

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)
_____)

**REBUTTAL TESTIMONY AND EXHIBITS
OF
JEFFREY M. BAUDIER**

May 16, 2025

**NMPRC CASE NO. 24-00266-UT
INDEX TO THE REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER**

TABLE OF CONTENTS

I.	INTRODUCTION AND PURPOSE.....	1
II.	CUSTOMER BENEFITS OF THE TRANSACTION	6
III.	OTHER BENEFITS OF THE TRANSACTION.....	13
IV.	RINGFENCING AND OTHER CUSTOMER PROTECTIONS	18
V.	NEW JOBS AND EMPLOYEE PROTECTIONS	21
VI.	TRANSITION PLAN FOR SHARED SERVICES.....	22
VII.	BCP APPLICANTS’ FINANCIAL STRENGTH AND QUALIFICATIONS TO OWN NMGC	30
VIII.	PRIVATE EQUITY OWNERSHIP DOES NOT INCREASE RISKS	38
IX.	CUSTOMERS WILL NOT PAY FOR ANY ACQUISITION PREMIUM.....	43
X.	SERVICE QUALITY WILL BE MAINTAINED.....	44
XI.	NO INCREASE IN GREENHOUSE GAS EMISSIONS.....	46
XII.	NO CHANGES TO NMGC TAX TREATMENT.....	47
XIII.	CONCLUSIONS	47

JA Exhibit JMB-1 (Rebuttal)

Joint Applicants’ Ring-Fencing and Corporate Governance
Commitments

AFFIRMATION

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

I. INTRODUCTION AND PURPOSE

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

A. My name is Jeffrey (“Jeff”) M. Baudier. I am President of Saturn Holdco, one of the Joint Applicants¹ in this case. I am also a Senior Managing Director at Bernhard Capital Partners Management, LP (“BCP Management”). My business address is 1100 Poydras St., Suite 3500, New Orleans, LA 70163.

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

A. Yes. On October 28, 2024, I submitted Direct Testimony in support of the Joint Application filed by the Joint Applicants. On March 4, 2025, I submitted Supplemental Testimony in Response to the Hearing Examiners’ February 19, 2025, Bench Request to Joint Applicants. On March 31, 2025, I submitted Supplemental Testimony in response to the Hearing Examiners’ March 24, 2025, Bench Request to Joint Applicants for Further Information. On April 8, 2025, I submitted Supplemental Testimony in Response to Bench Request Number 5 Issued on February 19, 2025. On April 15, 2025, I submitted

¹ New Mexico Gas Company, Inc., a Delaware corporation (“NMGC”); Emera Inc., a Nova Scotia corporation (“Emera”); Emera U.S. Holdings Inc., a Delaware corporation (“EUSHI”); New Mexico Gas Intermediate, Inc., a Delaware corporation (“NMGI”); TECO Holdings, Inc., a Florida corporation (“TECO Holdings”); TECO Energy, LLC (formerly TECO Energy, Inc.), a Florida limited liability company (“TECO Energy”); Saturn Utilities, LLC; a Delaware limited liability company (“Saturn Utilities”); Saturn Utilities Holdco, LLC, a Delaware limited liability company (“Saturn Holdco”); Saturn Utilities Aggregator, LP, a Delaware limited partnership (“Saturn Aggregator”); Saturn Utilities Aggregator GP, LLC, a Delaware limited liability company (“Saturn Aggregator GP”); Saturn Utilities Topco, LP, a Delaware limited partnership (“Saturn Topco”); Saturn Utilities Topco GP, LLC, a Delaware limited liability company (“Saturn Topco GP”)²; BCP Infrastructure Fund II, LP, a Delaware limited partnership (“BCP Infrastructure Fund II”); BCP Infrastructure Fund II-A, LP, a Delaware limited partnership (“BCP Infrastructure Fund II-A”); and BCP Infrastructure Fund II GP, LP, a Delaware limited partnership (“BCP Infrastructure II GP,” and together with BCP Infrastructure Fund II and BCP Infrastructure Fund II-A, the “BCP Infrastructure Funds”)³ (collectively, the “Joint Applicants”).

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Supplemental Testimony in Response to the Hearing Examiners' April 11, 2025, Bench
Request to Joint Applicants.

**Q. FOR CONTEXT, CAN YOU SUMMARIZE THE APPROVALS THAT THE JOINT
APPLICANTS ARE SEEKING IN THIS CASE?**

A. The Joint Applicants seek the following approvals: (1) the acquisition of TECO Energy, NMGI, and NMGC (collectively, the "NMGC Group") by Saturn Holdco (the "Transaction"); (2) the Transition Services Agreement ("TSA") whereby Emera's affiliates will provide specific support services to the NMGC Group for a period of time after closing the Transaction; (3) the divestiture of the NMGC Group by Emera, EUSHI and TECO Holdings; (4) NMGC's Amended General Diversification Plan ("Amended GDP") attached as JA Exhibit JMB-3 to my Direct Testimony; and (5) any other authorizations necessary to consummate and implement the Transaction. I also note that the BCP Applicants are proposing that NMGC will not file a rate case before September 30, 2026 and, in conjunction with that commitment, that NMGC record a regulatory asset to capture capital expenditures made in the course of completing the transition of shared service functions from Emera to NMGC and Delta Utilities.

**Q. WHICH PARTIES TO THIS CASE FILED DIRECT TESTIMONY IN RESPONSE
TO THE JOINT APPLICATION?**

A. Parties filing response testimony include the Coalition for Clean Affordable Energy ("CCAIE"); the Federal Executive Agencies ("FEA"); New Energy Economy ("NEE"), the New Mexico Department of Justice ("NMDOJ"); Western Resource Advocates ("WRA");

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 and the Utility Division Staff (“Staff”) of the New Mexico Public Regulation Commission
2 (“NMPRC” or “Commission”).
3

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

5 **A.** My rebuttal testimony responds to certain issues raised by Staff and some intervenors in
6 their testimony in this case. Indeed, some of the Intervenors indicated that addressing these
7 points would potentially shift their position in this case from opposition of the application
8 to support of the application. To that end, in this rebuttal I address the following topics
9 raised by intervenors and Staff:

- 10 1. Customer benefits of the Transaction,
- 11 2. Other benefits of the Transaction,
- 12 3. Enhanced ring-fencing and customer protections,
- 13 4. New NMGC jobs and employee protections,
- 14 5. The transition plan for NMGC shared services,
- 15 6. The financial strength and qualifications of the BCP Applicants²,
- 16 7. No additional risk to customers from NMGC ownership by a private equity firm,
- 17 8. Confirmation that customers will not pay for any acquisition premium,
- 18 9. The preservation of NMGC’s service quality,
- 19 10. Greenhouse gas claims raised by certain intervenors,
- 20 11. Confirmation of no changes to NMGC’s tax treatment, and

² Saturn Holdco, Saturn Utilities, LLC, the BCP Infrastructure Funds, Saturn Aggregator, Saturn Utilities Aggregator, Saturn Topco, and Saturn Topco GP, collectively, are the “BCP Applicants.”

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 12. Demonstration that the Transaction satisfies the six factor test for NMPRC
2 approval

3 I note that just because the Joint Applicants do not respond to a specific matter, it does not
4 mean the Joint Applicants agree with any claim or assertion by any party.

5
6 **Q. DO YOU HAVE ANY INITIAL COMMENTS WITH RESPECT TO THE**
7 **RESPONSE TESTIMONY FILED IN THIS CASE?**

8 **A.** Yes. Staff and intervenors filing response testimony are opposed to approval of the Joint
9 Application as filed. Several of the parties suggested proposed conditions for approval of
10 the Transaction. The Joint Applicants have been willing to listen and carefully consider
11 any legitimate and reasonable concerns with the Joint Application. As a result of the
12 response testimony of the Staff and intervenors, the Joint Applicants are committing to
13 implement many of the suggested conditions proposed for approval of the Transaction.

14
15 **Q. PLEASE INTRODUCE THE OTHER WITNESSES PROVIDING REBUTTAL**
16 **TESTIMONY ON BEHALF OF THE JOINT APPLICANTS IN THIS CASE.**

17 **A.** The other witnesses who submitted Direct Testimony and are also providing Rebuttal
18 Testimony are:

- 19 • Karen Hutt, Executive Vice President of Business Development & Strategy for
20 Emera, who responds to claims that the bidding process for the purchase of
21 NMGC was not competitive and the extension of the TSA.
- 22
23 • Ryan Shell, President of NMGC, who discusses certain additional
24 commitments in response to claims by Staff and intervenors, rebuts concerns
25 about impacts to NMGC's service quality, discusses shared services capital cost

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

projects and rebuts claims and concerns about any resulting acquisition adjustment or goodwill resulting from the Transaction.

- Christopher Erickson, Ph.D., who responds to the parties' testimony concerning his study of the economic benefits of the creation of new jobs in New Mexico and economic impact of the commitment to contribute \$5 million in economic development investments. Dr. Erickson also provides updated economic analyses of a third scenario whereby 20 new jobs will be relocated to New Mexico, a \$15 million customer rate credit and an additional \$5 million in renewable energy economic development investments.

New witnesses providing Rebuttal Testimony on behalf of the Joint Applicants are:

- Peter Tumminello, the Executive Chairman of Delta Utilities, who has over 40 years of utility and energy industry experience. Mr. Tumminello was the former Group President, Commercial Businesses, of Southern Company Gas and led the commercial businesses for Southern Company Gas including Midstream Storage, LNG, and Pipeline Investments, Retail Energy, Retail Services, and Wholesale Energy businesses. He responds to issues relating to the transition plan for the shared IT services provided by Emera affiliates to the NMGC Group from a business and utility operations perspective.
- Mark S. Miko, Chief Information Officer (CIO) of Delta Utilities, who has more than 26 years of experience in information technology, operations technology, digital and technology transformations, cyber security and information privacy, agile product management, data management and analytics, crisis management, and project management leadership. Mr. Miko describes the mechanics of the delivery of certain IT services to NMGC from Delta Utilities, which is part of the BCP Management portfolio of companies.
- Suedeem Kelly, an attorney and former commissioner on the NMPRC and on the Federal Energy Regulatory Commission. Ms. Kelly is also a former professor who taught at the University of New Mexico School of Law. Ms. Kelly responds to issues relating to the preservation of NMPRC's jurisdiction, private equity ownership of utilities and the acquisition premium.
- Eric Talley, Ph.D., JD, the Isidor and Seville Sulzbacher Professor of Law at Columbia Law School, who responds to issues relating to the structure of the Transaction and the benefits of private equity ownership.
- Lisa M. Quilici, Senior Vice President and Board Member of Concentric Energy Advisors. Ms. Quilici has over three decades of experience advising energy clients across North America on a wide range of strategic, financial, and regulatory matters. She rebuts the claims that the amount paid in the Proposed

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Transaction above NMGC's book value should be shared with NMGC customers, and that the sale of NMGC is not the result of a competitive bidding process.

