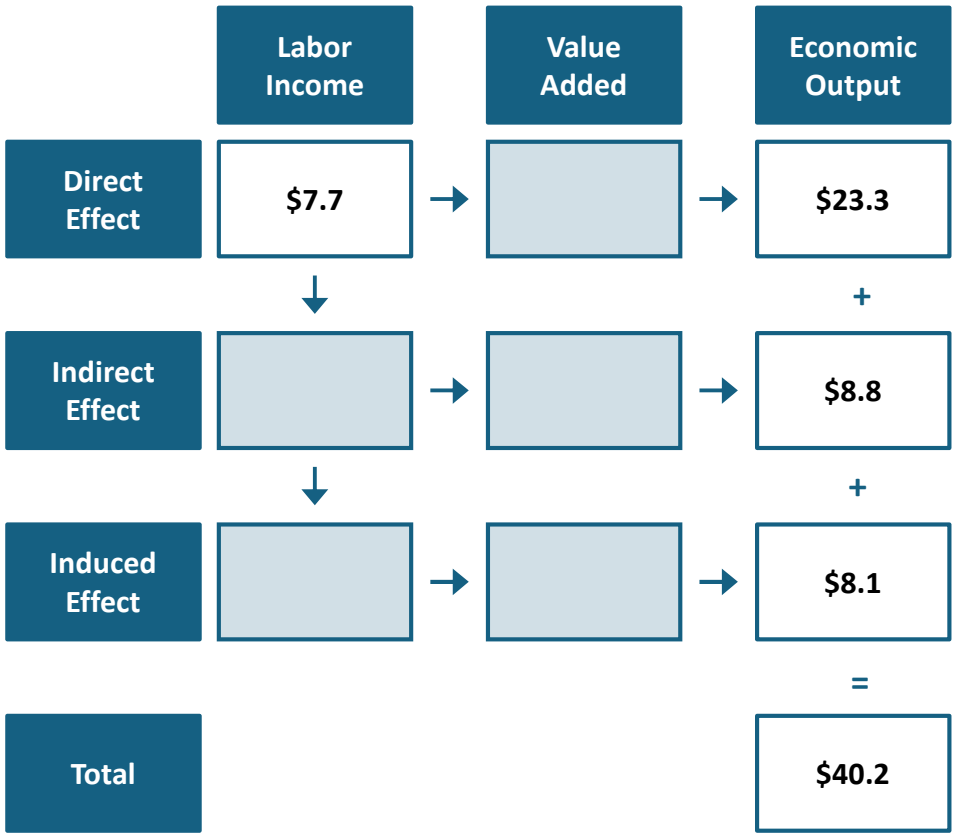
Within IMPLAN, the $7.7 million of labor income is a direct effect of Joint Applicants' proposal to increase jobs at NMGC. With that input, IMPLAN estimates value-added production[14] associated with those incremental jobs and the resulting economic output.[15] In turn, IMPLAN estimates indirect effects and induced effects associated with the initial change in economic activity associated with the estimated incremental jobs and associated labor income.[16] Effectively, the initial jobs and labor income produce additional jobs and additional labor income through indirect and induced effects. Those indirect and induced effects create additional economic output. The sum of the economic output associated with the direct, indirect, and induced effects equates to the total estimate of economic output of $40.2 million.

[13] Incremental new total jobs is also an input in the NMSU studies for the high and low FTE scenarios, but I focus on the key dollar figures of those studies.
[14] As explained in the NMSU study, "[v]alue-added refers to the change in value of a good or service during each stage of production. Gross Domestic Product is a value-added concept." *See* JA Exhibit CAE-1, p. 17.
[15] The NMSU study explains that "[o]utput refers to gross industry sales or expenditures, depending on the consequences." *See* JA Exhibit CAE-1, p. 17.
[16] As explained in the NMSU study, "[i]ndirect effects occur as industries purchase inputs from other industries," and "[i]induced effects result from households spending the wage and salary income received by those employed directly or indirectly on a new activity." *See* JA Exhibit CAE-1, p. 17.

Figure one below presents a schematic with the key input of $7.7 million in incremental labor income, and IMPLAN's estimated direct, indirect, and induced effects on economic output that total to $40.2 million.

**Figure 1**

**Overview of Estimated Economic Output Produced by Joint Applicants' Estimated Incremental Labor Income**
(millions)




Note: *See* JA Exhibit CAE-1, p. 10, for the $7.7 million in labor income and JA Exhibit CAE-1, p. 12, for the economic output figures. Again, all figures are averages of the Joint Applicants' two scenarios.

Q. PLEASE EXPLAIN HOW YOU VIEW THE ESTIMATED ANNUAL ECONOMIC OUTPUT OF APPROXIMATELY $40 MILLION AS IT RELATES TO WHETHER JOINT APPLICANTS' PROPOSAL FOR SATURN TO ACQUIRE NMGC IS IN THE PUBLIC INTEREST.

A. I view the modeled annual economic output of $40.2 million as highly uncertain. This is because there are no guarantees that Saturn will maintain the anticipated incremental jobs at NMGC that are the catalyst for the projected annual economic output. Importantly, if

Saturn or an affiliate can create synergies by forming a holding or service company located outside of New Mexico with employees providing services to NMGC as well as other affiliated companies, then it behooves that entity to pursue those cost-saving synergies to create value for the entity's equity investors (e.g., an investor-owned natural gas LDC's shareholders). In turn, the $40.2 million of estimated annual economic value for New Mexico is lost.

Q. HAVE THE JOINT APPLICANTS PROVIDED A FIRM COMMITMENT TO MAINTAIN THE PROPOSED INCREMENTAL NEW JOBS FOR ANY EXTENDED PERIOD?

A. No. Joint Applicants only anticipate adding jobs in New Mexico to replace functions currently performed by Emera affiliated companies.[17] They did not commit to retaining those jobs in New Mexico for any extended period. In fact, Joint Applicants do not rule out the possibility that NMGC could begin receiving services from BCP affiliated companies, thereby creating uncertainty associated with the suggested incremental jobs and associated economic output value.[18]

Q. CAN YOU PROVIDE AN EXAMPLE OF HOW THE ESTIMATED $40.2 MILLION OF ANNUAL ECOMOMIC OUTPUT COULD CHANGE IF PROPOSED INCREMENTAL JOBS AT NMGC DO NOT MATERIALIZE OR ARE SUBSEQUENTLY MOVED TO A LOCATION OUTSIDE OF NEW MEXICO?

A. Yes, I can. As an illustrative example, if Joint Applicants' estimated incremental finance and accounting positions are not located in New Mexico, then incremental labor income

[17] *See* the Direct Testimony of Jeffrey Baudier, pp. 24-25.
[18] *See* Application, p. 15, where Joint Applicants state that "… in the event that NMGC begins to receive services from another investment fund company supported by BCP Management …"

decreases by $1.6 million and annual economic output for New Mexico decreases from $40.2 million to $32.8 million, an 18% reduction.[19] As another illustrative example, if Joint Applicants' estimated information technology positions are located elsewhere, then incremental labor income decreases by $5.3 million and annual economic output for New Mexico decreases from $40.2 million to only $9.6 million, a 76% decrease.[20]

Q. WOULD IT BE REASONABLE FOR BCP TO EVALUATE THE CONCEPT OF ESTABLISHING A HOLDING COMPANY OR SERVICE COMPANY TO PROVIDE SHARED SERVICES TO ITS AFFILIATED NATURAL GAS LOCAL DISTRIBUTION COMPANIES?

A. Of course it would. One way that a utility management can create value for its owners, whether they are shareholders or private equity investors, is to create operating expense efficiencies between general rate cases. Reduced operating expenses translate into higher returns on equity until the newly achieved operating expense levels are reflected in a utility's base rates.

Q. WOULD IT BE REASONABLE FOR BCP AFFILIATED NATURAL GAS LOCAL DISTRIBUTION COMPANIES TO ESTABLISH A FINANCE AND ACCOUNTING DEPARTMENT WITHIN A SERVICE COMPANY?

A. Yes. The functions performed by finance and accounting departments are well-suited to a service company structure. My earlier discussion of a single CFO at Atmos, Southwest Gas, ONE Gas, and Spire are examples, and each of those companies have different executives overseeing the operating utilities.

Q. WOULD IT ALSO BE REASONABLE FOR BCP AFFILIATED NATURAL GAS LOCAL DISTRIBUTION COMPANIES TO ESTABLISH AN

[19] *See* FEA Exhibit DDE-4 for a table of the resulting IMPLAN outputs modeled by Exeter.
[20] *See* FEA Exhibit DDE-5 for a table of the resulting IMPLAN outputs modeled by Exeter.

INFORMATION TECHNOLOGY DEPARTMENT WITHIN A SERVICE COMPANY?

A. Yes. Information technology departmental functions are also well-suited to a service company structure. It is common for a utility to have a chief information officer ("CIO"), and the CIO and associated staff operating in a service company structure for the benefit of multiple utility operating companies. This is a logical and cost-efficient arrangement.

In fact, Joint Applicants responded to a recent interrogatory that BCP is "evaluating a model whereby Delta Utilities will provide IT services to NMGC."[21] Therefore, the illustrative example I presented above where 76% of the modeled annual economic output value is lost is clearly a realistic example that the Commission should weigh as it evaluates the proposed transaction.

Q. IS THE COMMISSION FAMILIAR WITH A UTILITY THAT OPERATES WITH A SERVICE COMPANY STRUCTURE AND SEPARATE OPERATING COMPANIES?

A. Yes. The PRC regulates Public Service Company of New Mexico ("PNM"), and PNM has a large service company structure. PNM's parent company, TXNM Energy, Inc. ("TXNM"), had 444 employees in a service company as of December 31, 2024, or 26% of TXNM's entire workforce of 1,695 employees, with the remaining employees at PNM and its sister utility Texas-New Mexico Power Company.[22]

Q. IN THE CASE OF BCP'S AFFILIATED NATURAL GAS LOCAL DISTRIBUTION COMPANIES, WHAT POSSIBLE LOCATIONS ARE THERE TO HOUSE HOLDING COMPANY OR SERVICE COMPANY EMPLOYEES?

[21] *See* NMDOJ 6-1b.
[22] *See* TXMN's 2024 10-K filing with the Security and Exchange Commission, p. A-9.

A. New Orleans would be a strong candidate for locating a holding company or service company because Delta Utilities is already headquartered there, and BCP is headquartered in Baton Rouge.

