

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

|                                               |   |                               |
|-----------------------------------------------|---|-------------------------------|
| <b>IN THE MATTER OF THE JOINT APPLICATION</b> | ) |                               |
| <b>FOR APPROVAL TO ACQUIRE</b>                | ) |                               |
| <b>NEW MEXICO GAS COMPANY, INC.</b>           | ) |                               |
| <b>BY SATURN UTILITIES HOLDCO, LLC.</b>       | ) | <b>Docket No. 24-00266-UT</b> |
|                                               | ) |                               |
| <b>JOINT APPLICANTS</b>                       | ) |                               |

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**REVISED APPLICATION DIRECT TESTIMONY AND EXHIBITS OF  
RYAN A. SHELL**

**July 3, 2025**

**NMPRC CASE NO. 24-00266-UT**  
**INDEX TO THE**  
**REVISED APPLICATION DIRECT TESTIMONY OF**  
**RYAN A. SHELL**

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**I. INTRODUCTION AND PURPOSE**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

**A.** My name is Ryan A. Shell. My business address is P.O. Box 97500, Albuquerque, New Mexico 87109-7500.

**Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

**A.** I am the President of New Mexico Gas Company, Inc. ("NMGC" or the "Company").

**Q. PLEASE BRIEFLY DESCRIBE NMGC.**

**A.** NMGC is the largest gas utility in New Mexico providing natural gas utility service to approximately 550,000 customer meters and approximately 1.3 million people throughout New Mexico from Silver City to Clayton and from Farmington to Carlsbad. NMGC's headquarters are in Albuquerque, and it has service centers and offices serving communities throughout the State. Approximately 99% of the Company's customers are households or small businesses that primarily use natural gas for heating their homes and businesses.

**Q. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES AS PRESIDENT OF NMGC.**

**A.** I am responsible for the overall leadership, strategic direction, operations, and management of the Company.

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**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.**

**A.** I hold a bachelor's degree in accounting from Oakland University in Michigan, and a Master of Business Administration degree from the University of New Mexico's Anderson School of Management.

Prior to joining NMGC, from 1989 to 1997, I worked as a Certified Public Accountant at BDO Seidman LLP, a national accounting and consulting firm. From 1997 to 2009, I worked in various leadership roles at SEMCO Energy, Inc., a natural gas local distribution company with operations in Michigan and Alaska. I joined NMGC in 2009 as Vice President, Controller and Treasurer. I became President of NMGC on January 1, 2015.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION ("NMPRC" OR THE "COMMISSION")?**

**A.** Yes, attached as JA Exhibit RAS-1 (Revised Application) is a list of the cases before the NMPRC where I submitted testimony. I also submitted the following pre-filed testimony in this case:

- October 28, 2024 - Direct Testimony in support of the Joint Application.
- May 16, 2025 - Rebuttal Testimony.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

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1     **A.**     My Revised Direct Testimony is filed pursuant to the Order Setting Filing Date for Revised  
2             Application issued on June 30, 2025. The purpose of this testimony is to support the  
3             Revised Joint Application (“Revised Application”) filed by NMGC; Emera Inc. (“Emera”);  
4             Emera U.S. Holdings Inc. (“EUSHI”); New Mexico Gas Company Intermediate, Inc.  
5             (“NMGI”); TECO Holdings, Inc. (“TECO Holdings”); TECO Energy, LLC, (“TECO  
6             Energy”); Saturn Utilities Holdco, LLC (“Saturn Holdco”); BCP Infrastructure Fund II, LP  
7             (“BCP Infrastructure Fund II”); BCP Infrastructure Fund II-A, LP (“BCP Infrastructure  
8             Fund II-A”); BCP Infrastructure Fund II GP, LP (“BCP Infrastructure II GP,” together with  
9             BCP Infrastructure Fund II and BCP Infrastructure Fund II-A, the “BCP Infrastructure  
10            Funds”); Saturn Utilities, LLC; (“Saturn Utilities”), Saturn Utilities Aggregator, LP  
11           (“Saturn Aggregator”); Saturn Utilities Aggregator GP, LLC (“Saturn Aggregator GP”);  
12           Saturn Utilities Topco, LP (“Saturn Topco”) and Saturn Utilities Topco GP, LLC (“Saturn  
13           Topco GP” and together with Saturn Aggregator, Saturn Aggregator GP, Saturn Topco,  
14           Saturn Utilities, and Saturn Topco GP, the “Intermediate Companies”) (collectively, the  
15           “Joint Applicants”). Saturn Holdco, the BCP Infrastructure Funds, and the Intermediate  
16           Companies are collectively referred to as the “BCP Applicants.”

17  
18           In this testimony, after this introduction, I: (1) briefly describe the Transaction, as defined  
19           below, from my perspective; (2) discuss NMGC’s current management structure and the  
20           impact of this Transaction on management and NMGC’s operations; (3) discuss Saturn  
21           Holdco’s plan to return certain support services to New Mexico and the Transition Services  
22           Agreement (“TSA”) that is part of this plan; (4) discuss the impact of the Transaction on

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1 NMGC's operations going forward; (5) support the amended General Diversification Plan  
2 ("Amended GDP") submitted by NMGC and the BCP Applicants; (6) discuss the benefits  
3 of the Transaction and why I believe this Transaction to be in the public interest and as  
4 providing a net benefit to the customers of NMGC and New Mexico in general; and (7)  
5 provide certain information directed to be provided under Paragraph B of the Procedural  
6 Order issued in this case.