- John J. Reed, Chairman of the Board of Concentric Energy Advisors. Mr. Reed is a financial and economic consultant with 48 years of experience in the energy industry. Mr. Reed began his career at Southern California Gas Company, where he worked in the regulatory and financial groups and ultimately rose to the position of Chief Economist. He rebuts claims that the NMPRC should consider the impact of greenhouse gas emissions from the Transaction and confirms that there is no causal relationship between NMGC's greenhouse gas emissions and the Transaction.

II. CUSTOMER BENEFITS OF THE TRANSACTION

Q. DO YOU HAVE ANY OVERALL COMMENTS CONCERNING THE CUSTOMER BENEFITS OF THE TRANSACTION.

A. Yes. Emera wishes to exit the gas utility business in New Mexico because, among other reasons, NMGC is a gas utility with limited potential to support a regional growth platform for Emera. The sale of NMGC will strengthen Emera's balance sheet and allow it to invest in its other utility operations. BCP wants to do business in New Mexico and expand its investments in the natural gas utility business through the addition of NMGC. BCP Management already has a significant presence in New Mexico, employing approximately 230 residents, through Strategic Management Solutions, LLC.

The BCP Applicants are financially strong with a depth of utility experience such that they will make good stewards for NMGC for many years to come and there is a significant customer benefit to have a capable owner of NMGC that wants to invest in New Mexico.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 The BCP Applicants' financial strength, utility knowledge, and commitment to New
2 Mexico should weigh heavily in favor of the approval of the Transaction by the NMPRC.

3
4 **Q. PLEASE DISCUSS THE STAFF AND INTERVENORS' POSITIONS WITH**
5 **RESPECT TO THE CUSTOMER BENEFITS UNDER THE JOINT**
6 **APPLICATION.**

7 **A.** A primary criticism lodged by several parties in their filed testimony is that the Joint
8 Application does not include any rate credit for customers. There was however a wide
9 range of proposed rate credits in their testimony. On one end, the FEA proposed a rate
10 credit of \$17.2 million to be paid over 36 months.³ The FEA suggests that the Joint
11 Applicants' proposed \$5 million in economic development funding should be denied and
12 redirected to rate credits.⁴

13
14 Staff, NEE and NMDOJ proposed much greater rate credits based on the premise that
15 Emera should share its gain from the sale of NMGC with customers. NEE proposed a rate
16 credit of between \$40 million to \$90 million to be paid out over two years.⁵ NMDOJ
17 suggests a rate credit of between \$88 million to \$112 million to be paid over some
18 unspecified time, and Staff proposes that NMGC be required to establish a regulatory
19 liability for the entire amount of the acquisition premium or goodwill to be addressed in a

³ Etheridge Direct at 11-13.

⁴ Etheridge Direct at 7, 28-29.

⁵ Sandberg Direct at 46.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 future rate case.⁶ Staff witness Blank suggests that this proposed regulatory liability will
2 incentivize a 50% sharing of goodwill in future utility acquisition transactions.⁷
3

4 As discussed by Witnesses Kelly, Talley and Quilici, the premise underlying the claim for
5 sharing the gain from the sale of NMGC is not legally supportable, violates regulatory
6 principles, as well as NMPRC and judicial precedent, and should be rejected.
7

8 **Q. NEVERTHELESS, ARE THE BCP APPLICANTS WILLING TO COMMIT TO A**
9 **REASONABLE CUSTOMER RATE CREDIT IN THIS CASE?**

10 **A.** Yes. The BCP Applicants commit that NMGC will pay a \$15 million rate credit to its
11 customers over twelve months to begin within ninety days after closing on the Transaction.
12 This rate credit will be at the sole expense of NMGC shareholders and will not be recovered
13 from customers. The amount of the rate credit is in line with the FEA's proposed \$17.2
14 million rate credit to be paid over three years. The \$15 million rate credit is also in line
15 with prior NMGC rate credits, most notably the \$11 million rate credit in the Case No. 13-
16 00231-UT, when TECO acquired NMGC, which was estimated to be paid over the period
17 from October 1, 2014 through December 31, 2017, a period of more than three years. The
18 Joint Applicants do not propose that the \$5 million in economic investments be diverted to
19 rate credits as proposed by the FEA. Rather, as discussed below, the Joint Applicants in

⁶ Blank Direct at 5, 7-8.

⁷ Blank Direct at 8-9.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 rebuttal to the comments in the Intervenor's testimony are proposing an increase in total
2 economic investments from what was initially proposed in the Joint Application.

3
4 **Q. HOW MUCH WILL CUSTOMERS RECEIVE AS A CREDIT ON THEIR BILLS**
5 **FROM THE \$15 MILLION RATE CREDIT?**

6 **A.** A per capita distribution of the \$15 million rate credit over 12 months is estimated to
7 provide a rate credit of \$27.31 for each customer. The Joint Applicants believe a per capita
8 apportionment will place more money in the pockets of residential and small business
9 customers in New Mexico. It is questionable whether larger commercial customers will
10 lower their prices based on any rate credit.

11
12 **Q. HOW WAS THE ECONOMIC IMPACT OF THE CUSTOMER CREDIT**
13 **DETERMINED?**

14 **A.** Dr. Erickson performed a study of the economic benefits to New Mexico from the \$15
15 million rate credit based on a per capita allocation of \$27.31 per customer and his study
16 shows that the overall economic benefit to New Mexico from this \$15 million rate credit
17 is estimated to be \$12,749,344.

18
19 **Q. ARE THERE OTHER CUSTOMER RATE-RELATED BENEFITS TO WHICH**
20 **THE JOINT APPLICANTS WILL COMMIT IN RESPONSE TO THE POINTS**
21 **MADE BY THE INTERVENORS AND STAFF?**

22 **A.** Yes. Another issue raised by the parties in testimony is that the Joint Application did not
23 include any rate freeze in the application, that is, a specified period of time following the

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 closing of the Transaction before NMGC will file its next rate case or implement new
2 rates.⁸ In response to this testimony, Joint Applicants point out that NMGC has generally
3 filed a new rate case every two years. NMGC's last rate case was filed in September of
4 2023, and the new rates from that case went into effect on October 1, 2024. Joint Applicant
5 witness Shell indicates in his Rebuttal Testimony that NMGC had intended to file its next
6 rate case in September or December 2025.

7
8 The Joint Applicants commit that NMGC will not file its next general rate case before
9 September 30, 2026. This means that new rates will likely not go into effect until the last
10 part of 2027 or the first part of 2028. NMGC president, Ryan A. Shell, estimates that this
11 rate freeze could save customers in the neighborhood of \$30 to \$40 million, based on the
12 anticipated rate request. This rate freeze supports the reasoning for the approval of the
13 regulatory asset discussed in more detail below.

14
15 **Q. WHY HAVE THE JOINT APPLICANTS CHOSEN THE PERIOD BEFORE**
16 **SEPTEMBER 30, 2026, AS THE RATE FREEZE PERIOD?**

17 **A.** The Joint Applicants believe that the commitment not to file a rate case before September
18 30, 2026, with its estimated customer savings of approximately \$30 to \$40 million, is a
19 reasonable rate freeze period and mitigates the potential for customer rate shock resulting
20 from a prolonged delay in filing a needed rate case. In its testimony NEE proposed an 18
21 month rate freeze, which is in line with the Joint Applicants' new commitment. Staff

⁸ See e.g., Sandberg Direct at 47; Etheridge Direct at 4; Velasquez Direct at 4.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 proposed a three-year rate freeze. While rate freezes can save customers money, if the
2 period between rate cases is too long, it can mean that a utility will need to file for a much
3 larger rate increase following the rate freeze. This can result in rate shock to customers
4 compared to more frequent and gradual rate increases.

5
6 **Q. A CRITICISM LEVELED BY SOME OF THE PARTIES IS THAT THE**
7 **COMMITMENT BY THE BCP APPLICANTS TO HOLD NMGC IS TOO SHORT**
8 **AND THEY RECOMMENDED A TEN YEAR COMMITTMENT TO HOLD**
9 **NMGC. ARE THE BCP APPLICANTS WILLING TO COMMIT TO HOLDING**
10 **ON TO NMGC FOR A LONGER TIMEFRAME?**

11 **A.** Yes. As part of the Joint Application, the BCP Applicants committed that they would not
12 sell their interest in NMGC for at least five (5) years after the closing of the Transaction.
13 This was intended to be a minimum hold period and was not meant to suggest that NMGC
14 would be sold at the end of that period. The BCP Applicants have always regarded NMGC
15 as a long-term investment and commit that they will not sell their interests in NMGC for
16 at least ten (10) years after closing on the Transaction. This commitment meets the
17 recommendations put forth by NEE and Staff.⁹ This hold period is also consistent with
18 prior NMGC transfer of ownership cases.

⁹ Velasquez Direct at 5; Sandberg Direct at 47.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **Q. SOME OF THE PARTIES CLAIM THAT THE TRANSACTION WILL NOT**
2 **BENEFIT CUSTOMERS.¹⁰ DO YOU AGREE?**

3 **A.** Not at all. Even before the Joint Applicants committed to the \$15 million rate credit and
4 the \$30 million rate freeze, the Transaction would provide significant benefits to
5 customers. As discussed above, a major customer benefit of the Transaction is that NMGC
6 will be owned by the BCP Applicants who want to own NMGC and are willing to make
7 significant long-term investments to ensure its continued success.

8
9 Customers will also benefit from being in a portfolio of companies that includes Delta
10 Utilities, which oversees major natural gas utilities in Louisiana and Mississippi. While
11 NMGC will operate separately from Delta Utilities, these companies will share best
12 practices and may enter into “mutual aid” agreements to support one another in the event
13 of a major service interruption or other similar event.

14
15 NMGC customers will also benefit from the return of several back-office functions to New
16 Mexico instead of being performed in Florida or Nova Scotia. For example, NMGC’s
17 business service or operations have sometimes been delayed by the inability to access
18 certain information or technology services, or by not being able to obtain checks to pay
19 vendors which affects the back-office services provided to customers. The local presence
20 of these functions will help alleviate these delays.

¹⁰ See e.g., Sandberg Direct at 19-32; Cebulko Direct at 23-63; Garrett Direct at 8.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

NMGC customers will also benefit indirectly from the overall economic benefits of new jobs in New Mexico as well as the commitments related to the enhanced economic development and new educational investments in the state and continued charitable contributions discussed in more detail below.

III. OTHER BENEFITS OF THE TRANSACTION

Q. ARE THE JOINT APPLICANTS WILLING TO ENHANCE OTHER BENEFITS UNDER THE JOINT APPLICATION?

A. Yes. I address the enhanced benefits in this section of my Rebuttal Testimony.

Q. ARE THE JOINT APPLICANTS PROPOSING TO INCREASE THEIR INVESTMENTS IN ECONOMIC DEVELOPMENT INVESTMENTS IN NEW MEXICO?

A. Yes. The Joint Application includes the original commitment whereby NMGC would contribute \$5 million over a period of five (5) years to economic development projects or programs in NMGC's service territory. Dr. Erickson's initial economic study demonstrated that these investments were estimated to have an overall economic benefit to New Mexico of approximately \$8 million.