## VII. RELATIVE VALUE CREATION WITH THE PROPOSED GRANT VERSUS BILL CREDITS

Q. PLEASE EXPLAIN JOINT APPLICANTS' PROPOSED GRANT.

A. Joint Applicants' are committing "to contribute $5 million over a period of five years to economic development projects or programs in NMGC's service territory designed to attract new business and to retain and grow existing businesses."[23]

Q. DO YOU HAVE CONCERNS WITH JOINT APPLICANTS' PROPOSED GRANT?

A. I do. The proposed grant is vague with respect to who will be the beneficiaries of the granted funds. For example, a grant to grow existing businesses represents a transfer of wealth from BCP investors to an unnamed existing entity. Another concern I have with the proposed grant is that Joint Applicants' proposal for Saturn to acquire NMGC puts upward pressure on NMGC's rates, so I think it would be more equitable for the PRC to apply the $5 million toward bill credits for NMGC's customers.

Q. WHO GETS TO SELECT THE RECIPIENTS OF THE PROPOSED GRANT?

A. Saturn and NMGC management.

Q. WHO WOULD DETERMINE HOW BILL CREDITS ARE ALLOCATED TO NMGC'S CUSTOMERS?

A. The PRC would make that determination.

[23] *See* Executive Summary, p. 2.

Q. WHICH IS MORE EQUITABLE: THE PROPOSED GRANT OR BILL CREDITS?

A. Bill credits are a more equitable means of achieving value with the proposed acquisition of NMGC by Saturn because it is NMGC's customers that are at risk of higher utility bills with the proposed acquisition, and those customers should receive any benefits from the acquisition that the PRC determines as being appropriate for approval of the acquisition.

Q. HAVE YOU REVIEWED THE PURPORTED ECOMOMIC OUTPUT VALUE OF THE JOINT APPLICANTS' PROPOSED GRANT PRESENTED BY DR. ERICKSON?

A. I have. The NMSU study modeled $8.6 million economic output associated with the $5.0 million grant.

Q. DO YOU HAVE ANY COMMENTS ON THE NMSU MODELING ANALYSIS REGARDING THE PROPOSED GRANT?

A. I do. The NMSU study provides a useful order-of-magnitude estimate of potential benefits of the $5 million grant. However, the figures should be viewed as illustrative, not predictive. They help demonstrate the potential for positive economic contribution with the grant, but the actual economic benefit could vary significantly depending upon actual grant deployment. Given the uncertain value of the grant and the resulting beneficiaries, I recommend that the Commission replace the value of the grant with bill credits for NMGC's customers.

## VIII. RELATIVE PROSPECTS FOR SUSTAINABLE FUTURE VALUE FOR NMGC CUSTOMERS

Q. CAN YOU SUMMARIZE YOUR PERSPECTIVE ON THE KEY COMPONENTS OF THE JOINT APPLICANTS' PROPOSED VALUE PROPOSITION FOR THE PROPOSED ACQUISITION OF NMGC BY SATURN?

A. Yes. From my perspective, the following list summarizes the key components of the Joint Applicants' proposed value proposition if Saturn were to acquire NMGC:

- Fifty-one to 61 FTE jobs with labor income of approximately $7.2 million and estimated economic output of $40.2 million.
- Grants of $5 million over five years to economic development projects that NMSU modeled as producing $8.6 million in economic output. Joint Applicants commit to not having NMGC seek recovery in rates for the $5 million in grants.
- A commitment to retain NMGC for a period of not less than five years after transaction closing.[24]

Joint Applicants make other commitments in their Application that are of value to NMGC's customers or the communities they serve. However, I view many of these commitments as an effort by Joint Applicants to try to address minimum levels of protection for NMGC's customers, or minimum levels of community commitment expected from a large local corporation (e.g., corporate charitable giving), that are necessary for the PRC to even entertain approval of the proposed transaction. In other words, these other commitments are not the main value drivers from a qualitative decision-making perspective that distinguish Joint Applicants' proposed value

[24] *See* Application, p. 12.

proposition from past or future value propositions involving the acquisition of NMGC. I've added future acquisitions because I am not recommending PRC approval of the proposed acquisition of NMGC by Saturn.

Q. WHAT IS YOUR POSITION ON BEHALF OF THE FEA REGADING THE INCREMENTAL JOBS AND ASSOCIATED ANNUAL ECONOMIC OUTPUT VALUE?

A. My position is that Joint Applicants are proposing an inefficient result where synergies associated with the provision of shared services by Emera affiliated companies are lost with the Joint Applicants' proposal to perform those services primarily with incremental NMGC employees, and possibly with some services provided by other BCP affiliated entities. That translates into upward pressure on NMGC's rates for natural gas delivery service paid for by the large federal facilities receiving natural gas delivery service from NMGC.

In addition, I caution the Commission when weighing the relative value of modeled annual economic output because that value is not likely sustainable in the long-run. After the Joint Applicants' five-year commitment to retain NMGC expires, the incremental jobs and incremental annual economic output value are at risk of being lost following a subsequent acquisition by some acquiring entity that can achieve synergies my eliminating the incremental jobs with a more efficient holding or service company structure in a location outside of New Mexico. Effectively, Joint Applicants are proposing the very thing that would make a transaction appealing to a future acquiring entity that could offer a rate freeze, eliminate jobs, and create shareholder value in the process.

Q. HOW COULD A FUTURE ACQUIRING ENTITY PROVIDE VALUE TO NMGC CUSTOMERS?

A. As I've previously explained, synergies in the provision of certain functions well-suited to a holding or service company structure will put downward pressure on rates, or the opposite effect of what the Joint Applicants are proposing. In addition there are other benefits potentially achievable with an alternative suitor for NMGC, either if the PRC does not approve the proposed transaction or in the future whenever BCP chooses to divest NMGC. From a qualitative perspective, achieving long-term stability for NMGC's customers with a parent company committed to the natural gas LDC business model over the long haul is attractive. It avoids the implicit transactional costs NMGC's customers face with every NMGC acquisition that takes NMGC management's attention away from focusing on customers. Further, there is implicit value for NMGC's customers associated with an NMGC parent company that has a proven track record focusing on core commitments that customers should expect from their natural gas LDC, such as the provision of safe and reliable service at a reasonable price.

Established natural gas LDCs, such as the four selected companies I highlighted in my testimony, have the potential to create more attractive value propositions for NMGC's customers than the value proposition proposed by the Joint Applicants. I attached summary strategic positions of each of those four companies to my testimony as FEA Exhibit DDE-3. I would like to highlight several positions taken by those companies that represent areas of strategic focus that would provide value from a customer perspective, which is the focus of FEA in this proceeding. Atmos' efforts to "[f]urther enhance resiliency and supply reliability" is an attractive proposition for federal facilities, particularly from a company with the financial strength and commitment to the natural

gas LDC business model that Atmos has demonstrated over many years. Southwest Gas offers various commitments related to safe and reliable utility and pipeline operations, and a focus on "utility optimization" that are attractive from a value proposition perspective. ONE Gas promotes its ability to meet the needs of multiple fast-growing markets served by its LDCs. This could be attractive from a customer perspective in terms of having a natural gas company that could also efficiently and cost-effectively manage growth in another service territory. Spire's focus on "investing in infrastructure and driving continuous improvement to deliver value" is attractive from a customer perspective because investing in infrastructure promotes safety and reliability and continuous improvement promotes cost efficiencies that put downward pressure on rates for natural gas delivery service.

Q. WHAT CONCERNS DO YOU HAVE WITH THE RELATIVE RISK OF SATURN AS AN ACQUIRING ENTITY FOR NMGC AS COMPARED TO ANOTHER POTENTIAL SUITOR?

A. BCP affiliated entities are embarking on a new strategy of owning natural gas LDCs. As such, they are untested in terms of establishing management structures and operating LDCs. At present, Delta Utilities owns one LDC, the previously held CenterPoint LDC operating in Louisiana and Mississippi. Delta Utilities must establish a new management structure for that LDC to replace the management structure that previously existed with CenterPoint as the parent company. One would expect that Delta Utilities would design that new management structure to also oversee the anticipated acquisition of Entergy's LDCs operating in New Orleans and Baton Rouge. One potential benefit of assimilating the CenterPoint and Entergy LDCs into Delta Utilities and under a new management

structure is that cultural aspects of such an assimilation should be smooth with the LDCs operating in adjacent southern states with similar cultures.

Joint Applicants' proposed a different path for the proposed acquisition of NMGC. With this acquisition, Joint Applicants are proposing to increase the NMGC workforce by approximately 8% to replace services previously provided by Emera affiliates. This proposal is not without its risks. Joint Applicants are suggesting that NMGC can create an efficient replacement for services previously provided by Emera subsidiaries, yet NMGC has not self-provided those services since the TECO acquisition in 2014, or for over a decade. Therefore, there are organizational risks associated with this proposal.

In addition, there is no certainty that Joint Applicants' proposed incremental jobs at NMGC can stand the test of time as compared to an alternative business structure with a holding or service company supporting multiple BCP affiliated LDCs. In other words, NMGC could undertake a material business structure change at the start of its affiliation with BCP only to undertake a future additional material business structure change because there are no guarantees as to how BCP affiliated LDCs will be organized in the future.

This is quite different than if Emera sold NMGC to an existing and established owner of LDCs with an existing holding or service company structure that has the prospect of achieving synergies with an NMGC acquisition.

Q. WHAT IS YOUR POSITION ON BEHALF OF THE FEA REGADING THE PROPOSED GRANT?

A. The proposed grant does not provide value in the form of lower costs for natural gas delivery service to the large federal facilities served by NMGC. With the upward pressure

on rates from incremental jobs at NMGC, I believe it is imperative for the Commission to look to bill credits as a means of providing value to NMGC's customers if the Commission is inclined to approve the transaction. Eliminating the grant and including equivalent non-recoverable contributions from BCP investors to allow the acquisition to proceed is a preferred approach, certainly from an equity perspective, and one I recommend.

Q. IS JOINT APPLICANTS' COMMITMENT TO RETAIN NMGC FOR FIVE YEARS AFTER TRANSACTION CLOSING REASONABLE?

A. It is not unreasonable, but I view it as being a minimum commitment. Also, that length of a commitment is likely viewed as valuable to BCP and its investors because it provides an option to exit the NMGC investment after a relatively short period of time. From a customer's perspective, an expectation that the serving LDC is offering a long-term commitment to provide essential natural gas delivery service represents a more attractive value proposition than a mere five-year commitment.

Q. DO YOU HAVE ANY COMMENTS ON THE VARIOUS OTHER COMMITMENTS PROPOSED BY THE JOINT APPLICANTS?

A. I addressed my opposition to Joint Applicants' proposed capital investment commitment in my testimony, and I offered an alternative recommendation. Regarding Joint Applicants' various other proposed commitments, just because I haven't addressed them does not mean that I believe they are reasonable or represent an adequate package of other important protections for NMGC's customers.