7  
8 **Q. BEFORE DISCUSSING THE DETAILS OF THIS TRANSACTION, PLEASE**  
9 **PROVIDE A TIMELINE SHOWING THE OWNERS OF NMGC SINCE ITS**  
10 **CREATION.**

11 **A.** Below is JA Table RAS-1 (Revised Application) showing the ownership of NMGC since  
12 its formation in 2008. The table identifies any NMPRC cases relating to NMGC's  
13 ownership.

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1

**JA Table RAS-1 (Revised Application)**

| <b>Case Numbers</b>  | <b>Ownership of NMGC</b>                                                                                                                                                                                                    | <b>Dates of ownership</b>                                                                                                              |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Case No. 08-00078-UT | From: Public Service Company of New Mexico;<br>PNM Resources, Inc.<br><br>To: Lindsay Goldberg, LLC (“Lindsay Goldberg”);<br>Continental Energy Systems, LLC (“Continental”);<br>New Mexico Gas Intermediate, Inc. (“NMGI”) | NMGC formed 2008<br><br>Lindsay Goldberg acquired certain natural gas assets and owned NMGC and NMGC from December 2008 to August 2014 |
| Case No. 13-00231-UT | From: Lindsay Goldberg;<br>Continental;<br>NMGI<br><br>To: TECO Energy, Inc. (“TECO”);<br>NMGI                                                                                                                              | TECO acquired the stock of NMGC (and NMGC) and owned from August 2014 to June 2016                                                     |
| Case No. 15-00327-UT | From: TECO;<br>NMGI<br><br>To: Emera, Inc.;<br>Emera U.S. Holdings, Inc.;<br>TECO;<br>NMGI                                                                                                                                  | Emera merged with TECO, and owned NMGI and NMGC from June 2016 to present                                                              |

2

3

**II. THE TRANSACTION**

4

5 **Q. MR. BAUDIER, IN HIS TESTIMONY, DESCRIBED THE TRANSACTION IN**  
6 **DETAIL FROM THE BCP APPLICANTS’ POINT OF VIEW. PLEASE DESCRIBE**  
7 **THE TRANSACTION FROM YOUR PERSPECTIVE AS NMGC’S PRESIDENT.**

8 **A.** First, as reflected in the Purchase and Sale Agreement dated August 5, 2024 (“PSA”), a  
9 copy of which is attached to the Revised Application Direct Testimony of Jeff Baudier as  
10 JA Exhibit JMB-2, Saturn Holdco will acquire all of the Equity Interests of TECO Energy,

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1       the holding company of NMGI and NMGC (the “Transaction”). This Transaction is the  
2       transfer of ownership of TECO Energy, NMGI, and NMGC (the “NMGC Group”), to  
3       Saturn Holdco. Under the PSA, Saturn Holdco will purchase 100% of the Equity Interests  
4       of TECO Energy, which owns 100% of the issued and outstanding stock of NMGI, which  
5       in turn owns 100% of the issued and outstanding stock of NMGC.

6               Second, and significantly, as part of this Transaction, Emera and its affiliates,  
7       specifically NMGC, TECO Energy, and NMGI are proposing to enter into the Transition  
8       Services Agreement (“TSA”), the form of which is attached as Exhibit B to the PSA, JA  
9       Exhibit JMB-2. Under the terms of the TSA, Emera and its affiliates will continue to  
10      provide a number of support services to NMGC for up to 24 months after closing of the  
11      Transaction. These support services include certain accounting, human resources, and  
12      other corporate services including IT. Emera and its affiliates have historically provided  
13      these support services to NMGC and as described in the TSA, these support services will  
14      continue to be provided by Emera and its affiliates in a manner that ensures that NMGC  
15      receives the support it needs to continue to serve its customers while NMGC transitions  
16      certain support services back to New Mexico and certain support services to Delta  
17      Utilities<sup>1</sup>. Under the terms of the TSA, individual services, or parts thereof, can be  
18      terminated by NMGC as they are transitioned to New Mexico or Delta Utilities.

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<sup>1</sup> The IT shared services will be provided by Delta States Utilities Services, LLC.



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**III. NMGC’S CURRENT MANAGEMENT STRUCTURE AND THE IMPACT OF  
THIS TRANSACTION ON THE COMPANY’S OPERATIONS AND  
GOVERNANCE**

**Q. PLEASE IDENTIFY NMGC’S CURRENT EXECUTIVES AND THEIR ROLES IN  
NMGC’S ONGOING MANAGEMENT.**

**A.** As stated above, I serve as President of NMGC. Additionally, NMGC has seven Vice Presidents, all located in New Mexico. The Vice Presidents are as follows: Denise Wilcox, Vice President-Human Resources and Corporate Security; Erik Buchanan, Vice President-Finance; Gerald Weseen, Vice President-Regulatory, Strategy and External Affairs; Jimmie Blotter, Vice President-Information Technology and Business Support<sup>2</sup>; Nicole Strauser, General Counsel, Vice President-Compliance, and Corporate Secretary; Raymond Sanchez, Vice President-Operations and Customer Service; and Tom Bullard, Vice President-Safety, Engineering and Gas Management. All Vice Presidents and I work in the Albuquerque headquarters but regularly visit Company operations throughout the State. In addition, NMGC has sixteen (16) business directors located and working in New Mexico. NMGC’s leadership team has responsibility for all aspects of the Company’s business and operations.

**Q. PLEASE DESCRIBE THE CURRENT GOVERNANCE STRUCTURE OF NMGC.**

**A.** The NMGC Board of Directors (“Board”) provides governance oversight on key strategic decisions made by NMGC management, and on matters necessary to ensure compliance

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<sup>2</sup> Tommy Sanders, who was identified in an earlier version of my testimony, retired in July 2025, and IT was moved under Jimmie Blotter and Customer Service under Raymond Sanchez.