The Joint Applicants commit to increase the total economic development investments by NMGC to \$10 million as follows:

1. NMGC will contribute \$5 million over a period of seven years to economic development projects or programs in NMGC's service territory designed to attract

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

new business and to retain and grow existing businesses, without seeking recovery from customers for the costs of those economic development projects or programs.

2. NMGC will contribute another \$5 million over a period of seven years to advance or develop renewable energy projects designed to align with the environmental goals of New Mexico. NMGC will not seek recovery from customers for these contributions.

Q. HAVE THE JOINT APPLICANTS ANALYZED THE OVERALL ECONOMIC IMPACT TO NEW MEXICO FROM THE \$10 MILLION IN ENHANCED ECONOMIC DEVELOPMENT INVESTMENTS?

A. Yes. Dr. Erickson analyzed the economic benefits stemming from additional \$5 million in investments in renewable energy projects. These investments are estimated to provide \$8.2 million in economic benefits to New Mexico. This is in addition to the \$8.6 million in economic benefit from the initial \$5 million economic development commitment in the Joint Application.

Q. ARE THE JOINT APPLICANTS PROPOSING ADDITIONAL ECONOMIC DEVELOPMENT MEASURES?

A. Yes, specifically in the area of education. NMGC will create or enhance programs that provide entry-level training focused on engineering, management, and finance skills for the local labor force in collaboration with New Mexico educational institutions and shall use commercially reasonable efforts to provide these programs to students or workers in New Mexico in an equitable manner. In addition, NMGC will create or enhance apprenticeship programs for technical and professional positions for students in local high

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 schools and colleges and shall use commercially reasonable efforts to provide these
2 programs to students or workers in New Mexico in an equitable manner.

3
4 **Q. IS NMGC STILL WILLING TO EVALUATE LOWER CARBON NATURAL GAS**
5 **DEVELOPMENT?**

6 **A.** Yes. NMGC reiterates its original commitment to evaluate opportunities for the
7 development of and investment in renewable natural gas, certified low-emission natural
8 gas, and/or other lower-carbon energy sources including low-carbon hydrogen
9 development, without seeking recovery from customers for the costs of those evaluations.

10
11 **Q. ARE THE JOINT APPLICANTS AMENABLE TO A COMMITMENT RELATED**
12 **TO PROMOTING NEW MEXICO SUPPLIERS?**

13 **A.** Yes. NMGC will commit in its procurement policies to give a preference to New Mexico
14 suppliers for its NMGC's supply chain goods and services. The Joint Applicants believe
15 that this commitment will provide additional economic benefits for the state.

16
17 **Q. HOW DO YOU RESPOND TO NEE'S PROPOSED CONDITION THAT NMGC**
18 **BE REQUIRED TO EXPEND \$40 MILLION OVER 36 MONTHS FOR SOLAR**
19 **INSTALLATIONS ON NON-PROFIT ORGANIZATION FACILITIES AND**
20 **SCHOLARSHIPS FOR PEOPLE OF COLOR AND LOW INCOME**
21 **INDIVIDUALS?**¹¹

¹¹ Sandberg Direct at 47.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **A.** This condition should be rejected. The \$40 million in expenditures is excessive and far
2 greater than has been approved in NMGC's prior merger and acquisition cases. NEE offers
3 no rationale for the \$40 million amount. In addition, the allowed expenditures are focused
4 on NEE's narrow objectives rather than the broader New Mexico economy. Moreover, as
5 stated above, the Joint Applicants have committed that NMGC will invest \$5 million for
6 the development of renewable energy projects in New Mexico. The Joint Applicants have
7 also committed that NMGC will develop or enhance educational and apprenticeship
8 programs for technical and professional pursuits. These have broader application than
9 NEE's narrow and excessive proposal.

10
11 **Q. IS NEE'S PROPOSED CONDITION THAT NMGC'S ECONOMIC**
12 **DEVELOPMENT EXPENDITURES BE ADMINISTERED BY AN**
13 **INDEPENDENT AND COMPENSATED COMMITTEE WARRANTED?**

14 **A.** No. This is a solution looking for a problem. NEE offers no basis for requiring a separate
15 paid committee to oversee NMGC's economic development investments. NMGC has been
16 administering its economic development investments without complaint for years. There
17 is no reason to require a separate committee to carry out this function.

18
19 **Q. ARE THE JOINT APPLICANTS PROPOSING ANY CHANGES TO THEIR**
20 **INITIAL NMGC CHARITABLE GIVING COMMITMENT?**

21 **A.** Yes. The Joint Applicants reiterate the commitment that NMGC will give a total of \$2.5
22 million through annual charitable contributions of cash or in-kind donations valued at a
23 minimum of \$500,000 for a total of five years to qualified, tax-exempt organizations that

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 are engaged in the development and improvement of communities and citizens in NMGC's
2 service territory. NMGC will not seek recovery from customers of these contributions or
3 in-kind donations.

4
5 As an addition to the foregoing commitment, NMGC will maintain its existing low-income
6 assistance bill assistance program while evaluating potential methods to improve it. This
7 program, HEAT New Mexico, receives contributions from customers and NMGC
8 employees as well as an annual \$150,000 shareholder contribution toward bill assistance
9 and an annual contribution of \$35,000 to \$40,000 to pay for the cost of program
10 administration which is done on behalf of NMGC by the Salvation Army. NMGC also
11 offers low-income focused initiatives as part of its NMPRC-approved Energy Efficiency
12 programs.

13
14 **Q. HOW DO YOU RESPOND TO NEE'S PROPOSED CONDITION THAT NMGC**
15 **BE REQUIRED TO MAKE \$500,000 IN ANNUAL CHARITABLE**
16 **CONTRIBUTIONS FOR TEN YEARS AFTER CLOSING THAT EXCLUDE ANY**
17 **FOSSIL FUEL-RELATED ACTIVITIES AND FOCUSES ON RENEWABLE**
18 **ENERGY OR EDUCATION FOR PEOPLE OF COLOR OR WHO ARE LOW**
19 **INCOME?**¹²

20 **A.** NEE has offered no justification for doubling the amount of charitable contributions from
21 the \$2.5 million already committed to by the Joint Applicants. In addition, the limited

¹² Sandberg Direct at 47.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

scope of the charitable contributions appears to be redundant of its proposed limitations on NMGC economic development investments. Again, these are too narrow and should be rejected for the reasons already discussed.

IV. RINGFENCING AND OTHER CUSTOMER PROTECTIONS

Q. A CRITICISM OF THE JOINT APPLICATION IS THAT THE CUSTOMER PROTECTIONS ONLY PRESERVE THE STATUS QUO RATHER THAN AFFORD NEW PROTECTIONS FOR CUSTOMERS. IS THIS ACCURATE?

A. It is accurate that the Joint Application seeks to preserve existing NMGC customer protections. The customer protections in the Joint Application were largely based on what has been previously approved with respect to NMGC. The Joint Applicants believe it is important to preserve these customer protections, therefore, they are included in the Joint Application. The fact that these protections are preserved is not a valid basis for criticism.

Q. NEE, NMDOJ AND STAFF PROPOSE THAT THE RING-FENCING PROVISIONS ADOPTED IN CASE NO. 19-00234-UT IN THE EPE TRANSACTION BE ADOPTED FOR NMGC IN THIS CASE.¹³ ARE THE JOINT APPLICANTS WILLING TO ADOPT THESE RING-FENCING PROVISIONS FOR NMGC?

A. The Joint Applicants already included a number of ring-fencing provisions in the Application and Amended GDP. As to the incremental EPE provisions, the BCP

¹³ Sandberg Direct at 47; Garrett Direct at 71; Blank Direct at 5.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 Applicants are willing to adopt most of the ring-fencing and corporate governance
2 provisions approved in Case No. 19-00234-UT, going far beyond the ring-fencing and
3 corporate governance measures that are currently applicable to NMGC. No witness
4 provided rationale on a provision-by-provision basis as to why each individual EPE
5 provision is necessary, reasonable, or appropriate in this proceeding.

6
7 There are significant differences between EPE and NMGC. EPE is an electric utility that
8 (i) operates both in Texas and New Mexico, two separate jurisdictions, and (ii) was
9 transitioning directly from having itself been publicly traded. NMGC is a gas utility that
10 (i) operates only in New Mexico (ii) has been substantially ring-fenced as a subsidiary
11 within a corporate structure similar to that which would result from the Transaction; and
12 (iii) as to which there has not been any prior concern expressed as to the sufficiency of the
13 applicable ring-fencing and corporate governance measures. As a result of these
14 differences, not all of the ringfencing provisions approved in Case No. 19-00234-UT are
15 necessary or appropriate in this case; some would cause undue burdens with no appreciable
16 benefit to customers. That said, the BCP Applicants have reviewed the provisions and
17 identified a number of provisions additive to those contained in the Application and
18 Amended GDP they agree to put in place in conjunction with the Transaction.

19
20 The additional commitments the BCP Applicants are accepting are set forth in JA Exhibit
21 JMB-1 (Rebuttal). With those additional commitments, the BCP Applicants are proposing
22 substantially more extensive measures than are currently in place.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Q. STAFF AND CERTAIN INTERVENORS VARIOUSLY ASKED FOR CAPS ON NMGC CAPITAL INVESTMENTS AND INCREASES TO NMGC'S CAPITAL SPENDING. HOW DO YOU RESPOND TO THESE VARIOUS PROPOSALS AND COMMENTS?

A. Staff witness Zigich suggests that there should be some unspecified cap on capital investments.¹⁴ However, Staff witness Velasquez thought the commitments around NMGC's capital spending may be too low.¹⁵ The FEA witness also thought the commitments around NMGC's capital investments were too low, and proposed a minimum capital investment of at least 2.5 times the rolling three year average and not more than 3.5 times the rolling average for three years.¹⁶

BCP Applicants and NMGC agree that NMGC's capital spending should be determined by its capital needs to safely and reliably serve customers. It is unnecessary and unwise to place arbitrary caps on capital spending which could interfere with NMGC's ability to make needed investment or to respond to contingencies that require larger capital investments. Furthermore, recovery for any capital investments is subject to review by the NMPRC so there is no need for an arbitrary cap.

Q. DID THE JOINT APPLICANTS MAKE ANY COMMITMENT CONCERNING MINIMUM CAPITAL INVESTMENTS?

¹⁴ Zigich Direct at 10.

¹⁵ Velasquez Direct at 17.