## IX. CONCLUSION AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. I do not believe that Joint Applicants have presented a compelling value proposition for the proposed acquisition of NMGC by Saturn. Uncertain annual economic output value in exchange for upward pressure on NMGC's rates for natural gas delivery service is simply not a compelling offer from a customer perspective.

Further, Saturn does not appear to represent an acquiring entity that offers a high probability of investing in New Mexico over the long-term. It would be preferable if NMGC customers could finally achieve that very result with hopes that an NMGC parent can achieve long-term synergies by implementing operational efficiencies and continuous improvement in the provision of safe and reliable natural gas delivery service.

Turning to the offer at hand, that being to allow Saturn to acquire NMGC, I conclude that if the Commission is inclined to approve the transaction, it should be conditioned on bill credits totaling at least $17.2 million over 36 months, along with other basic protections that the Commission may deem necessary, to balance the risks to NMGC's customers with NMGC having a BCP-affiliated parent company.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. I recommend that the Commission deny Joint Applicants' request for Saturn to acquire NMGC for the reasons set forth in my testimony. If the Commission is inclined to approve the proposed transaction, then I recommend that the Commission direct NMGC to provide customers with at least $17.2 million in bill credits over 36-months and provide such other relief for NMGC's customers that the Commission deems appropriate for approval of the transaction. That bill credit figure includes what Joint Applicants are proposing as a grant that I recommend the Commission should deny. Finally, I

recommend that the Commission direct NMGC to make capital investments in its natural gas system between 2.5 and 3.5 times the historical three-year rolling average of depreciation and amortization expense, unless otherwise allowed by the Commission to deviate from that range.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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 | ) | |

**ELECTRONICALLY SUBMITTED AFFIRMATION OF DWIGHT D. ETHERIDGE**

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Dwight D. Etheridge, Principal and Vice President with Exeter Associates, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read and prepared the foregoing Direct Testimony of Dwight D. Etheridge, and it is true and accurate based on my personal knowledge and belief.

Signed this 18th day of April 2025.

*/s/Dwight D. Etheridge*
Dwight D. Etheridge

# APPENDIX

# QUALIFICATIONS OF

# DWIGHT D. ETHERIDGE

# DWIGHT D. ETHERIDGE

Mr. Etheridge is a principal at Exeter Associates, Inc. (Exeter) with 39 years of wide-ranging experience in the utility industry. His areas of expertise include business plan development, industry restructuring, rate design, marginal and embedded class cost-of-service studies, utility revenue requirement issues, load forecasting, resource planning, electric transmission system evaluations, natural gas pipeline analyses, power procurement, utility benchmarking studies, distributed generation, telecommunications, and contract negotiations. Mr. Etheridge has extensive experience in utility infrastructure analyses from his prior experience at a western electric utility and at Exeter while supporting federal and state clients on matters involving the need for, or alternatives to, electric transmission and natural gas transportation facilities.

His management experience includes reporting to the chief executive officer (CEO) of a western utility during electric deregulation and a merger of two utilities, and advising the CEO on many topics, including: regulatory issues, legislative negotiations, strategic focus, decision analysis, and merger integration. While working at the utility (and its successor) he reported directly to six different executives at various times that either were, or subsequently advanced to become, either presidents or CEOs of utilities. His interactions with those executives enabled him to gain an extraordinarily broad-based knowledge of utility issues across multiple disciplines, including: electric production, transmission, and distribution facilities; administrative functions and back-office systems; financial analysis; strategic and resource planning; and regulatory affairs. He also has substantial project management experience in various progressively more responsible leadership roles in utility management and gained as a consultant.

Mr. Etheridge has extensive experience developing analytical and strategic solutions on a variety of utility issues and communicating on those issues to regulatory commissions, legislatures, senior management, boards of directors, and the public. He has presented expert testimony on 43 occasions and has acted as a spokesperson numerous times on television, radio, and in print.

Education

Bachelor of Science in Business Administration,
University of California, Berkeley (1985)

Previous Employment

| | |
|---|---|
| 2004-2005 | Independent Strategy and Business Consultant |
| 1999-2004 | Strategic Director, Sierra Pacific Resources, and its Subsidiaries |
| 1986-1999 | Nevada Power Company<br>Leader of the Industry Restructuring Team<br>Director, Pricing and Economic Analysis<br>Economist<br>Load Forecast Analyst |

Professional Experience

Mr. Etheridge's work at Exeter has been focused in the following areas:

Technical and regulatory support to U.S. Department of Energy (DOE) facilities related to utility services procurement, contract negotiations, infrastructure studies, long-term commodity energy price forecasting, energy-related business cases, and regulatory intervention support. This work has encompassed many of DOE's facilities and oftentimes entailed unique circumstances specific to each facility. Examples include:

Development of an options study for alternative 138 and 230-kilovolt (kV) transmission delivery systems to serve the Yucca Mountain Nuclear Waste Repository (Yucca Mountain) that was to be located at the Nevada National Security Site (NNSS) (formally the Nevada Test Site).

Development of an options study for supplying power to a proposed fifth Strategic Petroleum Reserve site with a planned location near Richton, Mississippi.

Evaluation of the reasonableness of operations and maintenance costs for the 115-kV transmission system and associated distribution substations that serve the Savannah River Site and related negotiations with an electric utility.

Development of an options study for right-sizing the transmission delivery system to serve the Paducah Gaseous Diffusion Plant that was receiving service at four switchyards via 18 incoming 161-kV transmission lines and five government-owned 161-kV tie lines.

Studies related to right-sizing the transmission delivery system to serve the Portsmouth Gaseous Diffusion Plant that is receiving service at a switchyard via four incoming 345-kV lines and a government-owned 345-kV tie line to a nearby utility-owned substation.

Studies to address aging infrastructure issues at Savannah River Site, Sandia National Laboratories, and Fermi National Accelerator Laboratory.

Evaluation of the economics of a natural gas pipeline lateral to the Hanford Site's central plateau area in eastern Washington and related negotiations with a natural gas utility.

Analysis of the economics of a natural gas pipeline lateral to the West Valley Demonstration Project in western New York and related negotiations with a natural gas utility.

Professional Experience (cont'd)

Contract negotiations related to line extensions, electric facilities agreements, and electrical equipment ownership transfers at multiple DOE facilities, including Idaho National Laboratory and Argonne National Laboratory.

Development of long-term commodity energy price forecasts to support power procurement and infrastructure decisions at multiple DOE facilities, including Los Alamos National Laboratory, Brookhaven National Laboratory, and the Hanford Site.

Development of a power supply options study for DOE's Long Baseline Neutrino Facility in Lead, South Dakota, which involved an evaluation of an existing 69-kV delivery system option and distribution voltage alternatives.

Development of business plans and related studies for on-site renewable energy at multiple DOE facilities, including Sandia National Laboratories, the Kansas City National Security Campus, and Lawrence Berkeley National Laboratory.

Extensive work with generation interconnection queues to support studies of on-site generation at DOE facilities.

Development of power procurement recommendations and risk management strategies for DOE's northern California laboratories and other DOE facilities.

Rate intervention support, contract negotiations, and expert testimony on a variety of topics, including: marginal and embedded class cost-of-service studies; rate design; revenue requirements issues; the need for transmission lines; electricity and natural gas hedging strategies; electric utility operations and maintenance cost benchmarking studies intended to evaluate relative performance at cost control, as well as for purposes of projecting future test year expenses; natural gas expansion area economics; hydropower valuations; and distribution loss studies.

Evaluation of the need for, and alternatives to, proposed transmission lines in support of Maryland's Department of Natural Resources. Proposed transmission system expansions or enhancements studied include: the Mid-Atlantic Power Pathway (MAPP), a proposed project involving a 500-kV submarine and overhead high-voltage direct current line transmission line and a 230-kV transmission line from Virginia into eastern Maryland; the Independence Energy Connection Project involving two 500/230-kV substations in Pennsylvania, each with a corresponding 230-kV line into Maryland, which resulted from the PJM Interconnection, L.L.C.'s first ever long-term market efficiency solicitation; several other lower voltage lines in certificate of public convenience and necessity (CPCN) proceedings in Maryland; and multiple other proposed transmission system expansions or enhancements that were either smaller in scope or that did not advance to a CPCN proceeding, including the Potomac-Appalachian Transmission Highline (PATH), a proposed 500-kV line from West Virginia into Maryland.

Professional Experience (cont'd)

Electricity and natural gas procurement support for federal and commercial facilities. Support included review of utility procurement strategies for multiple DOE facilities and U.S. Air Force bases to identify areas for potential utility cost savings. This work often entails development of an understanding of the transmission or distribution delivery systems serving the facilities.

As an independent consultant, Mr. Etheridge:

Led an engagement for a western consulting firm to review the load forecasting methodologies and forward price curve models employed by a southwestern municipal water and power utility and to recommend improvements.

Led an engagement for a western consulting firm to develop rate design options for a southwestern municipal water and power utility. The rate design recommendation was designed to facilitate the implementation of operational strategies and the achievement of operational savings identified in a previous consulting engagement. It was also designed to accommodate additional electrical loads if other water municipalities decided to jointly participate in wholesale markets.

Collaborated with a team from an international consulting firm to support a Midwest utility's effort to ensure that its accounting and rates departments were prepared for the Midcontinent ISO's "Day 2" market opening scheduled for March 1, 2005. The project involved developing process flows of information required by the accounting and rates departments, and significant interaction with the corporate information technology department. The project also involved reviewing rates and regulatory strategies for potential changes under the Day 2 market rules.

Prepared a competitive analysis for a Midwest utility's unregulated subsidiary on behalf of an international consulting firm. The analysis focused on comparing the subsidiary's product and service offerings, and value propositions, against those of its competitors, as well as evaluating the dynamics occurring within the various market segments.

Led an engagement for a western consulting firm to identify strategies for maximizing the savings potential of switching electricity suppliers for a southwestern municipal water and power utility. The economic analyses developed as part of the engagement identified multi-million-dollar savings potential that could be achieved over ten years through changes in both suppliers and operational strategies. In addition, the client realized thousands in immediate savings from billing errors that were identified during the engagement, as well as the potential for hundreds of thousands in annual savings that could be realized through enforcement of the provisions of existing contracts.

Professional Experience (cont'd)

Collaborated with a team from an international consulting firm to facilitate the development of a strategic plan for a western municipal power and water utility. The project included leading the utility's management team through an all-day planning session to develop divisional strategies consistent with the utility's mission statement.