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1 with appropriate legal and related requirements. The Board is comprised of a majority of  
2 local business and community leaders and myself as the President of NMGC, who reports  
3 to the Board, and two Emera representatives.  
4

5 **Q. DOES EMERA MANAGE OR OPERATE NMGC?**

6 **A.** No, it does not. NMGC's management team under my leadership directs all aspects of  
7 NMGC's business and operations. Emera and TECO provide certain shared services to  
8 NMGC which will be transitioned under the TSA after the Transaction closes.  
9

10 **Q. TO WHOM DO YOU REPORT?**

11 **A.** My reporting relationship is to the NMGC Board of Directors.  
12

13 **Q. DOES NMGC RELY UPON EMERA FOR OPERATIONAL EXPERTISE?**

14 **A.** No, it does not. Appropriate expertise resides at NMGC.  
15

16 **Q. PLEASE PROVIDE A COPY OF NMGC'S CURRENT COST ALLOCATION**  
17 **MANUAL.**

18 **A.** Please see JA Exhibit RAS-2 (Revised Application).  
19

20 **Q. PLEASE STATE YOUR UNDERSTANDING OF THE DESIRE BY SATURN**  
21 **HOLDCO THAT THESE EXECUTIVE AND BUSINESS DIRECTOR POSITIONS**

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**REMAIN IN NEW MEXICO AND REMAIN RESPONSIBLE FOR ALL ASPECTS  
OF NMGC'S BUSINESS.**

A. The BCP Applicants have informed me that they place great emphasis on local management leading their businesses. They recognize that local leadership is critical to understanding the needs and desires of the local operations. For these reasons, the BCP Applicants have stated that they have no plans to make changes to the existing management model, and that NMGC's management team will continue to direct all aspects of NMGC's business and operations.

**Q. IF THE COMMISSION APPROVES THE TRANSACTION, WHAT IS YOUR  
UNDERSTANDING OF WHAT NMGC WILL LOOK LIKE?**

A. I have been involved in discussions with the BCP Applicants and Emera, and understand that, after this Transaction closes, NMGC will continue to operate much like it did before the Transaction:

- NMGC will continue to focus on providing reasonable and proper service at fair, just, and reasonable rates;
- The NMGC management team will continue to be comprised of people living and working in New Mexico;
- NMGC's headquarters will remain in Albuquerque, NMGC's call center and Gas Control operations will remain in New Mexico, and NMGC's field offices will remain open;

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- 1       •     NMGC’s existing employees will continue to work for NMGC subject to the  
2             existing employment relationships and employees should see no direct impact of  
3             this Transaction on their day-to-day activities;
- 4       •     NMGC will continue to serve its customers in essentially the same manner as it has,  
5             and will remain subject to the jurisdiction of the NMPRC; and
- 6       •     NMGC’s management team will continue to be governed by the NMGC Board of  
7             Directors (“NMGC Board”), which will continue to consist of a majority of local  
8             New Mexico business and community leaders, and with individuals selected by the  
9             BCP Applicants replacing the Emera representatives on the Board. I will continue  
10            to report to the NMGC Board.

11  
12   **Q.     PLEASE DESCRIBE YOUR UNDERSTANDING OF HOW NMGC WILL BE**  
13   **GOVERNED AND MANAGED AFTER THE TRANSACTION CLOSES?**

14   **A.**    First, the NMGC Board will continue to include a majority of local business and  
15            community leaders, along with representatives selected by Saturn Holdco to replace the  
16            Emera representatives currently on the NMGC Board. The NMGC Board will continue to  
17            provide governance oversight on key strategic decisions made by NMGC management,  
18            and on matters necessary to ensure compliance with appropriate legal and related  
19            requirements. I consider this model to be a proven and effective model for operating our  
20            business and ensuring proper corporate governance.

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1 Second, as Mr. Baudier states in his Revised Application Direct Testimony, Bernhard  
2 Capital Partners Management, LP (“BCP Management”), the investment advisor of the  
3 BCP Infrastructure Funds, “partners with existing strong management teams that run the  
4 day-to-day operations of its portfolio companies, to develop initiatives, and to create long-  
5 term value. BCP works in an advisory capacity at the board level to provide strategic  
6 guidance, and ongoing financial support for long-term value” This is a model of operation  
7 that parallels the model that NMGC has been operating under and is a model that my  
8 management team and I are comfortable operating under.

9  
10 **Q. WILL NMGC’S GAS OPERATIONS BE NEGATIVELY AFFECTED BY THE**  
11 **TRANSACTION?**

12 **A.** No. Mr. Baudier and I have each detailed in our Revised Application Direct Testimonies  
13 the commitments and protections the BCP Applicants and the NMGC Group are providing  
14 as part of this Transaction. These protections include maintaining the current level of  
15 employees for thirty-six (36) months following closing; the anticipated addition of new  
16 employees as we replace the current shared services functions; agreeing to invest a  
17 minimum of the rolling three (3) year average for depreciation and amortization expense  
18 on an average annual basis in the NMGC system as needed to ensure reliability and safety  
19 until the issuance of the final order in NMGC’s next general rate case; agreeing to not close  
20 or relocate its call center operations or any existing gas utility field offices outside of New  
21 Mexico without prior approval from the Commission; agreeing to continue to conduct and  
22 provide the NMPRC with the annual JD Power Residential Gas Utility Customer

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1 Satisfaction Survey results; agreeing to continue filing specific customer service reports as  
2 ordered in NMPRC Case No. 09-00163-UT; and agreeing to include in those filings  
3 supplemental customer service reports regarding leak response time and damages per 1,000  
4 locate ticket requests. These commitments and protections relate to service and operations  
5 and are consistent with NMGC's ongoing commitment to its customers. These  
6 commitments and protections are consistent with the Company's ongoing operations and  
7 will help ensure that NMGC's operations will not be negatively affected by this  
8 Transaction.