¹⁶ Etheridge Direct at 15-16.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **A.** The Joint Applicants committed that NMGC will invest a minimum of the rolling three (3)
2 year average for depreciation and amortization expense on an average annual basis in the
3 NMGC system as needed to ensure reliability and safety until the issuance of the final order
4 in NMGC's next general rate case. NMGC also agreed that all investments will be subject
5 to prudence review in NMGC's next general rate case. This commitment was based on a
6 similar commitment included as part of the regulatory commitments approved in Case No.
7 15-00327-UT involving the acquisition of TECO and NMGC by Emera.¹⁷ The Joint
8 Applicants wanted to replicate and preserve certain of the regulatory commitments that
9 were approved in Case No. 15-00327-UT. This commitment is only a minimum. As
10 stated above, NMGC will make capital investments as necessary to ensure safe and reliable
11 service for its customers.

V. NEW JOBS AND EMPLOYEE PROTECTIONS

14 **Q.** **SOME OF THE PARTIES QUESTION WHETHER THE NEW JOBS DESCRIBED**
15 **IN THE JOINT APPLICATION WILL ACTUALLY BE IMPLEMENTED. WILL**
16 **THERE BE NEW JOBS IN NEW MEXICO?**

17 **A.** There will be new jobs as a result of returning certain of the shared services functions
18 currently being carried out by Emera affiliates to New Mexico. The Joint Application
19 included an estimate of between 51 and 61 new full time equivalent positions in New
20 Mexico. However, as discussed below, the new hybrid shared services plan for the NMGC
21 IT functions to be overseen by Delta Utilities in New Orleans means that there will be

¹⁷ See Stipulation at ¶ 17, Case 15-00327-UT.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 fewer new jobs in New Mexico. The revised estimate is that 20 new jobs will be relocated
2 to New Mexico.

3
4 **Q. HAVE THE JOINT APPLICANTS ANALYZED THE ECONOMIC IMPACT**
5 **FROM THESE 20 NEW JOBS?**

6 **A.** Yes. Dr. Erickson has conducted an updated economic analysis that assumes that 20 new
7 jobs will be relocated to New Mexico. His analysis estimates the overall economic impact
8 to New Mexico to be \$9.7 million.

9
10 **Q. ARE THE JOINT APPLICANTS PROPOSING ANY ADDITIONAL EMPLOYEE**
11 **PROTECTIONS?**

12 **A.** Yes. In response to suggestions by NEE and Staff,¹⁸ the Joint Applicants agree to maintain
13 NMGC's current level of employees for 36 months following closing instead of the 18
14 months in the Joint Application. During this time, to assure quality customer service,
15 NMGC will maintain its current level of customer-facing positions. NMGC employees
16 can be discharged for cause during this timeframe.

17
18 **VI. TRANSITION PLAN FOR SHARED SERVICES**

19 **Q. CERTAIN PARTIES EXPRESSED CONCERN ABOUT THE LACK OF**
20 **SPECIFICS IN THE JOINT APPLICATION FOR THE TRANSITION OF**

¹⁸ Sandberg Direct at 37; Jojola Direct at 5.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 SHARED SERVICES FROM EMERA TO NMGC. IS THERE A PLAN FOR THE
2 TRANSITION OF THESE SERVICES?

3 A. Yes. Staff and NEE raised the issue of a transition plan for shared services. Much has
4 been learned in the process of standing up new services within Delta Utilities, which is
5 directly transferable to standing up the shared services at NMGC. Accordingly, we now
6 have a plan for the transition of shared service functions provided by Emera to NMGC, a
7 copy of which is provided as JA Exhibit PIT-2 (Rebuttal) to Mr. Tumminello's Rebuttal
8 Testimony. The IT shared services transition plan is described in detail by Mr. Tumminello
9 and Mr. Miko. The BCP Applicants are now proposing a hybrid model for shared services,
10 where IT services will be provided to NMGC by Delta Utilities from New Orleans.

11
12 Q. **ARE THE JOINT APPLICANTS TAKING STEPS TO ASSURE A SMOOTH**
13 **TRANSITION FOR NMGC TO ASSUME THE SHARED SERVICE FUNCTIONS**
14 **FROM EMERA?**

15 A. Yes. Emera and Saturn Holdco are agreeing to extend the TSA to up to two years so that
16 shared services from the Emera affiliates will be available to NMGC for up to two years
17 following the closing of the Transaction. This will help ensure there is enough time to
18 stand up the shared services within NMGC.

19
20 Q. **WHAT SERVICES ARE COVERED BY THE TRANSITION PLAN?**

21 A. The transition plan addresses all shared services that NMGC currently receives from Emera
22 affiliates. These fall into two categories: (1) IT systems, and (2) broader business
23 operations. Because Mr. Tumminello and Mr. Miko address the IT transition in detail, I

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 focus here on the plan to transfer responsibility for non-IT functions like payroll, benefits
2 administration, insurance, procurement, and regulatory compliance.

3
4 **Q. WHAT TYPES OF NON-IT BUSINESS FUNCTIONS WILL NMGC TAKE OVER**
5 **FOLLOWING THE TRANSACTION?**

6 **A.** NMGC will reclaim control of several essential business services now handled by Emera
7 affiliates. These include payroll, employee benefits and retirement administration,
8 corporate insurance, procurement, inventory management, accounting, accounts payable,
9 and compliance reporting.

10
11 **Q. WHERE WILL THOSE SERVICES BE BASED AFTER THE TRANSITION?**

12 **A.** These services will be delivered under the direction of NMGC's local leadership. Some
13 will be handled by existing NMGC employees who take on new responsibilities. Others
14 will require new positions to be created and filled. The goal is to build a locally managed
15 structure that restores accountability and improves responsiveness without disrupting
16 service.

17
18 **Q. WHAT IS THE PLAN FOR ENSURING THOSE FUNCTIONS ARE READY ON**
19 **DAY ONE AFTER CLOSING OF THE TRANSACTION?**

20 **A.** We've identified which services must be operational at closing to avoid disruptions.
21 Payroll, benefits administration, and compliance oversight fall into that category. NMGC
22 will have internal systems and processes in place for those functions on Day One, even if
23 some underlying systems still operate under Emera support in the short term.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1

2 **Q. WHAT WILL HAPPEN TO THE REMAINING SERVICES AFTER DAY ONE?**

3 **A.** Some services—like contract administration, insurance claims, and procurement—will
4 stay under Emera support temporarily while NMGC completes the transition. Those
5 functions will migrate gradually to ensure each system and team is ready before cutting
6 over.

7

8 **Q. HOW WILL THIS BENEFIT NMGC’S OPERATIONS?**

9 **A.** Returning these responsibilities to New Mexico improves communication and reduces
10 delays. Local finance and compliance teams will respond more quickly to issues. Vendor
11 payments and claims will move faster. And having in-state HR and training teams will help
12 NMGC stay agile in meeting workforce and regulatory needs.

13

14 **Q. WHY TAKE A PHASED APPROACH TO THE TRANSITION FROM SHARED**
15 **SERVICES?**

16 **A.** Because cutting off support overnight would create avoidable risk. NMGC still relies on
17 Emera for essential back-office functions. A phased transition lets us test each system, train
18 each team, and validate each handoff. That way, we protect service quality for customers
19 and preserve business continuity for employees.

20

21 **Q. HOW DO THE ESTIMATED COSTS UNDER THE TSA COMPARE TO**
22 **EMERA’S CHARGES TO NMGC FOR SHARED SERVICES?**

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **A.** The estimated costs for the shared services provided under the TSA are approximately \$8
2 million per year. In 2024, NMGC was charged approximately \$12 million by Emera for
3 shared services. The overall annual savings under the TSA are estimated to be \$4 million.
4 There are certain costs that NMGC must incur as part of a publicly traded combined electric
5 and natural gas utility. However, there will be no further need for these costs once the
6 Transaction is completed.

7
8 **Q. PLEASE PROVIDE AN OVERVIEW OF THE TRANSITION PLAN FOR IT**
9 **SHARED SERVICES.**

10 **A.** As discussed by JA witnesses Mark S. Miko and Peter I. Tumminello, NMGC will adopt
11 a dedicated instance of the Oracle Fusion Cloud ERP system and Oracle Work and Asset
12 Cloud Service (WACS) cloned from a version configured specifically for natural gas local
13 distribution company operations that has been developed for Delta Utilities, another natural
14 gas distribution utility within the BCP portfolio at the time of the transition. This option
15 avoids upgrade costs, and allows NMGC to benefit from an enterprise-grade, gas-utility–
16 specific system configuration.

17
18 In addition, because the same IT organization will have just completed the transition of
19 two other natural gas local distribution companies within the BCP portfolio to this Oracle
20 platform, many of the same team members—who bring direct, recent experience with both
21 the IT infrastructure and systems and the business context—will now be available to
22 support the NMGC transition. This continuity offers significant implementation
23 advantages, including greater efficiency and reduced ramp-up time, at significantly lower

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 rise with the ability to apply lessons learned from two nearly identical deployments to
2 ensure an even smoother transition for NMGC.

3
4 **Q. WHAT MECHANISMS ARE IN PLACE TO ENSURE COST CONTAINMENT**
5 **DURING THE TRANSITION?**

6 **A.** To ensure cost containment during the transition, we are establishing a structured and
7 disciplined governance model led by a dedicated Transition Management Office (“TMO”).
8 The TMO will be responsible for overseeing all aspects of the transition—including
9 planning, execution, risk management, and financial oversight from both IT and business
10 readiness perspective—while ensuring that activities remain aligned with the transition
11 timeline and budget.

12
13 A central tool used by the TMO is the Key Decision Framework, which guides all major
14 transition-related decisions through a consistent set of evaluation criteria. This framework
15 explicitly considers the total cost of ownership, both short and long term, as well as
16 alignment with strategic goals, transition timelines, operational risk, complexity, and
17 sustainability. Each proposed system change, integration, or investment is evaluated
18 against these criteria to ensure that choices are cost-effective, achievable within the TSA
19 period, and supportive of NMGC’s long-term operational model.

20
21 Additionally, the decision to leverage existing investments—such as the pre-configured
22 Oracle ERP and WACS platform already in use at Delta Utilities—was itself the result of
23 applying this framework. By avoiding redundant technology buildouts and utilizing a

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 proven shared services support team, NMGC is able to minimize incremental
2 implementation and staffing costs, reduce the need for retraining, and accelerate time to
3 value.

4
5 The TMO will also maintain detailed tracking of budget, resource allocation, and timeline
6 dependencies to ensure that early warning signs of cost overruns or delays can be
7 proactively addressed. This structured, criteria-driven approach ensures that the transition
8 proceeds in a manner that is both financially responsible and operationally sound, with a
9 clear focus on delivering value to New Mexico customers.

10
11 **Q. WHAT CONTINGENCY PLANS ARE IN PLACE IF THE TRANSITION GOES**
12 **OVER BUDGET?**

13 **A.** Budget contingencies will be included in the transition plan, including line items for
14 unplanned resource needs, additional testing cycles, and support during stabilization.
15 Budget-to-actuals will be monitored continuously by the TMO and finance leadership, with
16 variance thresholds established to trigger escalation and corrective action.