As a strategic director for Sierra Pacific Resources, Mr. Etheridge:

Developed a forecasting model for power and gas prices that was capable of blending fundamentals-based power and natural gas price forecasts from multiple vendors while maintaining rational market implied heat rates, as well as consistent relationships across various gas market centers and power trading hubs in the western U.S. The models enabled forecasters to produce timely forecast updates as natural gas futures prices changed, or when vendors updated their forecasts, while maintaining an easily audited trail of assumptions across forecast updates.

Developed sophisticated financial models to evaluate the potential return on investment of distributed generation projects that might be deployed by large commercial and industrial customers. The models investigated gas-fired reciprocating engines and turbines, as well as multi-unit installations, varying performance characteristics, and partial standby requirements. This project was undertaken in conjunction with redesigning retail standby rates and the introduction of new interconnection rules.

Investigated the potential of using private equity partners to pursue power plant development and/or acquisition in southern Nevada, including the possibility of a public/private partnership to leverage the credit ratings of a local governmental entity.

Gained valuable indirect experience in the development and implementation of risk management and risk control procedures while working on energy supply projects during the period when new corporate risk policies were developed, implemented, and defended in litigated proceedings.

Supported a telecommunications subsidiary by acting as the lead in the development of business plans for two metro area networks and a long-haul opportunity. Co-presented the business plans with the lead director for the subsidiary to the Board of Directors and obtained the required initial funding of $44 million.

Supported a telecommunications subsidiary by acting as the lead in the development of a fiber-to-the-home business plan with an external team of consultants. The plan addressed the feasibility of multiple bundled service offerings and a targeted deployment in several western markets. Participated in negotiations with subsidiary management and multiple potential partners, including service providers with a national footprint, technology partners, and content providers. The plan was tabled when key partnership agreements could not be put in place to pursue a "beta" test of the technology and business model.

Professional Experience (cont'd)

Participated on the team that developed a successful bid to acquire a northwestern electric utility, including due diligence, management presentations by the company being acquired, and strategy discussions with the CEO and financial advisors.

As leader of the industry restructuring team at Nevada Power Company (NPC), Mr. Etheridge:

Reported to the CEO and led an internal team of directors assigned full-time to electric industry restructuring. Directed and managed the team's development and presentation of company positions on restructuring, including expert testimony before the Public Utilities Commission of Nevada (PUCN) and to the Nevada Legislature. Hired multiple consultants and expert witnesses to facilitate the development of corporate strategy and to support the presentation of positions before the PUCN. In this assignment, he represented the company on multiple occasions on television, taped and live radio, in press conferences and interviews, in consumer focus groups, and in presentations to large commercial and industrial customers.

Was one of only several advisors to the CEO that directly participated with the CEOs from both NPC and Sierra Pacific Resources in the final legislative negotiations on the merger of the two companies and associated restructuring legislation.

Participated in senior management discussions, as a member of the CEO's staff, on corporate strategy prior to the merger announcement and throughout the merger integration process, including development of corporate strategy and business line focus for the combined company.

In his other assignments at NPC, Mr. Etheridge:

Directed a department responsible for rate design studies, marginal cost-of-service studies, the annualization of sales and revenues for general rate case applications, demand-side pricing, economic and load forecasting, tariff administration, wholesale pricing, and development of supporting testimony in these areas. Built a cohesive, progressive thinking team with expertise in multiple disciplines that was highly recognized throughout the company.

Made multiple presentations to executives and groups of large commercial and industrial customers on a variety of industry issues. Interacted with multiple customers served at transmission voltages.

Worked with Mirage Resorts, Inc. (Mirage Resorts) to conceive of and have constructed a transmission voltage delivery system to a customer-owned, gas-insulated substation at the Bellagio Hotel & Casino. Several other large hotels and casinos subsequently also implemented transmission voltage delivery systems.

Professional Experience (cont'd)

Represented the company in negotiations with customers considering alternative sources of supply. Negotiated an eight-year retail power purchase contract with Mirage Resorts to keep them from building a distributed generation project. Regularly briefed the Board of Directors during negotiations and gained Board approval for the final contract. Acted as a spokesperson on television and in the press on this highly publicized contract.

Acted as the lead in the development of economic forecasts, econometric load forecasts, weather normalization of sales and peak demand, short-term sales forecasts, and testimony in these areas.

Expert Testimony

Before the Public Utility Commission of Texas (PUCT), Docket Nos. 47527 and 48440 (August 2023), on behalf of DOE. The testimony addressed the allocation of wind project costs and benefits among the rate classes and intra-class rate design issues.

Before the New Jersey Board of Public Utilities, Docket No. WR19121516 (July and September 2020), on behalf of the Joint Municipal Intervenors. The testimony addressed return on equity, post-test year capital investments, and various revenue requirement issues.

Before the Massachusetts Department of Public Utilities (MDPU), Docket DPU 19-120 (March and May 2020), on behalf of the Massachusetts Office of the Attorney General. The testimony addressed performance metrics in the context of a performance-based ratemaking proposal and a geothermal network demonstration project.

Before the Maryland Public Service Commission (MPSC), Case No. 9471 (April and May 2019), on behalf of the Maryland Department of Natural Resources (DNR). The testimony addressed the need for, and alternatives to, two proposed 230-kV transmission lines from southern Pennsylvania into northern Maryland.

Before the Delaware Public Service Commission (DPSC), Docket 17-1224 (May 2018), on behalf of the staff of the DPSC. The testimony addressed expansion area natural gas ratemaking and revenue requirements issues.

Before the PUCT, Docket Nos. 47527 and 48440 (April 2018), on behalf of DOE. The testimony addressed a billing dispute regarding a customer-owned wind farm and transmission infrastructure.

Before the Indiana Utility Regulatory Commission (IRUC), Cause No. 44967 (November 2017), on behalf of the Indiana Office of Utility Consumer Counselor (OUCC). The testimony addressed distribution operations and maintenance cost benchmarking.

Expert Testimony (cont'd)

Before the MDPU, Docket DPU 15-181 (June and July 2016), on behalf of the Massachusetts Office of the Attorney General. The testimony addressed various issues regarding a proposed interstate pipeline expansion from both shareholder and ratepayer perspectives.

Before the MPSC, Case No. 9393 (May 2016 and June 2016), on behalf of the DNR. The testimony addressed the need for, and alternatives to, a proposed 138-kV transmission line in eastern Maryland.

Before the IRUC, Cause No. 44688 (January 2016), on behalf of the OUCC. The testimony addressed operations and maintenance cost benchmarking and another revenue requirement issue.

Before the PUCT, Docket No. 43695 (May and June 2015), on behalf of DOE. The testimony addressed operations and maintenance cost benchmarking and rate design issues.

Before the Missouri Public Service Commission, Case No. ER-2012-0174 (August and October 2012), on behalf of DOE. The testimony addressed off-system sales margins.

Before the PUCT, Docket No. 39896 (March and April 2012), on behalf of DOE. The testimony addressed rate design issues relevant to DOE's Strategic Petroleum Reserve.

Before the Illinois Commerce Commission (ICC), Docket No. 11-0721 (February 2012), on behalf of DOE. The testimony addressed proposed distribution loss factors for end-use customers receiving service at transmission voltages.

Before the PUCN, Docket No. 11-06006 (October 2011), on behalf of DOE. The testimony addressed NPC's proposed class revenue requirement allocation with respect to DOE's NNSS and the U.S. Air Force's Nellis Air Force Base (Nellis AFB).

Before the Wyoming Public Service Commission, Docket No. 20000-384-ER-10 (May 2011), on behalf of DOE. The testimony addressed class cost-of-service proposals.

Before the IRUC, Cause No. 38707 FAC87 (March 2011), on behalf of the OUCC. The testimony provided comments on Duke Energy Indiana's electric hedging policy.

Before the IRUC, Cause No. 43849 (November 2010), on behalf of the OUCC. The testimony provided comments on an electric hedging policy proposed by the Northern Indiana Public Service Company.

Before the ICC, Docket No. 10-0467 (November and December 2010), on behalf of DOE. The testimony addressed proposed distribution loss factors for end-use customers receiving service at transmission voltage.

Expert Testimony (cont'd)

Before the MPSC, Case No. 9179 (December 2009), on behalf of the DNR. The testimony addressed the need for a proposed 500-kV transmission line in eastern Maryland and alternatives.

Before the PUCN, Docket No. 08-12002 (April and May 2009), on behalf of DOE. The testimony addressed NPC's proposed class revenue requirement allocation with respect to the NNSS and Nellis AFB.

Before the MPSC, Case No. 9165 (March 2009), on behalf of the DNR. The testimony addressed a proposed 230-kV transmission line in southern Maryland and alternatives.

Before the PUCN, Docket No. 06-11022 (March 2007), on behalf of DOE. The testimony addressed NPC's proposed class revenue requirement allocation with respect to the NNSS and Nellis AFB.

On Behalf of NPC:

Before the PUCN, Docket No. 99-7035 (February 2000). The testimony addressed the issue of splitting purchased power capacity payments out of deferred energy cases and into general rate cases for cost recovery purposes.

Before the Nevada Legislature, Senate Commerce and Labor Committee (March 1999). The testimony responded to questions on deregulation.

Before the PUCN, Docket No. 98-12009 (December 1998 and June 1999). The testimony addressed steps being taken to establish an arms-length affiliate to provide potentially competitive services.

Before the PUCN, Docket No. 97-8001 (September 1997). The testimony addressed NPC's efforts to address restructuring issues and cost unbundling issues.

Before the PUCN, Docket No. 97-7030 (July 1997). The testimony addressed matching deferred energy rates with rapidly changing deferred energy balances given upward swings in market prices for fuel and purchased energy.

Before the Nevada Legislature, Senate Commerce and Labor Committee (February 1997). The testimony addressed rates during hearings on deregulation.

Before the Public Service Commission of Nevada (PSCN), Docket No. 96-10005 (February 1997). Testimony in this gas utility's filing for approval of a residential gas air conditioning rate schedule addressed the potential benefits of pricing strategies that support technological innovation.

Expert Testimony (cont'd)

Before the PSCN, Docket No. 96-7020 (July 1996). The testimony addressed competition, marginal costs, confidentiality issues, and rate design in support of the largest ever-proposed rate reductions for large customers.

Before the PSCN, Docket No. 95-6076 (February 1996). The testimony addressed line extension policies in the context of competition and with respect to marginal costs.

Before the PSCN, Docket No. 95-8038 (November 1995 and January 1996). The testimony addressed a proposal to serve the NNSS under a new partial requirements rate schedule.

Before the PSCN, Docket No. 95-7021 (July 1995 and November 1995). The testimony addressed a request to implement improved cost allocation procedures for calculating base tariff energy rates across rate classes.

Before the PSCN, Docket No. 95-4061 (July 1995). The testimony addressed competition, negotiations, and cost studies that supported a proposed service agreement with Mirage Resorts to prevent the customer from pursuing distributed generation.