9  
10 The BCP Applicants also agree to the types of financial protections that NMGC is  
11 accustomed to operating with and which ensure that NMGC remains financially sound and  
12 that its local management continues to be focused on continuing to provide safe and reliable  
13 service to customers. These financial protections are identified in detail in Mr. Baudier's  
14 Revised Application Direct Testimony.

15  
16 Significantly, the BCP Applicants agree to continue, in substantially similar form, the  
17 separate local NMGC Board which will continue to provide governance oversight and  
18 guidance on the strategy and business plans of the NMGC management team. This coupled  
19 with the leadership provided by NMGC management and the and the advice provided by  
20 the BCP Applicants assures me operations will not be negatively affected.

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**Q. ARE YOU COMFORTABLE THAT NMGC, FOLLOWING THE CLOSING OF THE TRANSACTION, CAN CONTINUE TO FULFILL ITS OBLIGATIONS TO ITS CUSTOMERS IN NEW MEXICO?**

**A.** Yes. I have engaged with the principals at Saturn Holdco and understand that they recognize and support NMGC's primary mission of providing reasonable and proper services at fair, just, and reasonable rates. I am looking forward to working with Delta Utilities, and its leadership and team, much in the way we have interacted with TECO and Peoples Gas in Florida. I am enthusiastic about the prospect of continuing to lead NMGC under new ownership, and to continue our focus on meeting the needs of our customers and the communities we serve.

**Q. WILL NMGC MANAGEMENT, AFTER THE ACQUISITION, HAVE SUFFICIENT NATURAL GAS UTILITY EXPERIENCE?**

**A.** Yes. NMGC's executive team and broader management team have extensive utility experience and will remain in place following the proposed acquisition. The team here in New Mexico has been operating the business under current ownership and that will not change if the transaction is approved by the Commission and BCP acquires the NMGC Group. NMGC management oversees all aspects of the business including the procurement of back office shared services from affiliated companies. Local management makes all operational decisions in New Mexico, subject to oversight by the NMGC Board. While we sometimes consult with Emera management in Nova Scotia and TECO management in

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1 Tampa, and they likewise consult with us for information and discussion purposes,  
2 decisions about NMGC are made locally based on the unique environment in New Mexico.  
3

4 **Q. ARE YOU CONCERNED THAT EMERA/TECO WILL NO LONGER OWN**  
5 **NMGC IF THE TRANSACTION IS APPROVED?**

6 **A.** No. While it is true that executive management at Emera/TECO will no longer be  
7 accessible to NMGC, I am not concerned about our ability to continue operating the  
8 business and to engage with the personnel at Delta Utilities. This is because NMGC's local  
9 management is strong and already self-sufficient, and I am very confident in the capabilities  
10 and experience that BCP Management and the Delta Utilities bring to the table. In addition,  
11 the support that we will receive under new ownership appears to be readily comparable to  
12 the structure under which we have been successfully serving customers and operating the  
13 business over the last decade. I base this opinion on my discussions with the BCP  
14 Applicants, my understanding of the bench strength at Delta Utilities, and my  
15 understanding of the gas utility experience of the two new members of the NMGC Board  
16 as currently proposed by Saturn Holdco. I might add that presently Emera is seeking to  
17 sell NMGC whereas Saturn Holdco is seeking to buy NMGC. This is something I believe  
18 is important. As the President of NMGC, I have evaluated what I have learned about Saturn  
19 Holdco, and I believe that NMGC can succeed under this new ownership structure just as  
20 we have under current and prior ownership structures.  
21



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1   **Q.    ARE YOU CONCERNED THAT UNDER BCP'S OWNERSHIP THERE WILL BE**  
2       **EITHER THE INCENTIVE OR THE ABILITY TO CUT COSTS THROUGH**  
3       **REDUCED STAFFING, OR BY MOVING EXPENSES AWAY FROM**  
4       **OPERATIONS INTO OTHER AREAS OR AFFILATES, WHICH COULD**  
5       **DIRECTLY AND NEGATIVELY IMPACT THE COSTS, SAFETY, RELIABILITY,**  
6       **AND LONGEVITY OF NMGC'S OPERATIONS?**

7   **A.**   No. Under Emera ownership, and as committed to by Saturn Holdco in the Revised  
8       Application and Revised Application Direct Testimony of Mr. Baudier, local control and  
9       management of NMGC's operations will remain with NMGC's local management team. I  
10      can therefore speak authoritatively about NMGC's commitment to maintaining  
11      performance metrics as they have existed. Simply put, NMGC is an excellently run utility,  
12      and NMGC's proposed ownership group is committed to maintaining the existing  
13      performance metrics that make NMGC excellent.

15   **Q.    PLEASE DESCRIBE SOME OF THESE PERFORMANCE METRICS.**

16   **A.**   First, as described in response to the discovery in this case, NMGC has filed its quality-of-  
17      service reports in 2010 and 2012 (Case No. 09-00163-UT), and for every year since 2014  
18      in the NMPRC docket for Case No. 13-00231-UT. These reports are attached to this  
19      testimony as JA Exhibit RAS-3 (Revised Testimony).