17
18 **Q. ARE THERE ANY ANTICIPATED SAVINGS FOR CUSTOMERS AS A RESULT**
19 **OF THE TRANSFER OF SHARED SERVICES FROM EMERA TO NMGC AND**
20 **DELTA UTILITIES?**

21 **A.** Yes. The total projected stand-up cost to migrate NMGC Oracle Fusion Cloud ERP and
22 Oracle Work and Asset Cloud Service platform is estimated to be in the range of \$32.5
23 million to \$44.86 million, which replaces a future capital outlay estimated at approximately

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 \$56 million that NMGC would otherwise incur to upgrade or replace its legacy SAP and
2 Hitachi Asset Suite systems.

3
4 Once operational, the ongoing annual operating cost—which includes Oracle cloud
5 subscription fees, shared IT support services, cybersecurity operations, and software
6 maintenance—is projected to be approximately \$6.6 million per year. This is a notable
7 reduction from the \$7.8 million NMGC currently pays annually to Emera for shared ERP,
8 asset management, and cybersecurity services, representing a savings of \$1.2 million per
9 year in ongoing support costs.

10
11 **Q. ARE ANY SHARED SERVICES TRANSITION COSTS BEING PROPOSED TO**
12 **BE RECOVERED THROUGH CUSTOMER RATES?**

13 **A.** Yes. Because the BCP Applicants are proposing a rate case stay-out until September 30,
14 2026 and will incur significant capital investment in connection with the shared services
15 transition, we are requesting authorization to accrue a regulatory asset to recover capital
16 investment associated with the shared services in a future rate case. As discussed in detail
17 by Mr. Tumminello and Mr. Miko, the IT shared services assets will be used and useful to
18 customers and will result in significant benefits and savings for NMGC's customers. The
19 recovery of these costs through rates does not impose any incremental cost upon customers
20 as a result of the Transaction because, as demonstrated through the Rebuttal Testimony of
21 Mr. Shell, NMGC was already forecasting approximately \$56 million of additional capital
22 expense related to IT investment.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

**Q. WILL A COST ALLOCATION MANUAL BE FILED WITH RESPECT TO ANY
IT SHARED SERVICES COSTS?**

A. Yes. The Joint Applicants agree to meet with Staff and develop a cost allocation manual for filing with the Commission.

**VII. BCP APPLICANTS' FINANCIAL STRENGTH AND QUALIFICATIONS TO
OWN NMGC**

**Q. SOME OF THE PARTIES HAVE QUESTIONED WHETHER THE BCP
APPLICANTS ARE SUFFICIENTLY QUALIFIED TO OWN NMGC.¹⁹ HOW DO
YOU RESPOND?**

A. The questions concerning BCP's qualifications to own NMGC fall into two main categories. First, certain parties question the financial resources of BCP Management and the BCP Applicants. Second, certain parties question the experience of BCP Management and the BCP Applicants with respect to the ownership and operation of a natural gas utility. As discussed below, these criticisms are misguided.

**Q. HAVE THE JOINT APPLICANTS DEMONSTRATED THAT BCP
MANAGEMENT IS FINANCIALLY SOUND AND SUFFICIENTLY
EXPERIENCED TO ACQUIRE NMGC AS ONE OF ITS PORTFOLIO
COMPANIES?**

¹⁹ See e.g., Sandberg Direct at 24, 41-42; Cebulko Direct at 36-44; Etheridge at 19.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **A.** Yes. I addressed BCP Management’s financial capabilities and experience in my Direct
2 Testimony.²⁰ None of this testimony was disputed; rather, it was largely ignored by the
3 parties questioning the suitability of BCP Management.

4
5 Since the Joint Application was filed in October of 2024, BCP Management’s financial
6 and investment portfolio has grown. BCP Management now has nearly \$6 billion in funds
7 under management and is ranked No. 249 on the list of Private Equity International’s 300
8 largest private equity firms worldwide. The companies in the BCP Management portfolio
9 employ over 20,000 employees. The addition of NMGC with is 740 employees as a
10 portfolio company is well within BCP Management’s financial and organizational
11 capabilities.

12
13 **Q. HAVE ANY NEW MEXICO RETIRMENT FUNDS INVESTED IN ANY FUNDS**
14 **MANAGED BY BCP MANAGEMENT?**

15 **A.** Yes. New Mexico Education Retirement Board invested \$30 million in BCP
16 Management’s services Fund 2, LP. This sizeable investment was vetted by the New
17 Mexico Education Retirement Board and determined to be a suitable investment for the
18 benefit of its members.

19

²⁰ Baudier Direct at 7-17.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Q. DO THE BCP INFRASTRUCTURE FUNDS THAT ARE ACQUIRING NMGC HAVE SUFFICIENT FINANCIAL WHEREWITHAL TO ACQUIRE AND MAKE CONTINUED INVESTMENTS IN NMGC?

A. Yes. The BCP Infrastructure Funds that are purchasing NMGC will have total funding of at least \$2 billion. The BCP Infrastructure Funds currently have actual or committed funding of \$455 million. The BCP Infrastructure Funds are anticipated to be fully subscribed for the \$2 billion funding by early 2026. Moreover, in addition to the above amount, the purchase of NMGC is guaranteed by equity commitments from other BCP Management funds having approximately \$650 million currently available. This provides ample financial capability to acquire and make necessary investments in NMGC.

Q. HOW DO YOU RESPOND TO CLAIMS THAT BCP MANAGEMENT LACKS SUFFICIENT EXPERIENCE IN THE NATURAL GAS UTILITY BUSINESS?

A. The claimed lack of experience on the part of BCP Management in the natural gas utility business is simply wrong. BCP Management has extensive experience in regulated utilities and utility-related businesses as set out in my Direct Testimony.²¹

Moreover, NMGC will continue to operate as a gas utility with the same board, same management and approximately 740 experienced employees. There are no complaints about how NMGC conducts its business. NMGC is not in need of constant oversight or

²¹ Baudier Direct at 11-14.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 guidance on how to operate its business in New Mexico. That said, it will have ready
2 access to expertise and experience from Delta Utilities upon request.

3
4 **Q. HAS BCP MANAGEMENT INCREASED ITS UTILITY ASSETS AND NATURAL**
5 **GAS UTILITY HOLDINGS SINCE THE APPLICATION WAS FILED?**

6 **A.** Yes. As I discussed in my Direct Testimony, BCP Management, through certain BCP
7 funds, was in the process of acquiring the Louisiana and Mississippi natural gas local
8 distribution (“LDC”) businesses of CenterPoint Energy Resources Corp., which serve over
9 380,000 customers.²² These BCP Management funds were also in the process of acquiring
10 Entergy Louisiana, LLC’s gas LDC business that serves over 200,000 customers. All of
11 the necessary regulatory approvals to complete these acquisitions have been received and
12 the CenterPoint transaction has now been completed. The closing on the Entergy
13 transaction will occur on July 1, 2025. These natural gas LDCs will be operated under the
14 umbrella name of Delta Utilities. The total purchase price investments in Delta Utilities
15 are approximately \$1.7 billion.

16
17 **Q. PLEASE IDENTIFY THE INDIVIDUALS WITHIN THE BCP MANAGEMENT**
18 **LEADERSHIP WITH PUBLIC UTILITY EXPERIENCE.**

19 **A.** The public utility experience possessed by BCP Management leadership is extensive, and
20 includes the following:

- 21 1. Jeffrey M. Baudier. As described in my Direct Testimony, I have extensive
22 experience with public utilities as detailed in JA Exhibit JMB-1.

²² Baudier Direct at 12-14.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

2. R. Foster Duncan, Operating Partner, for BCP Management. Mr. Duncan has thirty-five years of experience in the utility and energy industry sectors. He previously held numerous positions at Cinergy Corporation, including serving as CEO and President of the Commercial Business Unit, as well as EVP, CFO and Chairman of the Investment Committee. Mr. Duncan has executive leadership experience at LG&E Energy Corp., the Edison Electric Institute. Atlantic Power Corporation, Essential Power LLC and KKR. Mr. Duncan graduated with Distinction from the University of Virginia with a B.A. in Government and Economics and later received his M.B.A. in Finance from the A.B. Freeman Graduate School of Business at Tulane University.
3. Jeffrey Yuknis, Managing Director at BCP Management, has over 20 years of experience in the utility industry, including 16 years at Exelon, where he served as Vice President. During his tenure, Exelon was a Fortune 100 company involved in every stage of the energy business: power generation, competitive energy sales, transmission, and delivery. At Exelon, Mr. Yuknis held a variety of leadership roles through the electric value chain including in wholesale generation and trading, corporate development (Mergers and Acquisitions), electric transmission and electric microgrids. Mr. Yuknis has a B.S. in Finance from the University of Illinois and an M.B.A. from the University of Chicago.

Q. PLEASE DESCRIBE THE GENERAL UTILITY AND NATURAL GAS UTILITY MANAGEMENT EXPERIENCE OF DELTA UTILITIES.

A. The following leaders of Delta Utilities will be part of the group of experienced professionals sharing their experience and insights as members of the BCP Management portfolio companies:

1. Peter I. Tumminello, Executive Chairman of the Delta Utilities Board of Directors, has over 40 years of utility and energy industry experience. Mr. Tumminello was the former Group President, Commercial Businesses, of Southern Company Gas and led the commercial businesses for Southern Company Gas including Midstream Storage, LNG, and Pipeline Investments, Retail Energy, Retail Services, and Wholesale Energy businesses. Mr. Tumminello was responsible for all operations outside of the regulated entities, including wholesale services, retail energy, and all midstream businesses including pipeline investments and gas storage. Mr. Tumminello has a Bachelor of Science in Petroleum Engineering from Louisiana Tech University and an M.B.A. from the University of Southwestern Louisiana (now University of Louisiana Lafayette).