Before the PSCN, Docket No. 94-7001 (February 1995). The testimony addressed load forecasting, competition, long-term avoided costs, and econometric modeling in a refiled resource planning case.

Before the PSCN, Docket No. 94-4085 (October 1994). The testimony addressed marginal costs relative to line extensions in a case involving a proposed line extension rule modification.

Before the PSCN, Docket No. 94-7001 (July 1994 and August 1994). The testimony addressed economic and load forecasting issues in a resource planning case.

Before the PSCN, Docket No. 93-11045 (June 1994). The testimony addressed rate design and cost of service in an over-earnings investigation.

Before the PSCN, Docket No. 92-9055 (January 1994). The testimony addressed the impact of lost sales to the NNSS on remaining retail customers in a complaint case brought by a rural cooperative over service to Yucca Mountain that was to be located at the NNSS.

Before the PSCN, Docket No. 92-1067 (January 1992). The testimony addressed rate design and cost of service in a general rate case.

Before the PSCN, Docket No. 91-5055 (May 1991). The testimony addressed rate design and cost of service in a general rate case.

Before the PSCN, Docket No. 88-701 (July 1988). The testimony addressed economic and load forecasting issues in a resource planning case.

**EXHIBITS WITH THE DIRECT TESTIMONY OF DWIGHT D. ETHERIDGE**

OVERVIEW OF SELECTED NATURAL GAS LDCs

FEA Exhibit DDE-1

Page 1 Atmos, Investor Presentation, March 2025, p. 8.

Page 2 Southwest Gas, Investor Presentation, Spring 2025, p. 4.

Page 3 ONE Gas, 2025 Financial Guidance, December 2024, p. 2.

Page 4 Spire, Investor Presentation, April 2025, p. 2.

CAPITAL INVESTMENT PLANS FOR SELECTED NATURAL GAS LDCs

FEA Exhibit DDE-2

Page 1 Atmos, Investor Presentation, March 2025, p. 31.

Page 2 Southwest Gas, Investor Presentation, Spring 2025, p. 18.

Page 3 ONE Gas, 2025 Financial Guidance, December 2024, p. 10.

Page 4 Spire, Investor Presentation, April 2025, p. 6.

STRATEGIC FOCUS FOR SELECTED NATURAL GAS LDCs

FEA Exhibit DDE-3

Page 1 Atmos, Investor Presentation, March 2025, p. 3.

Page 2 Southwest Gas, Investor Presentation, Spring 2025, p. 6.

Page 3 ONE Gas, Investor Update, February and March 2025, p. 5.

Page 4 Spire, Investor Presentation, April 2025, p. 3.

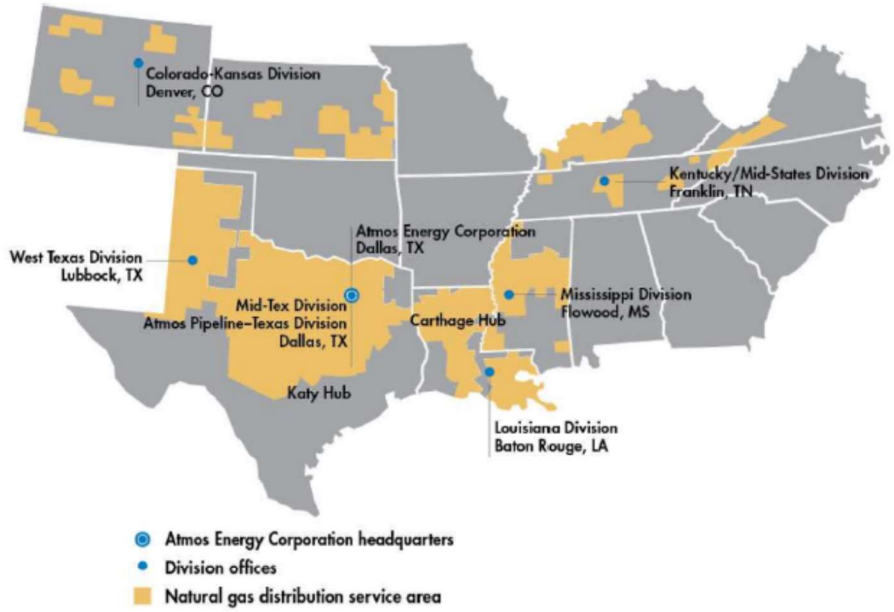
ALTERNATIVE IMPLAN MODELING RESULTS PREPARED BY EXETER

FEA Exhibit DDE-4 Scenario Excluding Incremental Finance and Accounting Jobs and Labor Income

FEA Exhibit DDE-5 Scenario Excluding Incremental Information Technology Jobs and Labor Income

# Leading Natural Gas Delivery Platform

## Diversified LDC Platform in Eight States



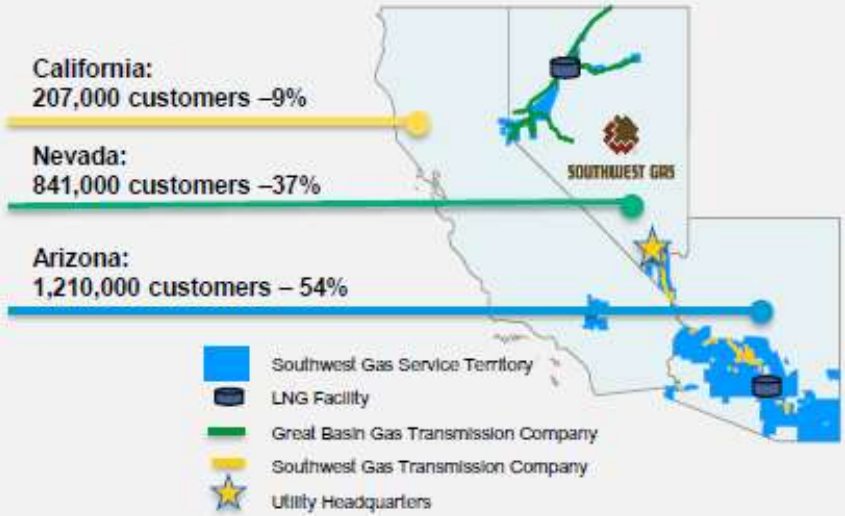

- Largest pure-play natural gas LDC with over 3 million customers
  - Largest Natural Gas Distributor in Texas with ~ 2.1 million customers
- ~75,000 miles of distribution and transmission mains
- Connected to 38 different pipelines across 8 states providing supplier diversity
- Blended allowed ROE of 9.8%
- Constructive regulatory mechanisms reduce lag
- ~65% of revenues earned in the first 6 months of the fiscal year
- $13.8 billion estimated rate base as of September 30, 2024
- Represents 67% of consolidated net income

Source: Atmos, Investor Presentation, March 2025, p. 8. Available at https://www.investors.atmosenergy.com/events-and-presentations/default.aspx.

## Southwest Gas Corporation Financial Snapshot[1]:

2024 Revenue: $2.5 billion
2024 Net income: $261 million
2024 Estimated Rate Base: $6.4 billion[2]

**2,258,000**
Total Customers Served[1]




## Positioned to Unlock Significant Shareholder Value

### SWX

- Strengthening capital and strategic flexibility through separation of Centuri
- Maintain balance sheet flexibility and investment grade credit ratings

### SWG

- Providing safe, reliable, and affordable natural gas service
- Positive regulatory developments and strong organic rate base growth
- 41,000 first-time meter sets over the last twelve months[1], or ~1.8% increase[3]
- Optimizing the utility to deliver value
- Capital expenditure plan supported by strong economic and customer growth throughout our service areas
- Well positioned to continue delivering sustainable energy options for our customers

Source: Southwest Gas, Investor Presentation, Spring 2025, p. 4 (excerpt). Available at https://www.swgasholdings.com/.

ONE Gas

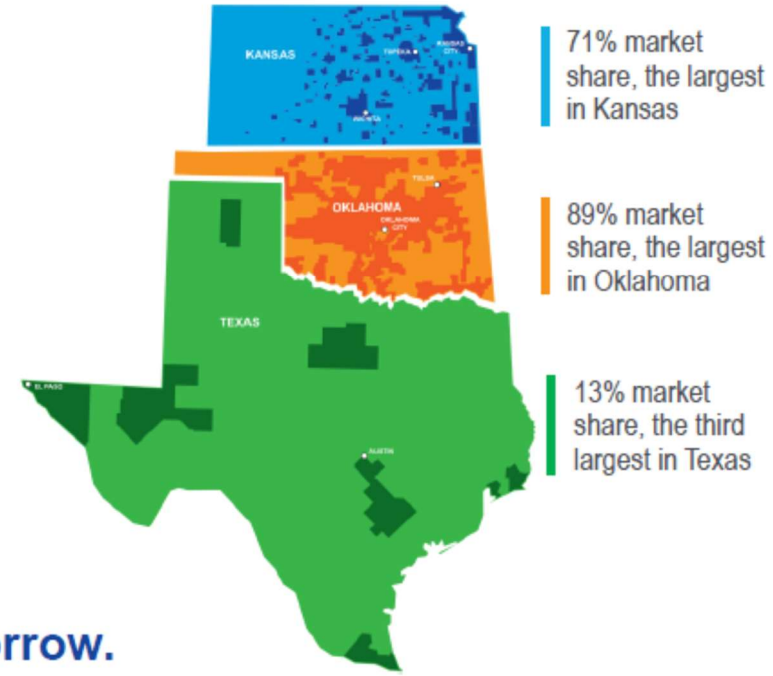
Kansas Gas Service | Oklahoma Natural Gas | Texas Gas Service

## About Us

ONE Gas, Inc. (NYSE: OGS) is a **100-percent regulated** natural gas utility and is one of the largest natural gas utilities in the United States.

ONE Gas provides natural gas distribution services to approximately **2.3 million customers** in Kansas, Oklahoma and Texas.

Its largest natural gas distribution markets by customer count are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas.




**We deliver natural gas for a better tomorrow.**

Source: ONE Gas, 2025 Financial Guidance, December 2025, p. 2. Available at https://www.onegas.com/investors/events-and-presentations/default.aspx.