21      Second, in addition to these customer service metrics, NMGC's operations department  
22      meets or exceeds industry standards for customer engagement, leak detection and work

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1 inspection. For standards that NMGC is mandated to meet, these mandated standards will  
2 apply regardless of who the owner is. If NMGC's operations currently exceed mandated  
3 standards, these standards of operation will continue regardless of who is the owner of  
4 NMGC. These operations programs include, but are not limited, to:

- 5 • Company inspection of 100% of contractor-performed work. This is not mandated  
6 but is company-initiated to enhance quality and safety.
- 7 • A pressure check program for each meter on the system that is based on the pressure  
8 associated with each meter. This program is monitored and approved by the  
9 NMPRC.
- 10 • An atmospheric corrosion program that is monitored and approved by the NMPRC  
11 for each and every meter on the system.
- 12 • An NMGC-initiated program for detection and repair of leaks, which program is  
13 above and beyond industry standards and reduces emissions from NMGC's system.
- 14 • An anti-tampering initiative which enhances safety throughout the system and  
15 limits gas theft.
- 16 • An enhanced system for tracking third-party damage to NMGC's system which  
17 limits damage and loss, helps control contractor activity, and enhances safety and  
18 improves service.
- 19 • An Advanced Mobile Leak Detection (AMLD) program that will be statewide by  
20 2026 which is cutting edge, reduces leaks and leak effects, reduces methane  
21 emissions, and enhances customer safety.

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- 1           • A system for aerial survey of transmission lines that reduces leak emissions and
- 2           enhances customer safety.
- 3           • Engagement with fire departments and first responders throughout the State for
- 4           enhanced education about natural gas and first responder response to gas related
- 5           emergencies.

6

7   **Q. DO YOU BELIEVE IT IS NECESSARY FOR NMGC TO BE REQUIRED TO**

8   **PROVIDE FINANCIAL DISCLOSURES TO THE REGULATOR, AND TO THE**

9   **PUBLIC, EQUIVILANT TO THOSE REQUIRED OF PUBLICLY HELD**

10   **COMPANIES, INCLUDING 10-KS AND 10-QS, AND THAT NMGC OTHERWISE**

11   **BE HELD TO THE RULES APPLICABLE TO COMPANIES ON THE NEW YORK**

12   **STOCK EXCHANGE, INCLUDING THE SARBANES-OXLEY ACT, AND ON**

13   **THE SAME CADENCE AS PUBLICLY HELD COMPANIES?**

14   **A.** No. Requiring this level of disclosure is unnecessary and would be costly to the customers

15   of NMGC. First, NMGC files (1) annual stand-alone financial reports in accordance with

16   Generally Accepted Accounting Principles (“GAAP”) that are audited by an external

17   independent accounting firm, (2) FERC information under the FERC Form 2, and (3) other

18   financial information related to its existing and forecasted capital structure, future debt and

19   equity financing, affiliate transactions, and capital investing activities. NMGC also obtains

20   a credit rating report from Fitch as a stand-alone entity on an annual basis to determine and

21   demonstrate the financial health of NMGC. Together, these reports provide interested

22   parties, and the public, with significant financial information regarding the Company’s

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1 financial operations, investing, and financing activities. Additionally, the NMPRC always  
2 retains the right to investigate utilities within its jurisdiction if it is interested in more  
3 information or additional discussion of information already provided.

4  
5 Second, information related to NMGC is currently included in financial filings made by  
6 Emera. However, the information related to NMGC in these filings is limited since NMGC  
7 is such a small portion of the Emera entity (about 4%). Requiring NMGC to produce stand-  
8 alone financial reports under the requirements imposed on publicly traded companies  
9 would be costly and unnecessary to the utility and its customers, as such information is  
10 already substantially provided by the required filings mentioned in the paragraph above.

11  
12 **Q. WILL NMGC'S CURRENT EMPLOYEES BE NEGATIVELY IMPACTED BY**  
13 **THE TRANSACTION?**

14 **A.** No. The BCP Applicants have agreed to employee wage and benefit protections in the PSA  
15 that protect the interests and rights of current employees.

16  
17 **Q. PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY.**

18 **A.** I have summarized many of the things that NMGC does on its own and in conjunction with  
19 the Commission to reflect performance metrics of NMGC's operational and financial  
20 performance. To the extent these metrics are mandated or required, NMGC works  
21 diligently with its regulators to ensure all mandated and recommended standards and  
22 requirements are met. These efforts will not be affected by a change in ownership since

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1 local leadership has responsibility for and control over facilitating these efforts with its  
2 regulators for the safety, security, and benefit of customers, as well as for the financial  
3 health of the utility. To the extent these items are performed by NMGC above and beyond  
4 mandates, NMGC, as the operator, is committed to continuing this performance excellence  
5 and the interest and rights of current employees and customers.