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

2. Timothy J. Poché, Chief Executive Officer of Delta Utilities, has 35 years of experience across the utility and energy sector, including leading numerous merger and acquisition transactions within the utility sector. Mr. Poché has extensive leadership experience in finance, audit, and accounting for a range of utility and energy service companies, as well as experience consulting on capital markets and regulatory matters. His previous experience includes serving as Senior Vice President & Chief Accounting Officer of The Shaw Group, a Fortune 500 global energy services firm with over \$6 billion in revenue. Mr. Poché also has 22 years' experience as a leader within Deloitte's Utility practice, serving as the managing partner of the Gulf South regional office operations, where he led financial and audit consulting efforts for utility clients, including CenterPoint Energy and Entergy.
3. Bo Murphy, Chief Operating Officer of Delta Utilities, has more than 17 years of utility experience, including serving as the Vice President of Louisiana / Mississippi Natural Gas Division at CenterPoint Energy. Mr. Murphy has extensive experience in engineering and operations, with supplemental experience in operations support, corporate finance and warehouse and logistics. Mr. Murphy has progressive experience from an entry level engineer, progressing through compliance, area operating leadership, field operations, investor relations, support services and finally as vice president of a multi-state gas utility operations. Mr. Murphy has a unique mix of capital and O&M planning, execution and communication with a strong understanding of financial drivers in a regulated utility.
4. Mark Miko, Chief Information Officer (CIO) of Delta Utilities, has more than 26 years of experience in information technology, operations technology, digital and technology transformations, cyber security and information privacy, agile product management, data management and analytics, crisis management, and project management leadership. Mr. Miko's recent experience includes overseeing all aspects of stand up for Delta Utilities' technology and cloud infrastructure, including design, build, and implementation of a "fit-for-purpose" natural gas utility operating system in Oracle Fusion. Mr. Miko also previously served for 8 years as the Chief Information Officer at Duquesne Light Company and provided executive-level technology leadership, in a consulting capacity, to several utility and energy sector clients, including Toronto Hydro and El Paso Electric.
5. Jeff Savage, the Chief Financial Officer of Delta Utilities, has over 30 years of experience with over 18 of those working with LDCs in various roles including corporate accounting, internal audit, and supply chain.
6. Anthony P. Arnould, Jr., who will serve as the Senior Vice President of Gas Services at Delta Utilities (after transaction close with Entergy Louisiana LLC/Entergy New Orleans LLC), has 25 years of natural gas and utility experience.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Mr. Arnould is currently the Director of Gas Distribution for Entergy Services LLC. Mr. Arnould's experience includes managing multi-jurisdictional gas operations, customer service, and engineering. Mr. Arnould currently oversees all aspects of the safe, reliable delivery of natural gas service to natural gas customers of Entergy New Orleans and Entergy Louisiana.

7. Doug Boudreaux, Senior Vice President of Gas Operations at Delta Utilities, has over 18 years of natural gas operations experience at CenterPoint Energy. Mr. Boudreaux has progressive experience with a focus in operations, including a multi-year stint operating gas assets in Minnesota and operational responsibility across a multi-state gas utility. At CenterPoint, Mr. Boudreaux previously served as the Director of Gas Operations for Louisiana at CenterPoint Energy and previously served as the District Director of Gas Operations and Area Manager of Gas Operations.
8. Benjamin Orem, Director of Engineering at Delta Utilities, has 14 years of utility experience at CenterPoint Energy. Mr. Orem has progressive experience as an entry level electrical engineer, moving to the natural gas utility business in 2013, with further roles as an operations manager and engineering manager before assuming his current role.
9. Kenny Malter, the Senior Vice President of Gas Supply at Delta Utilities, has over 25 years of experience leading the gas supply operations and system control of a large multi-state LDC.
10. Jessie Bowen, Director of Supply Chain at Delta Utilities, has 17 years of experience in procurement and supply chain throughout several industries including more than 6 years of progressive leadership of capital and operational procurement in a regulated utility, including LDC operations.
11. Beau Tichnor, Director of Gas Supply at Delta Utilities, has over 15 years of experience leading the gas supply functions for the transmission, distribution, storage, and industrial segments of a large multi-state LDC.
12. Sam Walters, Director of Programs and Contractor services at Delta Utilities, has nearly 20 years of natural gas utility experience. Mr. Walters has progressive experience as an entry level engineer, multiple supervisor postings in compliance operations, management roles in engineering and operations and director roles in engineering and operations.
13. Keith Morris, the Vice President of EHS and Training at Delta Utilities, has over 25 years of oil and gas experience in mid-stream from gathering and processing to interstate and downstream delivery of refined products, crude, natural gas liquids and natural gas with 11 years in a corporate leadership role.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 14. Anthony Murdock, the Vice President of Customer Operations at Delta Utilities,
2 has over 20 years of utility experience, including LDC experience.
3

4
5 **Q. IF THE TRANSACTION CLOSES, WILL NMGC HAVE ACCESS TO THE**
6 **EXTENSIVE UTILITY EXPERTISE AND EXPERIENCE OF BCP**
7 **MANAGEMENT AND DELTA UTILITIES?**

8 **A.** Yes. NMGC will still be operated as a separate gas utility. However, BCP Management
9 will foster a collaborative environment which will promote best practices among NMGC
10 and Delta Utilities, including the sharing of ideas and the promotion of mutual assistance.
11

12 **Q. WERE STAFF AND THE INTERVENORS APPRISED BY THE JOINT**
13 **APPLICANTS OF THE EXTENSIVE UTILITY AND NATURAL GAS LDC**
14 **EXPERIENCE THAT YOU JUST DESCRIBED?**

15 **A.** Yes. All of the foregoing information was provided by the Joint Applicants in response to
16 written discovery from the New Mexico Affordable Reliable Energy Alliance. However,
17 the parties claiming a lack of utility experience on the part of BCP Management failed to
18 mention this extensive experience in their testimonies.
19

20 **Q. SOME PARTIES SUGGEST THAT EMERA AND TECO PROVIDE NECESSARY**
21 **NATURAL GAS EXPERTISE TO NMGC.²³ IS THIS CORRECT?**

22 **A.** No. Contrary to the narrative put forth by certain parties, NMGC does not rely on Emera
23 or TECO for operational support in the conduct of its business. This is further explained in

²³ See e.g., Garrett Direct at 25-26.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 the Rebuttal Testimony by Mr. Shell. Simply put, there has been no showing that TECO
2 and Emera are better positioned than Delta Utilities to share natural gas experience and
3 best practices with NMGC.

4
5 **VIII. PRIVATE EQUITY OWNERSHIP DOES NOT INCREASE RISKS**

6 **Q. NEE AND NMDOJ WARN THAT PRIVATE EQUITY OWNERSHIP OF NMGC**
7 **PRESENTS MORE RISK FOR CUSTOMERS THAN OWNERSHIP BY A**
8 **PUBLICLY TRADED COMPANY.²⁴ IS THIS TRUE?**

9 **A.** There are no facts to prove that private equity ownership of utilities presents any more risk
10 for customers than ownership or operation by a publicly traded company. This issue is
11 addressed in more detail in the Rebuttal Testimony filed by Joint Applicant witnesses Kelly
12 and Talley.

13
14 NEE and NMDOJ appear to ignore that when NMGC was initially formed in 2008, as part
15 of a gas asset sale by Public Service Company of New Mexico, NMGC was under private
16 equity ownership through partnerships affiliated with and managed by Lindsay Goldberg,
17 LLC. NMGC remained under private equity ownership through 2014 when TECO
18 acquired NMGC. There is no evidence of any harm to customers as a result of NMGC
19 ownership by a private equity firm.

20

²⁴ Sandberg Direct at 32-42; Garrett Direct at 20-25.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Q. DO EITHER NEE OR NMDOJ POINT TO ANY HARM TO CUSTOMERS AS A RESULT OF THE CURRENT OWNERSHIP OF EL PASO ELECTRIC COMPANY BY A PRIVATE EQUITY FIRM?

A. No. El Paso Electric Company (“EPE”) has been under private equity ownership by IIF US Holding 2 LP, a U.S. limited partnership, which is one of three master partnerships of private investment funds under IIF since 2020. No party has shown any harm to customers as a result of private equity ownership of EPE. I note that during EPE’s tenure as a publicly traded company in 1992, it filed for Chapter 11 bankruptcy. The fact that a utility is under publicly traded ownership does not insulate it from financial difficulties.

Q. NEE AND NMDOJ CLAIM THAT THE OBJECTIVES OF PRIVATE EQUITY FIRMS ARE AT ODDS WITH THE OBJECTIVES OF PUBLIC UTILITIES. DO YOU AGREE?

A. No, and I specifically disagree that the objectives of BCP Management and the BCP Applicants are contrary to the objectives of public utilities or their customers. BCP Management funds investment in businesses that provide critical services to the government, infrastructure, industrial, utility, and energy sectors as well as in infrastructure and utility assets. The investment pool for the BCP Infrastructure Funds is comprised of large institutional investors, public and private pension funds, college endowments, insurance companies, labor union funds and other investment groups with extensive experience investing in infrastructure and utility investment vehicles. These investors seek long-term, prudent, and financially sound investments in natural gas infrastructure assets. These investors are not seeking a quick or excessive return. The objectives of these

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

investors include a well-managed utility that continues to provide safe, reliable and affordable gas services for customers. There is nothing in the investment philosophy and strategy of BCP Management, or the BCP Applicants, that is adverse to the interests of customers. Moreover, the significant regulatory commitments by the Joint Applicants to protect customers and NMGC assure that the purported negative aspects of private equity ownership will not occur.

Q. CCAE CONTENDS THAT PRIVATE EQUITY FIRMS ARE LESS FOCUSED ON CLIMATE GOALS THAN PUBLICLY TRADED COMPANIES.²⁵ DO YOU AGREE?

A. No. BCP Management has ESG policies which promote the reduction of carbon emissions. BCP Management expects its portfolio companies to develop their own policies to achieve carbon reduction goals. NMGC has its own carbon reduction plans which are in alignment with BCP Management's carbon reduction objectives. NMGC's policies intended to reduce its carbon footprint will remain in effect after the Transaction. These policies will not be negatively affected by NMGC's ownership by the BCP Applicants. Moreover, NMGC will continue to participate in the U.S. Environmental Protection Agency's Natural Gas STAR Program and the Methane Challenge Program.

Q. NEE AND NMDOJ CLAIM THAT BECAUSE PRIVATE EQUITY FIRMS ARE NOT REQUIRED TO MAKE FILINGS WITH THE SECURITIES AND

²⁵ Vitulli Direct at 12-13.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

**EXCHANGE COMMISSION, THEY ARE LESS TRANSPARENT THAN
PUBLICLY TRADED COMPANIES. HOW DO YOU RESPOND?**

A. BCP Management is a registered investment advisor, regulated by the United States Securities and Exchange Commission (“SEC”). It is required to make specific filings with the SEC. However, it is correct that private equity firms are not subject to the same disclosure and filing requirements as publicly traded companies. This is not to suggest that NMGC and the BCP Applicants are insulated from disclosure of their financial conditions. To the contrary, as discussed in the Rebuttal Testimony, Joint Applicant Witness Kelly, Sections 62-6-17 and 62-6-19 of the Public Utility Act, “Rule 450”²⁶ and the Joint Applicants’ regulatory commitments provide that the books, records and accounts of NMGC and the BCP Applicants are subject to inspection by the NMPRC. In addition, NMGC is subject to specific NMPRC informational filing requirements as described in the Rebuttal Testimony of Mr. Shell.

**Q. STAFF CONTENDS THAT WHAT IT CHARACTERIZES AS A COMPLEX
PRIVATE EQUITY OWNERSHIP COULD INTERFERE WITH THE ABILITY
OF THE NMPRC TO OVERSEE NMGC.²⁷ IS THIS A VALID CONCERN?**

A. This is not a valid concern for the reasons set out above. Moreover, the post-closing ownership structure is not significantly more complicated than what currently exists under Emera. Fundamentally, the Transaction involves a change in ownership of TECO Energy.