# Spire at-a-glance

## Gas Utilities

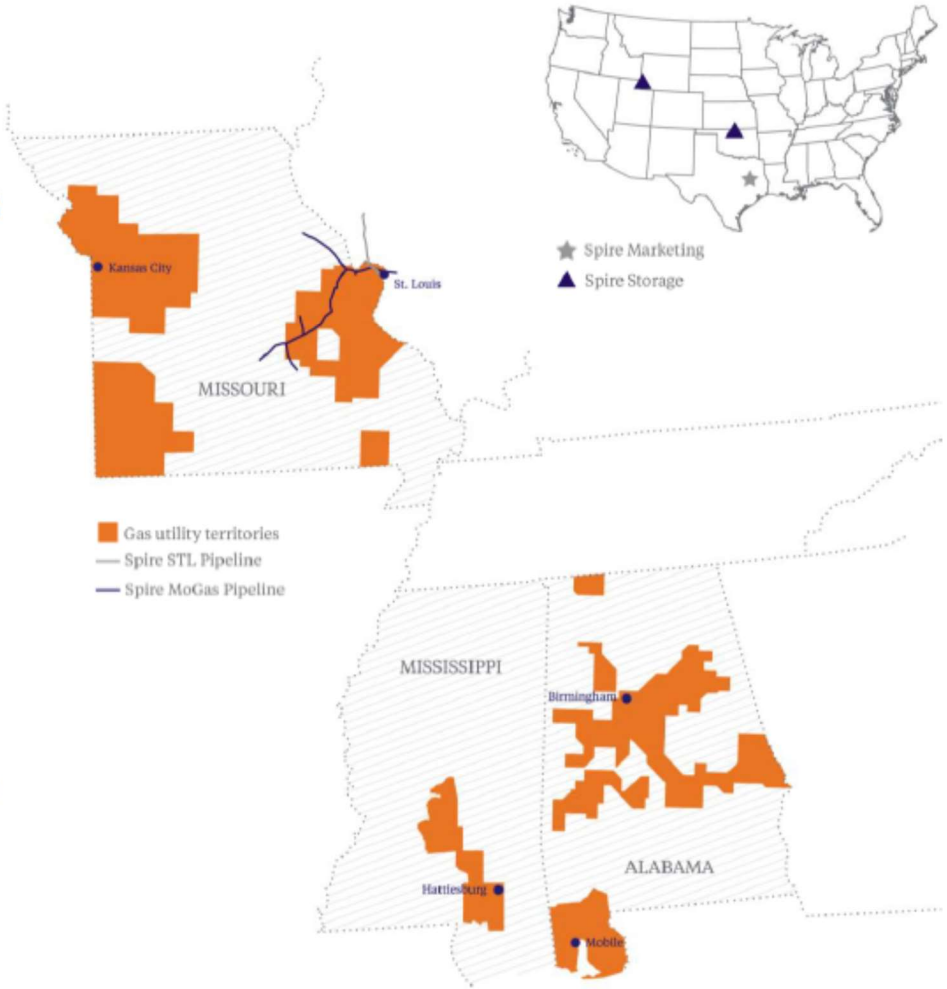
- Regulated natural gas LDCs serving 1.7M homes and businesses in AL, MO and MS
- Operates ~63k miles of pipeline
- Represents ~98% of 10-year capex

## Gas Marketing

- Provides natural gas marketing services throughout North America
- Creates value by optimizing commodity, transportation and storage portfolio

## Midstream

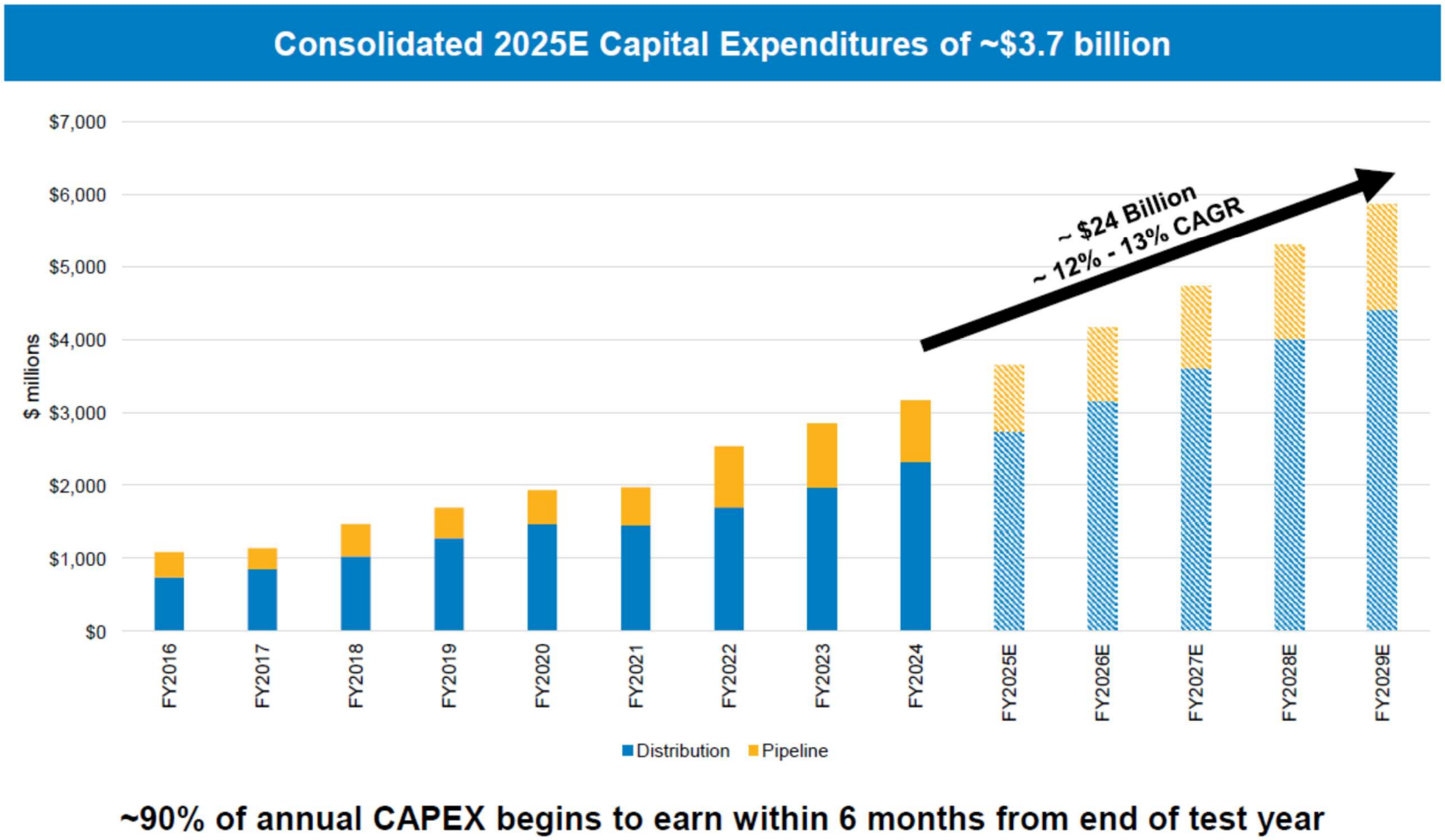
- Consists of STL Pipeline, MoGas Pipeline and storage facilities in WY and OK
- Centered on highly-contracted assets with a utility gas supply focus




Source: Spire, Investor Presentation, April 2025, p. 2. Available at https://investors.spireenergy.com/events-and-presentations/default.aspx.

# Financial Outlook

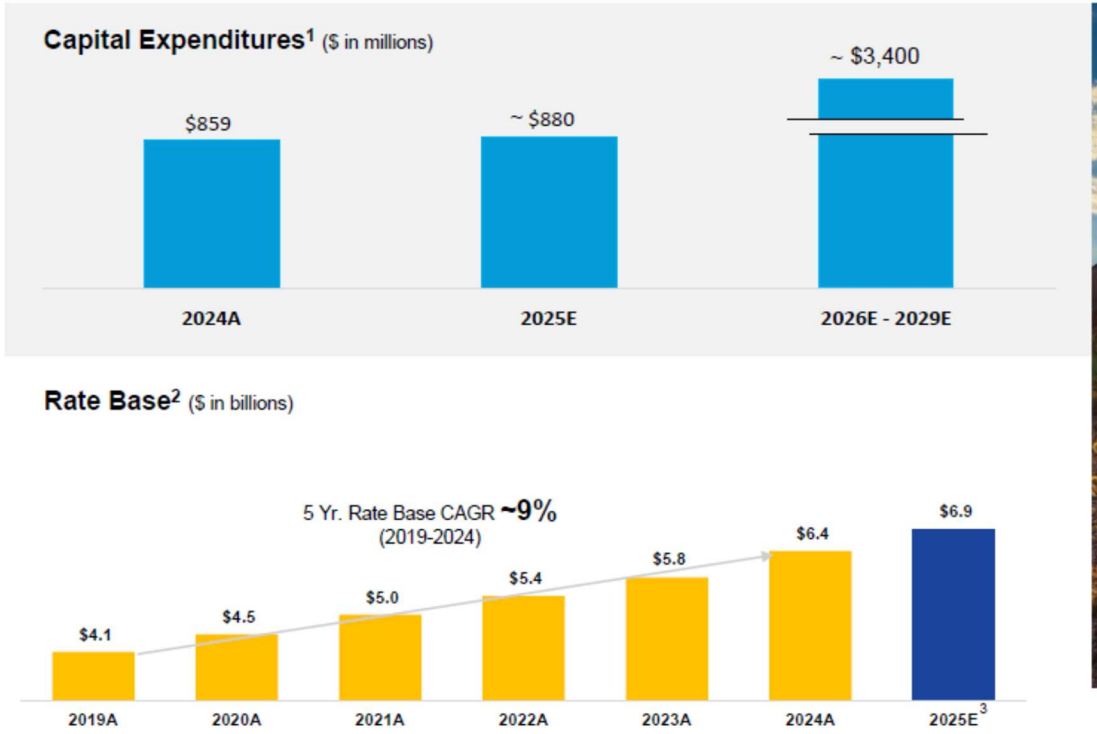
## Capital Spending Focused on System Modernization and Growth




**~90% of annual CAPEX begins to earn within 6 months from end of test year**

Source: Atmos, Investor Presentation, March 2025, p. 31.