**IV. THE PROPOSED TRANSITION PLAN**

6  
7  
8  
9 **Q. PLEASE PROVIDE YOUR PERSPECTIVE ON THE TRANSITION PLAN**  
10 **PROPOSED BY THE BCP APPLICANTS IN THEIR TESTIMONY IN SUPPORT**  
11 **OF THE REVISED APPLICATION.**

12 **A.** I have reviewed the plan and support it. It provides an opportunity for NMGC to bring  
13 certain shared services back to New Mexico and provides that NMGC can obtain IT and  
14 cybersecurity services from Delta Utilities in a manner consistent with the way such  
15 services are currently provided to NMGC by TECO and Emera. I have discussed this with  
16 Mr. Baudier and am confident that Delta Utilities can deliver the appropriate services to  
17 NMGC at a reasonable cost. Additionally, I would make four points. First, bringing shared  
18 services back to New Mexico and hiring approximately 20 employees to provide back  
19 office support in New Mexico will benefit customers by allowing for faster service and  
20 greater communication between local employees. Second, Saturn Holdco and Emera have  
21 agreed to a 24-month Transition Services Agreement (“TSA”) which offers NMGC and  
22 Saturn Holdco the opportunity to develop, over this period of time, a process based on real-

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1 time information, to transfer all shared services to New Mexico, or to another shared  
2 service organization, such as Delta Utilities, in the most cost effective and beneficial  
3 manner. Third, these costs, when sought for recovery, will be subject to prudence review  
4 by the Commission as recovery is requested, so the risk of recovery is on the owner of the  
5 utility. Fourth, the capital costs of replacement systems, both hardware and software,  
6 through the Delta Utilities shared service plan cannot be considered in isolation. NMGC  
7 has been budgeting for replacement and updated capital costs for IT systems and software  
8 and expects the cost to update its legacy SAP and Asset Suite systems and for other shared  
9 IT capital costs from TECO will be approximately \$56 million over the next five years.  
10 These costs would be incurred without the acquisition that is currently being considered,  
11 so the net costs of the proposed shared service plan must be considered in the real world  
12 where systems are updated or replaced on an ongoing basis. These amounts are not, nor  
13 could they be fully known at this time, but are only estimates. As events unfold, system  
14 costs will become known and recovery will be sought subject to prudence review as  
15 discussed above, which would also be the case without a change in ownership.

16  
17 **Q. DOES NMGC HAVE EXPERIENCE, INCLUDING TRAINING WORKERS, IN**  
18 **THE VARIOUS AREAS WHERE CURRENTLY SHARED SERVICES WILL BE**  
19 **RETURNED TO NEW MEXICO INCLUDING FINANCE, FINANCIAL**  
20 **ACCOUNTING, TAX ACCOUNTING, HUMAN RESOURCES**  
21 **ADMINISTRATION, ACCOUNTS PAYABLE, AND PAYROLL SERVICES?**

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1    **A.**    Yes. NMGC has employees with significant information technology, finance, financial  
2            accounting, tax accounting, human resources, administration and payroll services  
3            experience. Second, as a responsible management team, we will plan that a large portion  
4            of our new hires will come with the appropriate experience in these areas. Third, if there  
5            is a specific area that requires a very technical skill set, such as corporate income taxes, we  
6            may hire a consultant to aid in the transition of this function back to New Mexico.  
7            Our leadership team will have no trouble taking on this new work making sure new  
8            employees are trained properly in every field we need.

9  
10   **Q.**    **MR. BAUDIER IN HIS TESTIMONY IN SUPPORT OF THE REVISED**  
11            **APPLICATION STATES THAT EMERA AND SATURN HOLDCO HAVE**  
12            **AGREED TO A 24-MONTH TRANSITION SERVICES AGREEMENT. DO YOU**  
13            **SUPPORT THIS?**

14   **A.**    Yes. The TSA is contemplated to be a vehicle to ensure that the shift from one owner to  
15            the next is seamless and efficiently implemented. By providing for a 24-month TSA I am  
16            confident that we can hire the appropriate personnel and transition smoothly and without  
17            potential impact on customers. I look forward to working with Emera and Saturn Holdco  
18            to ensure the smooth transition of back-office services to New Mexico or to third parties  
19            during the term of the Transition Services Agreement.

20  
21   **Q.**    **ANOTHER OF THE BENEFITS MR. BAUDIER POINTS TO IN HIS TESTIMONY**  
22            **IN SUPPORT OF THE REVISED APPLICATION IS THE COMMITMENT TO**

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**1        DELAY FILING NMGC'S NEXT ANTICIPATED RATE CASE TO NO SOONER**  
**2        THAN SEPTEMBER 30, 2026. DO YOU SUPPORT THIS COMMITMENT AND**  
**3        ARE YOU ABLE TO PLACE VALUE ON THIS ONE-YEAR DELAY IN FILING A**  
**4        RATE CASE?**

**5    A.**    Yes, I support the commitment and I can provide an estimated value on a delay of one year  
**6**        in filing a rate case. First, the delay in filing a rate case results in benefits to ratepayers  
**7**        from not having to pay increased rates as currently planned. NMGC has been planning to  
**8**        file a rate case in December of 2025, for new rates effective on or about January 1, 2027.  
**9**        Mr. Baudier's commitment to delay filing a rate case means NMGC will delay filing its  
**10**       rate case to no earlier than September 30, 2026, for new rates effective no earlier than  
**11**       January 2028. This one-year delay can be valued, albeit not to the degree of accuracy one  
**12**       would have if the rate case was fully prepared, by referring to and comparing to our last  
**13**       commission-approved rate increase, considering the time elapsed since those rates went  
**14**       into effect, and NMGC's ongoing capital spending and cost of providing service. Absent  
**15**       the proposed transaction, NMGC would have filed a rate case no later than December 2025.  
**16**       A conservative value of the rate case stay out is approximately \$30 - \$40 million. These  
**17**       savings would be realized by customers primarily during the year 2027.