²⁶ 17.6.450 NMAC (“Rule 450”). See Rule 450.10(C) NMAC.

²⁷ Velasquez Direct at 21-22.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 Saturn Holdco is acquiring all of the equity interests in TECO Energy, which in turn owns
2 NMGI, which in turn owns NMGC. The BCP Infrastructure Funds and Saturn Holdco are
3 replacing Emera, EUSHI and TECO Holdings, as the upstream parent companies of
4 NMGC. The post-closing ownership structure of NMGC is shown in JA Figure JMB-1 on
5 page 19 of my Direct Testimony. This compares to the current ownership structure under
6 Emera shown on Exhibit A “TECO Energy Inc. Corporate Structure” to the TECO Energy
7 Cost Allocation Manual at page 22 of 25.²⁸ Both ownership structures have NMGC owned
8 by several upstream entities. The NMPRC is fully capable of overseeing NMGC and has
9 access to upstream holding companies’ books and records.

10
11 **Q. NEE PROPOSES THAT AS A CONDITION FOR APPROVAL OF THE**
12 **TRANSACTION THAT THE NMGC BOARD OF DIRECTORS MUST BE**
13 **COMPRISED ENTIRELY OF DIVERSE NEW MEXICO RESIDENTS WITH THE**
14 **MAJORITY BEING INDEPENDENT AND DISINTERESTED.²⁹ IS THERE ANY**
15 **BASIS FOR THESE REQUIREMENT?**

16 **A.** No. NEE fails to justify the proposed changes to the NMGC board of directors (“Board”).
17 Under NEE’s plan, there is no requirement that any of the Board members have experience
18 in the utility business. Nor does NEE state upon what authority the Commission should
19 rely upon to alter the shareholders’ right to select a board of directors.

20

²⁸ See *Joint Applicants’ Response to Request for Supplemental Information*, JA Supplemental Information 1 (Dec. 19, 2024)

²⁹ Sandberg Direct at 48.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 The NMGC Board is currently composed of nine members, six of whom are NMGC
2 customers and business and community leaders, but are otherwise not affiliated with or
3 employed by NMGC or any of its affiliates. Two of the seats on the Board are held by
4 Emera employees. The final seat on the Board is held by Mr. Shell, the President of
5 NMGC. This Board structure and composition have served NMGC and its customers well
6 since NMGC was acquired by Emera. Saturn Holdco is satisfied with the current board
7 structure and with the unaffiliated Board members. However, as discussed above, the
8 BCP Applicants and NMGC are amenable to the modifications to the NMGC Board as
9 reflected in the revised ring-fencing and governance provisions.

10
11 Saturn Holdco plans to replace the two Emera representatives with Mr. Tumminello, who
12 heads up Delta Utilities, and Mr. Duncan, one of the BCP Management partners. Both of
13 these individuals have extensive experience in the utility business as outlined above.

14 **IX. CUSTOMERS WILL NOT PAY FOR ANY ACQUISITION PREMIUM**

15 **Q. HAVE THE JOINT APPLICANTS PROVIDED AN ESTIMATE OF THE**
16 **ACQUISITION PREMIUM THAT WILL RESULT FROM THE TRANSACTION?**

17 **A.** I provided the range for the estimated acquisition premium of between \$175 million and
18 \$225 million in my March 31, 2025 *Second Supplemental Testimony in Response to March*
19 *24, 2025 Hearing Examiners' Bench Request* at page 9. A precise amount for the
20 acquisition premium will not be known until closing because the final purchase price is
21 subject to the usual and customary adjustments.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **Q. STAFF, NMDOJ AND WRA RAISE CONCERNS THAT CUSTOMERS WILL**
2 **SOMEHOW BE REQUIRED TO PAY FOR ANY ACQUISITION PREMIUM**
3 **RESULTING FROM THE TRANSACTION IN THIS CASE.³⁰ IS THIS A VALID**
4 **CONCERN?**

5 **A.** No. As confirmed in my Direct Testimony and the regulatory commitments in the Joint
6 Application, the Joint Applicants will not seek to recover any acquisition premium or
7 related goodwill from customers rates or otherwise.³¹ Any claims to the contrary are
8 completely unfounded. Joint Applicant witness Shell discusses the accounting treatment
9 of goodwill associated with acquisition premiums. He also confirms that NMGC has never
10 sought recovery or recovered any goodwill or acquisition premium from customers and
11 that this will not change if the Transaction is approved.

X. SERVICE QUALITY WILL BE MAINTAINED

14 **Q. HOW WOULD YOU DESCRIBE THE LEVEL OF SERVICE QUALITY**
15 **PROVIDED BY NMGC?**

16 **A.** As detailed in the Rebuttal Testimony of Joint Applicant witness Shell, NMGC's service
17 quality metrics are excellent. In fact, among the reasons that BCP Management was
18 interested in NMGC is due to its solid records on service quality and safety. I note that
19 there have been no criticisms of NMGC's service quality in this case.

³⁰ Garrett Direct at 30-34; Jojola Direct at 8-9; Cebulko Direct at 22-23.

³¹ Baudier Direct at 34-35; JA Ex. JMB-3 Amended GDP at 17.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Q. NEE AND STAFF QUESTION WHETHER NMGC’S SERVICE QUALITY WILL BE NEGATIVELY IMPACTED AS A RESULT OF THE TRANSACTION.³² HOW DO YOU RESPOND?

A. These claims are not based on any facts, but only speculation. I described the commitments to ensure NMGC service quality is maintained in my Direct Testimony.³³ Joint Applicant witness Shell refutes these claims in his Rebuttal Testimony.

Q. NEE RECOMMENDS THAT THE COMMISSION ASSESS AUTOMATIC PENALTIES IF NMGC’S SERVICE QUALITY DETERIORATES AFTER THE TRANSACTION IS COMPLETED.³⁴ IS THIS ACTION WARRANTED?

A. No. NEE’s proposal concerning maintaining service quality is very vague with respect to the applicable service quality metrics and proposed penalties. More importantly, there has been no factual evidence presented showing that service quality will deteriorate or that the regulatory commitments to ensure service quality are deficient. Mr. Shell testifies in his Rebuttal Testimony why service quality will not be impaired. In addition, the NMPRC already has enforcement authority under the Public Utility Act if NMGC does not maintain adequate service quality. There is no precedent in New Mexico or basis to impose automatic penalties. This condition should be rejected.

³² Sandberg Direct at 27; Garrett at 29.

³³ Baudier Direct at 32-33; JA Ex. JMB-3 Amended GDP at 15-16.

³⁴ Sandberg Direct at 48.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

XI. NO INCREASE IN GREENHOUSE GAS EMISSIONS

Q. WRA AND CCAE MAINTAIN THAT APPROVAL OF THE TRANSACTION WILL RESULT IN AN INCREASE IN GREENHOUSE GAS EMISSIONS FROM NMGC OPERATIONS.³⁵ PLEASE RESPOND.

A. There are two primary points to make in response to these claims. First, greenhouse gas emissions reductions are not among the standards to be applied in determining whether to approve the Transaction. Regulation of greenhouse gas emissions from natural gas utilities is outside the scope of the NMPRC's jurisdiction. Second, there is no causal connection between the Transaction and any increase in greenhouse gas emissions. The fallacy of the claims by WRA and CCAE are addressed in more detail by Joint Applicant witness Reed.

Q. SHOULD NMGC BE PROHIBITED OR LIMITED FROM EVALUATING LOW OR NO CARBON ALTERNATIVES SUCH AS HYDROGEN OR FORMS OF RENEWABLE NATURAL GAS AS RECOMMENDED BY CERTAIN INTERVENORS?³⁶

A. No. Such restrictions are neither sound policy nor consistent with applicable law. NMGC is a certificated natural gas utility with a duty to serve its customers. NMGC should not be constrained from evaluating technological alternatives or advancements that may better serve customers.

³⁵ Penn Direct at 2; Vitulli Direct at 6; Kenny Direct at 8.

³⁶ See e.g., Sandberg Direct at 48; Kenny Direct at 6.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

XII. NO CHANGES TO NMGC TAX TREATMENT

Q. STAFF CONTENDS THAT THE AMENDED GDP FAILS TO ADDRESS THE TAX IMPACTS OF THE TRANSACTION AND THAT NMGC SHOULD BE REQUIRED TO ESTABLISH A REGULATORY LIABILITY FOR POTENTIAL TAX BENEFITS.³⁷ ARE THESE CONTENTIONS WELL FOUNDED?

A. No. On pages 22 and 26 of my Direct Testimony I confirm that there will be no regulatory tax implications for NMGC and that NMGC's income taxes will continue to be calculated on a stand-alone basis for regulatory financial reporting and ratemaking purposes. I also confirm that the Transaction will have no impact on the Commission's authority to determine NMGC's income tax expense for ratemaking purposes. The anticipated tax effects of the Transaction on NMGC are also addressed on page 21 of the Amended GDP which once again confirms the foregoing. There is no indication that there will be any tax benefits to NMGC from the Transaction. Therefore, there is no basis for requiring a regulatory liability to track non-existent tax benefits.

XIII. CONCLUSIONS

Q. WHAT IS YOUR CONCLUSION ABOUT THE WHETHER THE JOINT APPLICANTS HAVE MADE THE NECESSARY SHOWING FOR THE REQUESTED APPROVALS IN THIS CASE?

A. The Joint Applicants have satisfied the six factor tests applied by the NMPRC in the review of utility acquisitions. I discuss each of the factors below.

³⁷ Vasquez Direct at 16-17.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

Q. WILL THE PROPOSED TRANSACTION BENEFIT CUSTOMERS?

A. Yes, particularly with the addition of the \$15 million customer rate credit and the commitment not to file a new rate case until after September 30, 2026, which is expected to save customers between \$30 million and \$40 million dollars. Low income customers will benefit from the continued support of NMGC's low income programs.

Customers will also benefit from NMGC having financially stable and experienced new owners who wish to own NMGC and make significant investments in its continued success. This includes the benefit of NMGC being in a portfolio of companies that includes Delta Utilities, which will operate separately, but exchange best practices. NMGC customers will also benefit from the return of several back-office functions to New Mexico instead of being performed in Florida or Nova Scotia with the prospect of savings from shared IT services through Delta Utilities.

There are also numerous indirect customer benefits from new jobs in New Mexico, economic development investments, continued charitable contributions, educational programs and a preference for local suppliers of goods and services.

Q. ARE THERE BENEFITS TO NEW MEXICO FROM THE TRANSACTION?

A. Yes. There are significant benefits for New Mexico from the Transaction, including the continued operation of an excellent performing natural gas utility available to meet the needs of residents with safe, reliable and cost-effective energy, which support economic

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

development in the state. The economic benefit to the state from the customers rate credits is estimated to be \$12.7 million. There will also no doubt also be economic benefits to the state due to the estimated savings of \$30 million to \$40 million from NMGC's commitment not to file a rate case until September 30, 2026. The estimated economic benefit to New Mexico from the \$10 million in total economic investments is nearly \$16.8 million. The twenty new jobs will result in an economic benefit to the state of approximately \$9.7 million.