# Total System Rate Base Growth Forecast

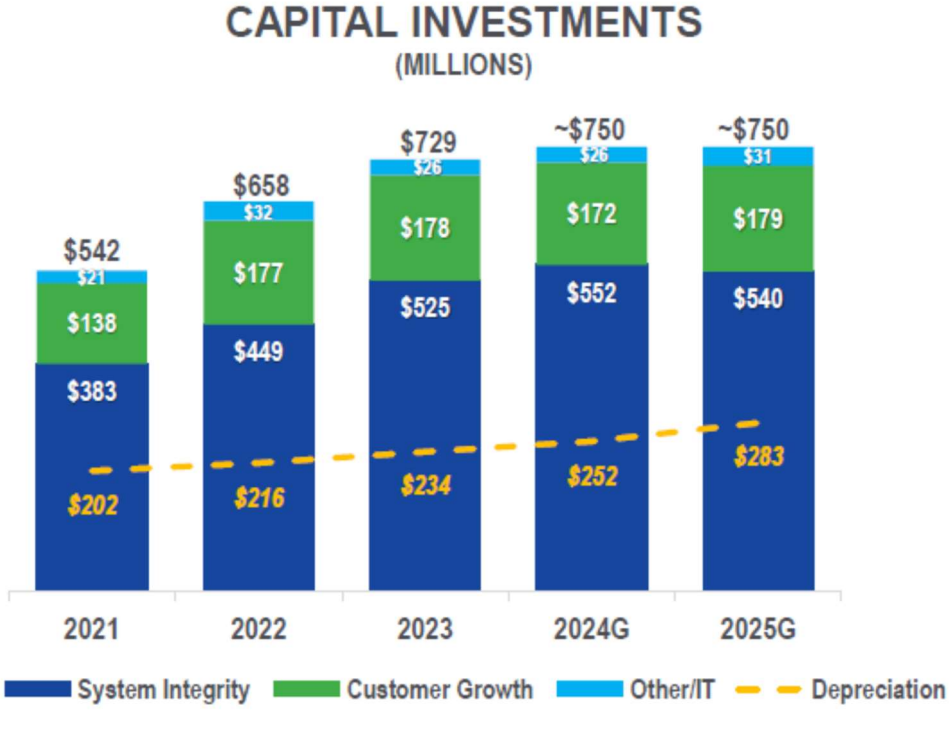


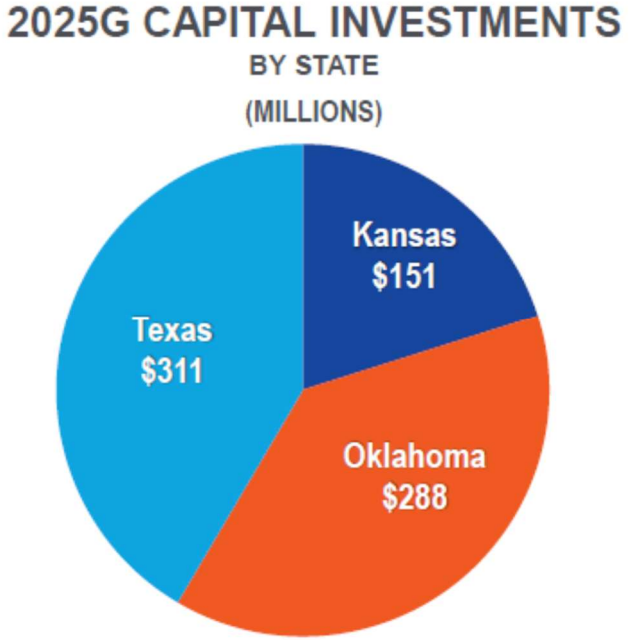


Source: Southwest Gas, Investor Presentation, Spring 2025, p. 18 (excerpt).

# Well-Defined Capital Investment Plan

## Investments ~ 3x Depreciation



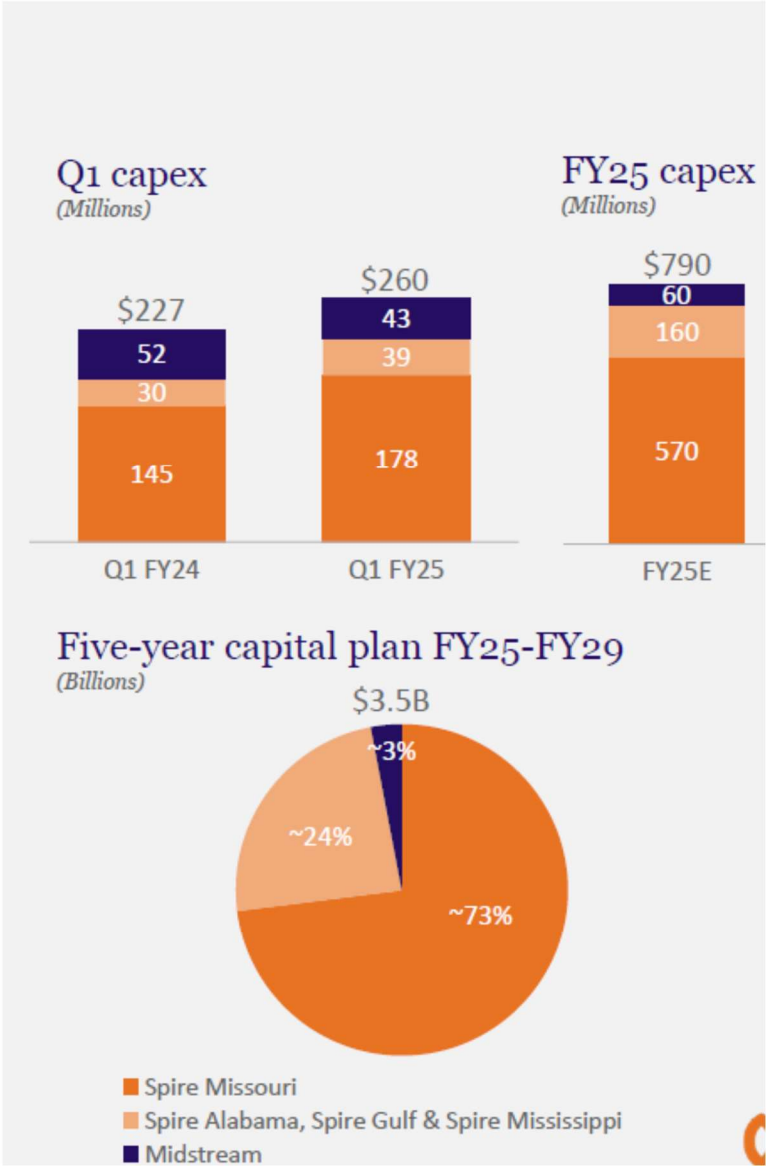




Note: Capital investments include asset removal costs and accruals

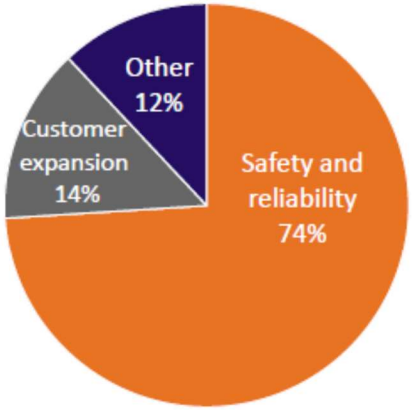
Source: ONE Gas, 2025 Financial Guidance, December 2025, p. 10.

# Robust capex plan

- FY25 capex target remains $790M
- 10-year capex target of ~$7.4B
  - ~98% Gas Utility capex
- Capital plan supports adjusted EPS long-term growth target of 5-7%[1]
  - Drives 7-8% Spire Missouri rate base growth




## FY25 gas utility investment




[1]*Using original FY24 guidance midpoint of $4.35 as a base.*

## Five-year capital plan FY25-FY29




Source: Spire, Investor Presentation, April 2025, p. 6.

# Sustainable Performance Supported By Focused Business Model

ATMOS energy

**Attractive pure-play total return supported by strong financial foundation**

- Safety-driven, organic growth strategy supports 6% - 8% earnings per share and dividend per share growth through Fiscal 2029
- 100% of earnings from fully regulated, leading natural gas delivery platform
- 22 consecutive years of EPS growth; 41 consecutive years of dividend growth
- Strong investment-grade credit ratings/liquidity

**Diversified and growing jurisdictional footprint**

- Regulated distribution assets in 8 states serving over 3 million customers
- 97% of rate base in states that offer policy support for investment in natural gas infrastructure
- Strong customer growth
- Favorably positioned regulated pipeline spans Texas shale gas supply basins

**Transparent Capital Spending Horizon**

- Comprehensive risk-based replacement program
- Further enhance resiliency and supply reliability while reducing methane emissions
- Support strong customer growth in our existing footprint

**Constructive Regulation Focused on Safety and Reliability**

- Annual filing mechanisms in most jurisdictions offer regular, consistent rate adjustments
- Earning on ~90% of annual capex within 6 months; ~99% within 12 months
- Significant percentage of revenue earned through fixed or tariff-based charges

**Sustainability Integrated Into Strategy**

- Formal Board of Director oversight over sustainability
- Comprehensive plan to reduce environmental impact from operations
- Safely providing reliable, efficient and abundant natural gas with a lower carbon footprint than electricity
- Investing in the communities we serve

Source: Atmos, Investor Presentation, March 2025, p. 3.


Source: Southwest Gas, Investor Presentation, Spring 2025, p. 6.

# Serving a Growing Customer Base

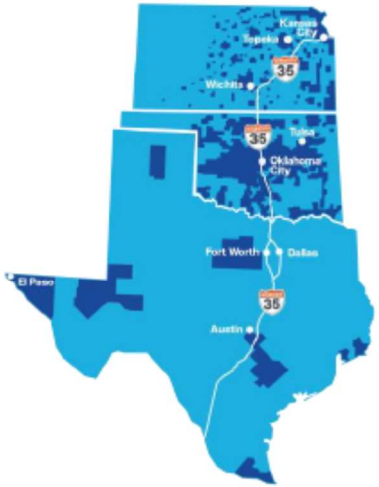
## Growing Demand for Natural Gas Provides Long-Term Growth Opportunity

**Economic growth creates durable residential and commercial development and drives system expansion**

**Balanced growth across service territory, led by Oklahoma City, Austin and El Paso**

**Strong support for natural gas with energy choice legislation in all jurisdictions**

**~$25 billion in new manufacturing projects announced since 2021**




**WSJ Top 25 "Hottest Job Markets" lists 4 cities in ONE Gas service territory[1]**

#5 Oklahoma City
#7 Austin
#12 Kansas City
#21 Tulsa

**Forbes Top 15 "Best Cities to Move to in 2024" includes 5 ONE Gas cities[2]**

#3 Oklahoma City
#4 Wichita
#6 Tulsa
#12 El Paso
#14 Austin

[1] The Wall Street Journal partnered with Moody's Analytics to rank markets based on unemployment rate, labor-force participation rate, change in employment levels, size of labor forces and wages.

[2] Forbes Home experts ranked cities based on value, quality of life, job market and desirability.

Source: ONE Gas, Investor Update, February and March 2025, p. 5. Available at https://www.onegas.com/investors/events-and-presentations/default.aspx.