**18**  
**19    Q.**    **WHEN A RATE CASE IS EVENTUALLY FILED, WILL THE JOINT**  
**20        APPLICANTS DETERMINE NMGC'S REVENUE REQUIREMENT USING A**  
**21        FUTURE TEST YEAR OR A HISTORIC TEST YEAR, AND WHY?**



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1   **A.**    The Joint Applicants anticipate that NMGC’s first rate case following the proposed  
2           transaction and subsequent rate cases will be based on a future test year. The Joint  
3           Applicants believe a future test year is most appropriate because it considers the actual  
4           costs for the utility needed to operate during the period the rates are in effect.

**V. ACQUISITION PREMIUM/GOODWILL**

7  
8   **Q.**    **PLEASE BEGIN THIS SECTION OF YOUR TESTIMONY BY EXPLAINING**  
9           **WHAT IS AN ACQUISITION PREMIUM?**

10   **A.**    An Acquisition Premium is simply the difference between the fair market value of a utility,  
11           and the book value of the utility. The acquisition premium is often also known as  
12           “goodwill.” Both generally accepted accounting standards (“GAAP”) and the Federal  
13           Energy Regulatory Commission (“FERC”) require goodwill to be recorded as an asset but  
14           NMGC has never included goodwill in its rate base and NMGC has never sought to recover  
15           goodwill from customers.

16  
17   **Q.**    **ARE ACQUISITION PREMIUMS/GOODWILL ASSETS COMMON?**

18   **A.**    In my experience, they are very common. For example, NMGC has had goodwill on its  
19           balance sheet since its inception.

20  
21   **Q.**    **HAS NMGC’S GOODWILL VALUE CHANGED, AND IF SO, WHY HAS THE**  
22           **VALUE CHANGED?**

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1     **A.**     Over the years the value of NMGC’s goodwill has gone up and down. For example, from  
2             2009 to 2014 when NMGC was owned by Continental Energy the value of goodwill was  
3             approximately \$146 million. Then in 2014, when NMGC was acquired by TECO, the  
4             value of goodwill increased to approximately \$408 million. Most recently, after the  
5             announcement of Emera’s intent to sell NMGC to BCP, the goodwill was impaired and  
6             decreased.

7             Goodwill is unlike most other assets. For example, most assets are considered “tangible  
8             assets” and can be purchased from a vendor or constructed for a cost. These types of assets  
9             represent the vast majority of what NMGC owns and uses to provide service to customers  
10            (for example, IT systems and hardware, pipelines, compressor stations, etc.). These types  
11            of assets are also depreciated over their useful lives because they break or wear out as they  
12            are used to provide service to customers.

13  
14            Unlike tangible assets, goodwill is an “intangible asset.” It’s not easily bought or sold, it  
15            doesn’t break or wear out over a useful life and is not depreciated, and it’s not used to  
16            provide service to customers. The balance of goodwill changes when a company is sold,  
17            such as in the prior Continental and TECO acquisitions of NMGC, or when it is considered  
18            to be impaired. An impairment of goodwill occurs when the value of a company (or simply  
19            put the actual or expected purchase price of a company) is lower than its actual or expected  
20            net book value of the Company on the purchase date, which is what occurred when Emera  
21            announced the requested sale of NMGC to BCP. As discussed below, NMGC does not  
22            include goodwill in rate base and does not include goodwill in customer rates.

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**Q. HAS NMGC EVER INCLUDED GOODWILL IN CUSTOMER RATES IN ANY WAY, OR OTHERWISE RECOVERED ANY GOODWILL/ACQUISITION PREMIUM FROM ITS CUSTOMERS?**

**A.** No. NMGC has always made very clear adjustments in its base rate case filings to remove any impact of Goodwill/Acquisition Premium from its revenue requests. NMGC has never collected any amount of Goodwill/Acquisition Premium from its customers. In addition NMGC does not include goodwill in its calculation of allowance for funds used during construction (“AFUDC”).

**Q. HAS NMGC EVER REIMBURSED OR OTHERWISE COMPENSATED ANY OF ITS PARENT COMPANIES FOR THE ACQUISITION PREMIUM/GOODWILL ASSETS ON NMGC’S BALANCE SHEETS?**

**A.** No.

**Q. TYPICALLY, WHEN THERE IS GOODWILL, HOW DOES A PARENT COMPANY RECOVER THE GOODWILL/ACQUISITION PREMIUM IT PAYS FOR A COMPANY?**

**A.** Simply put, there is no requirement that Goodwill/Acquisition Premiums ever be recovered by a parent company and in fact, it may never be recovered. That has been the case with NMGC and again, NMGC recently wrote its goodwill value down by approximately \$200 million. That is a value that Emera paid for NMGC and will not recover if the Transaction is approved.

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**Q. IF GOODWILL/ACQUISITION PREMIUM IS NOT RECOVERED FROM CUSTOMERS OR OTHERWISE PAID TO PARENT COMPANIES, WHY IS IT INCLUDED ON NMGC'S BALANCE SHEET AND FINANCIAL STATEMENTS?**

**A.** GAAP requires that goodwill be included in a company's balance sheet/financial statements to account for the difference between the company's fair market value and its book value at the time of a change in ownership.

**Q. WILL NMGC EVER INCLUDE GOODWILL IN ITS CAPITAL STRUCTURE GOING FORWARD?**

**A.** No. NMGC and the BCP Applicants have committed to not recover the Acquisition Premium/Goodwill on NMGC's books, either directly or indirectly, from customers. This same commitment has been made and kept in the prior merger and acquisition cases involving NMGC.

NMGC will continue to list goodwill as an asset on its balance sheet, which impacts NMGC's capital structure on its balance sheet. This is required by GAAP, and NMGC cannot choose to simply ignore goodwill on its balance sheet. However, NMGC has never used its balance sheet capital structure in a rate case filing and will not include goodwill in the calculation of its regulated capital structure in the future. NMGC has always used an illustrative capital structure in its rate case filings for precisely this reason, and we plan to continue to do so as long as we have goodwill on our books. Finally, NMGC's regulated capital structure is subject to regulatory review and approval and NMGC would not be able

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1 to unilaterally include goodwill in its capital structure in future cases. Simply put, our  
2 commitment is that customers will not pay for Acquisition Premium/Goodwill amounts.

**VI. AMENDED GENERAL DIVERSIFICATION PLAN**

6 **Q. HAVE YOU REVIEWED THE AMENDED GDP?**

7 A. Yes. I agree with the representations and statements in the Amended GDP regarding  
8 NMGC and I support and sponsor the commitments made by NMGC in the list of  
9 commitments attached to the Amended GDP.

**VII. RESPONSE TO PROCEDURAL ORDER**

13 **Q. WHAT DO YOU ADDRESS IN THIS SECTION OF YOUR TESTIMONY?**

14 A. I provide responses to Items 1 and 3 of Paragraph B of the Procedural Order issued on  
15 November 27, 2024.

17 **Q. ITEM 1 OF PARAGRAPH B OF THE PROCEDURAL ORDER PROVIDES:**  
18 **“PLEASE PROVIDE NMGC’S COST ALLOCATION MANUAL.”**

19 A. Attached as JA Exhibit RAS-2 (Revised Application) is a copy of NMGC’s Cost Allocation  
20 Manual.

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1   **Q.    ITEM 3 OF PARAGRAPH B OF THE PROCEDURAL ORDER PROVIDES:**  
2       **“PLEASE PROVIDE A TIMELINE SHOWING THE OWNERS OF NMGC, ANY**  
3       **NMGC CASE NUMBER THAT RELATE TO NMGC’S OWNERSHIP OR**  
4       **CORPORATE STRUCTURE, AND THE DATES OF OWNERSHIP SINCE THE**  
5       **CREATION OF NMGC.”**

6   **A.**    The responsive to the request in the procedural order is provided above as JAS Table RAS-  
7       1 (Revised Application) on page 5.

**VIII. CONCLUSION**

11   **Q.    AS THE PRESIDENT OF NMGC DO YOU BELIEVE THIS TRANSACTION IS IN**  
12       **THE PUBLIC INTEREST?**

13   **A.**    Yes. As proposed in the Revised Application and supporting testimony of Mr. Baudier, the  
14       Transaction provides a number of financial and non-financial benefits to the customers of  
15       NMGC and therefore is in the public interest. Among these benefits is the anticipated  
16       hiring of additional new employees to NMGC to provide support services locally which I  
17       have discussed above along with the provision of shared service by Delta Utilities in a  
18       fashion similar to the existing shared services relationship NMGC has with Emera and  
19       TECO. Additionally, the agreement by the BCP Applicants to evaluate opportunities for  
20       the development of and investment in renewable natural gas, certified low emission natural  
21       gas, and/or other lower-carbon energy sources including low-carbon hydrogen  
22       development; and to continue to support local economic development efforts and charitable

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1 contributions all benefit the customers of NMGC and as testified to by Dr. Erickson will  
2 have a multiplier effect throughout the communities served by NMGC and throughout the  
3 State greatly in excess of the amounts provided in this Transaction.

4  
5 In addition, the protections agreed to by the BCP Applicants and the NMGC Group as  
6 described above provide benefits to NMGC's customers and to the Company and further  
7 the reasonable and safe provision of natural gas to the Company's customers. These  
8 protections add to the benefits provided by this Transaction and are in the public interest.

9  
10 **Q. IF APPROVED, WILL THIS TRANSACTION NEGATIVELY AFFECT NMGC'S**  
11 **ABILITY TO SERVE ITS CUSTOMERS CONSISTENT WITH ITS STATUTORY**  
12 **OBLIGATION UNDER THE NEW MEXICO PUBLIC UTILITY ACT?**

13 **A.** No, I do not see this Transaction having any negative impact on NMGC's ability to meet  
14 its obligations under the New Mexico Public Utility Act ("PUA"). The commitments made  
15 by the BCP Applicants and the NMGC Group as detailed in the Revised Application, and  
16 in my and Mr. Baudier's testimony, along with the emphasis on local management and its  
17 expertise and the continuation of the NMGC Board, will serve to ensure NMGC's  
18 continued compliance with its service obligations to its customers under the PUA.

19  
20 For the past sixteen years, my priority has been to ensure that NMGC provides reasonable  
21 and reliable service to customers at fair, just, and reasonable rates. As the President of  
22 NMGC for the last decade, this has been at the forefront of my mind. I have spent

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1           considerable time discussing the future operation of NMGC under Saturn Holdco  
2           ownership, and I am confident that my leadership team and the NMGC Board will continue  
3           to have operational control over the provision of service to customers.

4  
5           Simply put, I would not endorse the Transaction if I had any concern that NMGC would  
6           be harmed or its customers would be faced with the risk of less reliable service and  
7           unreasonable rates.

8  
9   **Q.   DO YOU BELIEVE THE TRANSACTION PROVIDES A NET BENEFIT TO**  
10   **CUSTOMERS?**

11   **A.**   Yes. For the reasons outlined in my testimony, and further detailed in Mr. Baudier's  
12           Revised Application Direct Testimony, I believe that the combination of benefits and  
13           protections provided by the parties in the case results in a net benefit to the customers of  
14           NMGC.

15  
16   **Q.   DOES THIS CONCLUDE YOUR TESTIMONY?**

17   **A.**   Yes.