# Strategy driving growth, value and sustainability

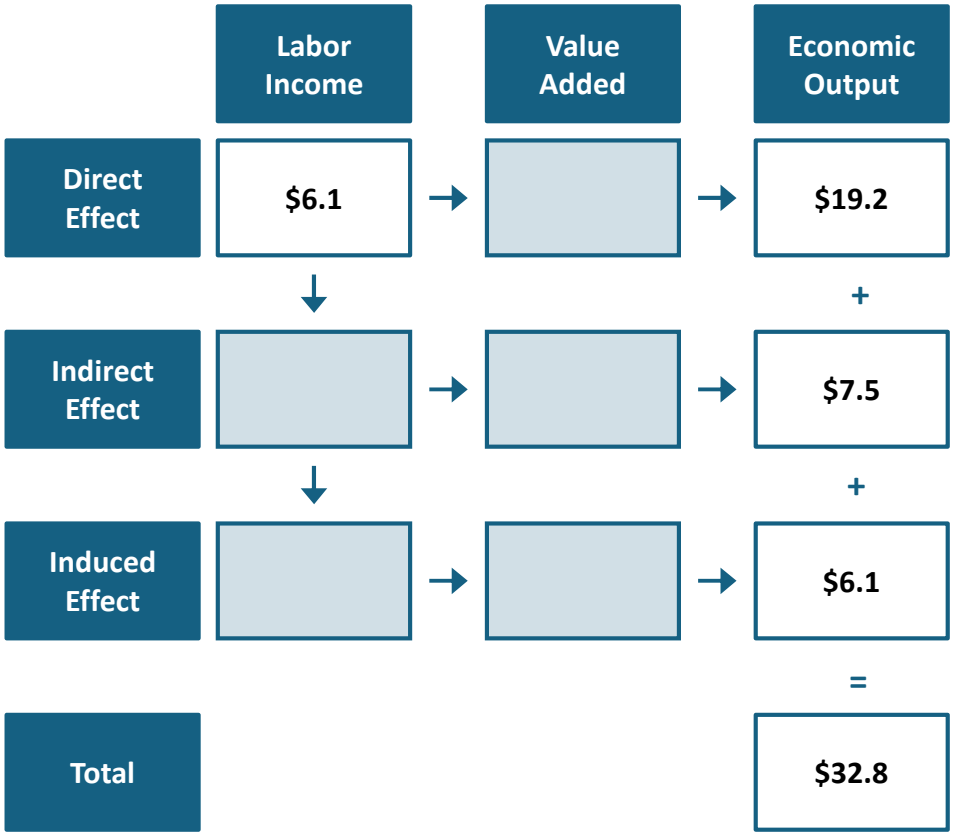
At Spire, we're focused on growing our businesses organically, investing in infrastructure and driving continuous improvement to deliver value.

| | |
|---|---|
|  | 90%+ regulated business mix |
| $7.4B | Robust 10-year capex plan |
|  | 5-7% long-term EPS growth |
| 22 | Growing dividend for 22 consecutive years |
|  | Focus on sustainability |

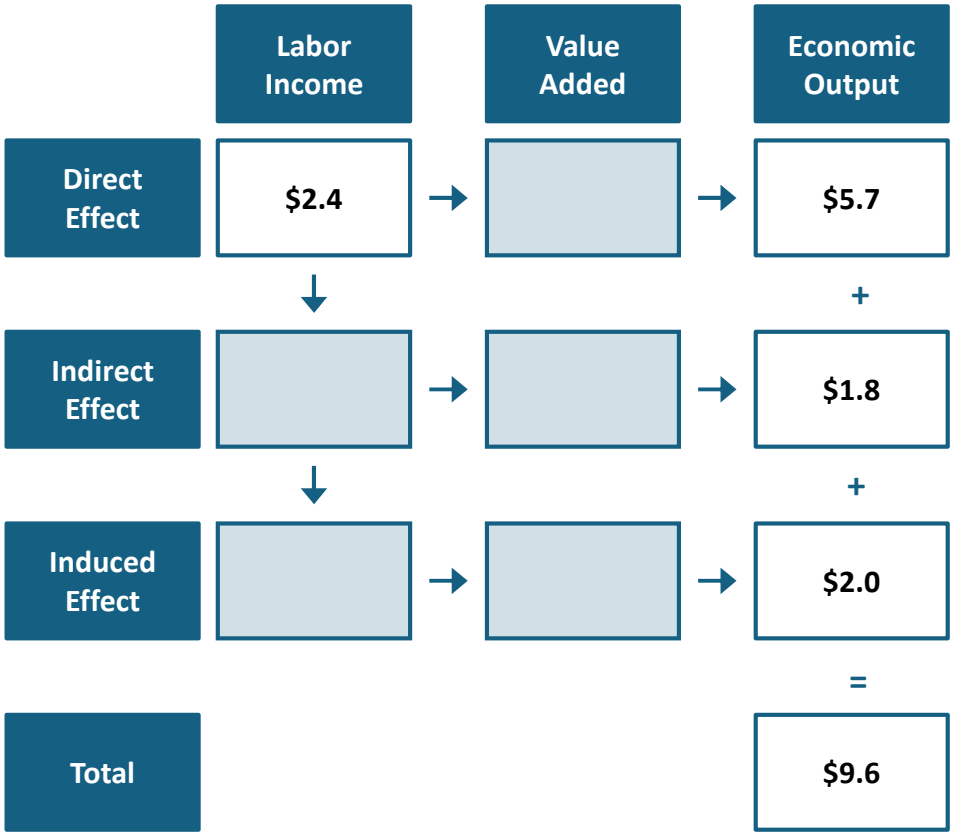
Source: Spire, Investor Presentation, April 2025, p. 3.

**Overview of Estimated Economic Output Produced by Joint Applicants' Estimated Incremental Labor Income, but Excluding Incremental Finance and Accounting Jobs and Labor Income**

(millions)



**Overview of Estimated Economic Output Produced by Joint Applicants' Estimated Incremental Labor Income, but Excluding Incremental Information Technology Jobs and Labor Income**
(millions)




Note: The economic output figures do not sum to $9.6 due to rounding.

**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** | ) | |

**CERTIFICATE OF SERVICE**

**I CERTIFY** that on this date I sent via email a true and correct copy of the foregoing ***Direct Testimony of Dwight D. Etheridge on behalf of the Federal Executive Agencies*** to the parties listed below.

| | |
|---|---|
| **NM Gas Company** | |
| Thomas M. Domme | TMD@jkwlawyers.com; |
| Brian J. Haverly | BJH@jkwlawyers.com; |
| NMGC Regulatory | NMGCRegulatory@nmgco.com; |
| Raymond Gifford | RGifford@wbklaw.com; |
| **Saturn Utilities, LLC** | |
| Dana S. Hardy | DHardy@hardymclean.com; |
| Jaclyn M. McLean | JMclean@hardymclean.com; |
| Timothy B. Rode | TRode@hardymclean.com; |
| William DuBois | WDubois@wbklaw.com; |
| E. Baker | Ebaker@scottmadden.com; |
| **Coalition for Clean Affordable Energy** | |
| Charles De Saillan | Desaillan.ccae@gmail.com; |
| Cara R. Lynch | Lynch.Cara.NM@gmail.com; |
| Don Hancock | Sricdon@earthlink.net; |
| Mark Ewen | Mewen@indecon.com; |
| Angela Vitulli | AVitulli@indecon.com; |
| Jason Price | JPrice@indecon.com; |
| Stefani Penn | Spenn@indecon.com; |
| **Federal Executive Agencies** | |
| Jelani Freeman | Jelani.Freeman@hq.doe.gov; |
| Emily Medlyn | Emily.Medlyn@hq.doe.gov; |
| Dwight Etheridge | Detheridge@exeterassociates.com; |
| **Incorporated County of Los Alamos** | |
| Daniel A. Najjar | DNajjar@virtuelaw.com; |
| Philo Shelton | Philo.Shelton@lacnm.us; |
| Thomas L. Wyman | Thomas.Wyman@lacnm.us; |
| **New Mexico AREA** | |
| Peter J. Gould | Peter@thegouldlawfirm.com; |
| Kelly Gould | Kelly@thegouldlawfirm.com; |
| Katrina Reid | office@thegouldlawfirm.com; |

| **New Mexico Department of Justice** | |
|---|---|
| Gideon Elliot | GElliot@nmdoj.gov; |
| Maria Oropeza | MOropeza@nmdoj.gov; |
| **New Energy Economy** | |
| Mariel Nanasi | Mariel@seedsbeneaththesnow.com; |
| Christopher Sandberg | CKSandberg@me.com; |
| Collin Poirot | CPoirot@jd18.law.harvard.edu; |
| **NMPRC – Utilities Staff** | |
| Ryan Friedman | Ryan.Friedman@prc.nm.gov; |
| Nicholas Rossi | Nicholas.Rossi@prc.nm.gov; |
| Naomi Velasquez | Naomi.Velasquez1@prc.nm.gov; |
| Bryce Zedalis | Bryce.Zedalis1@prc.nm.gov; |
| Jacqueline Ortiz | Jacqueline.Ortiz@prc.nm.gov; |
| Timothy Martinez | Timothy.Martinez@prc.nm.gov; |
| Daren Zigich | Daren.Zigich@prc.nm.gov; |
| Marc Tupler | Marc.Tupler@prc.nm.gov; |
| Larry Blank | LB@tahoeconomics.com; |
| **Prosperity Works** | |
| Cara R. Lynch | Lynch.Cara.nm@gmail.com; |
| Ona Porter | Ona@prosperityworks.net; |
| **Western Resource Advocates** | |
| Cydney Beadles | Cydney.Beadles@westernresources.org; |
| Anna Linden Weller | Annalinden.Weller@westernresources.org; |
| Caitlin Evans | Caitlin.Evans@westernresources.org; |
| Michael Kenney | Michael.Kenney@currentenergy.group; |
| Bradley Cebulko | BCebulko@currentenergy.group; |
| Meera Fickling | MFickling@currentenergy.group; |

| **PRC General Counsel Division** | |
|---|---|
| Scott Cameron | Scott.Cameron@prc.nm.gov; |
| LaurieAnn Santillanes | Laurieann.Santillanes@prc.nm.gov; |
| Alejandro Rettig y Martinez | Alejandro.Martinez@prc.nm.gov; |
| Russell Fisk | Russell.Fisk@prc.nm.gov; |

| **Hearing Examiners Division** | |
|---|---|
| Patrick Schaefer Co-Hearing Examiner | Patrick.Schaefer@prc.nm.gov; |
| Ana C. Kippenbrock, Law Clerk | Ana.Kippenbrock@prc.nm.gov; |

**DATED** this April 18, 2025.

***/s/Jelani Freeman***
**Jelani Freeman**
**Attorney-Adviser**