Q. WILL THE COMMISSION'S JURISDICTION BE PRESERVED?

A. Yes. My Direct Testimony and the Rebuttal Testimony of Joint Applicant witness Kelly discuss in detail the numerous regulatory commitments ensure that the NMPRC's jurisdiction over NMGC will be preserved.³⁸ Staff witness Zigich also confirms that the NMPRC's jurisdiction will be preserved.³⁹

Q. WILL NMGC'S QUALITY OF SERVICE BE DIMINISHED AS A RESULT OF THE TRANSACTION?

A. No. As discussed, Joint Applicant witness Shell's Rebuttal Testimony and my Direct Testimony NMGC's quality of service will be maintained and there are many regulatory commitments to assure continued quality of service.⁴⁰

³⁸ Baudier Direct at 39-40; JA Ex. JMB-3 at 27.

³⁹ Zigich Direct at 8.

⁴⁰ Baudier Direct at 32-33.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **Q. WILL THERE BE ANY IMPROPER SUBSIDIZATION OF NON-UTILITY**
2 **ACTIVITIES?**

3 **A.** There will not be improper subsidization of non-utility activities and there are numerous
4 commitments to protect against this as confirmed in my Direct Testimony.⁴¹

6 **Q. ARE BCP MANAGEMENT AND THE BCP APPLICANTS QUALIFIED AND**
7 **FINANCIALLY CAPABLE OF ACQUIRING NMGC?**

8 **A.** As discussed above, BCP Management has nearly \$6 billion in assets and its portfolio
9 companies have over 20,000 employees. BCP Management portfolio companies,
10 specifically Delta Utilities, have many years of experience in the utility business in general
11 and the gas utility business in particular. While BCP management will not be an owner of
12 NMGC, NMGC will be among the portfolio companies of BCP Management. The BCP
13 Infrastructure Funds that are purchasing NMGC will have total funding of at least \$2 billion
14 and currently have actual or committed funding of \$455 million. My Direct Testimony
15 also confirms the qualifications, experience and financial capabilities of BCP Management
16 and the BCP Infrastructure Funds.⁴²

18 **Q. ARE THERE ADEQUATE PROTECTIONS IN PLACE TO PREVENT HARM TO**
19 **CUSTOMERS FROM THE TRANSACTION?**

⁴¹ Baudier Direct at 37-38; JA Ex. JMB-3 at 19-20.

⁴² Baudier Direct at 11-16, 40-41, 48; Hutt Direct at 6-7.

**REBUTTAL TESTIMONY OF
JEFFREY M. BAUDIER
NMPRC CASE NO. 24-00266-UT**

1 **A.** Yes. I address the numerous commitments which protect customers from potential harm
2 in my Direct Testimony.⁴³ The additional ringfencing commitments and other
3 commitments discussed above provide even more customer protections.

4

5 **Q.** **DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes.

7

⁴³ Baudier Direct at 34-37.

BCP APPLICANTS' ADDITIONAL RING-FENCING AND CORPORATE GOVERNANCE COMMITMENTS

1. NMGC will maintain an NMGC board of directors (the "Board") charter that documents the Board's responsibilities, authorities, and function, including specific Board committees and committee membership, in each case, consistent with this Delegation of Authority.
2. Of the independent members of the Board, at least three will be Disinterested Directors. "Disinterested Directors" will be independent from the BCP Infrastructure Funds and their subsidiaries and affiliated entities (other than NMGC and NMGI) and BCP Management, and will have no material financial relationship with any such entities currently or within the previous five years. The terms of the Disinterested Directors will be staggered so no more than two are up for renewal each year. The initial Disinterested Directors must be identified by the shareholder within 30 days of closing the Transaction. The Disinterested Directors must be New Mexico residents.
3. The Board will set the compensation and benefits of NMGC officers, in the form and manner the Board directs, subject to shareholder approval.
4. Compensation of NMGC directors will not be tied to, reflective of, or related to the financial, operational, or other performance of any entity or interest other than NMGC.
5. NMGC's President and other senior management who report directly to the President will (1) hold no positions with the BCP Infrastructure Funds or any of their affiliates or subsidiaries while employed by NMGC and (2) not (a) serve as an officer, employee, or other representative of any entity owned or controlled by BCP Management (excluding NMGC and NMGI), or (b) have served within one-year prior as an officer, employee, or other representative of any entity owned or controlled in whole or in part by BCP Management or any of its affiliates; provided, for the avoidance of doubt, that the foregoing section (2)(b) does not include the BCP Infrastructure Funds and its affiliates (including NMGC and NMGI).
6. Saturn Holdco will make or cause NMGC to make annual reports to the Commission regarding NMGC's compliance with the terms of the Commission order approving the Transaction for a period of five (5) years after the closing of the Transaction.
7. Board meetings will be held in New Mexico.
8. NMGC will not seek to recover from NMGC's customers any costs incurred as a result of a bankruptcy of the BCP Applicants or any of their affiliates (excluding NMGC and its subsidiaries).
9. The BCP Applicants and NMGC will take the actions necessary to ensure the existence of NMGC's stand-alone credit and debt ratings, as applicable. The Board will ensure that NMGC will, except as otherwise approved by the Commission, be registered with at least one major nationally- and internationally-recognized credit rating agency. The Board will ensure that NMGC takes efforts to ensure that NMGC's credit ratings reflect the ring-fence

provisions contemplated herein and in the Commission order approving the Transaction such that the credit rating agency provides NMGC with a stand-alone credit rating.

10. NMGC will not guarantee the debt or credit instruments of the BCP Applicants or any other affiliate (excluding NMGC).
11. Neither NMGC nor Saturn Holdco will enter into any inter-company debt transactions with any of the BCP Applicants or any of their affiliates or subsidiaries (excluding NMGC and its subsidiaries) post-closing of the Transaction, unless approved by the Commission.
12. Neither NMGC nor its subsidiaries will borrow money from the BCP Applicants or any of their affiliates or subsidiaries except on an arm's-length basis if approved by a majority of the Board, excluding the BCP Infrastructure Funds' representatives on the Board; provided, that nothing herein shall obligate NMGC's affiliates to lend money to NMGC or any of its subsidiaries at any time.
13. Neither NMGC nor Saturn Holdco will be borrowers under a common credit facility with one another nor with their affiliates, the BCP Infrastructure Funds, or any of the BCP Infrastructure Funds' affiliates or subsidiaries (excluding NMGC and its subsidiaries).
14. NMGC will not include in any of its debt or credit agreements cross-default provisions relating to Saturn Holdco or the BCP Infrastructure Funds, or any of their affiliates or subsidiaries (excluding NMGC). Neither NMGC nor Saturn Holdco will include in any of its debt or credit agreements cross-default provisions relating to the securities of the BCP Infrastructure Funds or any of their affiliates or subsidiaries (excluding NMGC and its subsidiaries). Under no circumstances will any debt of NMGC become due and payable or otherwise be rendered in default because of any cross-default or similar provisions of any debt or other agreement of the BCP Infrastructure Funds, Saturn Holdco, or any of their affiliates (excluding NMGC and its subsidiaries).
15. NMGC's debt or credit agreements will not include any financial covenants or rating-agency triggers related to Saturn Holdco or the BCP Infrastructure Funds or any of the BCP Infrastructure Funds' affiliates or subsidiaries (excluding NMGC and its subsidiaries), nor will Saturn Holdco's debt or credit agreements include any financial covenants or rating-agency triggers related to the BCP Infrastructure Funds or any of their affiliates or subsidiaries (excluding NMGC and its subsidiaries).
16. NMGC will not incur, guaranty, or pledge assets for any new incremental debt related to consummating the Transaction.

17. Following closing of the Transaction, NMGC's President and other senior management who directly report to the President will hold no positions with the BCP Infrastructure Funds or any of their affiliates or subsidiaries (excluding NMGC and NMGI).
18. Neither NMGC nor Saturn Holdco will transfer any material assets or facilities to any affiliates, other than a transfer that is on an arm's-length basis consistent with the Commission's affiliate standards as applicable to NMGC.
19. NMGC will maintain an arm's-length relationship with all affiliates; with Saturn Holdco; with the BCP Infrastructure Funds and its affiliates; and with all persons, entities, and interests directly or indirectly owned or controlled by BCP Management, consistent with the Commission and NMPRC affiliate standards as applicable to NMGC. Nothing in the foregoing is intended to prohibit the BCP Infrastructure Funds' management of Saturn Holdco.
20. NMGC will provide the Commission and NMPRC access to NMGC's books and records as necessary to facilitate a commission audit or review of any affiliate transactions, if any, as between NMGC and the BCP Infrastructure Funds or the BCP Infrastructure Funds' affiliates.
21. Each of NMGC and Saturn Holdco will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity. Charges for goods, assets and services exchanged between NMGC and the BCP Infrastructure Funds' subsidiaries or affiliates, if any, will be clearly designated and separately maintained, for easy identification and audit by the Commission Staff, as well as parties in a rate proceeding. Further, the basis for any charge will be identified (*i.e.*, fair market price, fully distributed costs, others as applicable). NMGC and each applicable affiliate will maintain books of accounts and supporting records in sufficient detail to permit verification of compliance with Commission rules or orders regarding affiliate transactions. NMGC will maintain its own accounting system, separate from Saturn Holdco, the BCP Infrastructure Funds, or any other intermediary holding company (excluding NMGI).
22. Saturn Holdco will be maintained between NMGC and the BCP Infrastructure Funds for so long as the BCP Infrastructure Funds own NMGC.
23. NMGC's assets, revenues, or stock shall not be pledged by Saturn Holdco, the BCP Infrastructure Funds, or any of their affiliates or subsidiaries for the direct or indirect benefit of any entity other than NMGC.

24. The BCP Infrastructure Funds and Saturn Holdco will provide the Commission access to their books and records, as well as those of its applicable affiliates, to the extent necessary to facilitate audit or review of any affiliate transactions, if any, as between NMGC and the BCP Infrastructure Funds or the BCP Infrastructure Funds' affiliates.
25. Saturn Holdco, the BCP Infrastructure Funds, and their affiliates will not represent to the public or creditors that NMGC has any liability for the obligations of Saturn Holdco or the BCP Infrastructure Funds or any of their affiliates (except for NMGC and its subsidiaries).

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

))))))))

JOINT APPLICANTS

Jeffrey M. Baudier

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

CERTIFICATE OF SERVICE

I CERTIFY that on this date I sent via email a true and correct copy of *Rebuttal Testimony and Exhibits of Jeffrey M. Baudier*

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 ;

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**Rebuttal Testimony and
Exhibits of Jeffrey M. Baudier**

Case No. 24-00266-UT

New Mexico Department of Justice	
Gideon Elliot	GElliot@nm DOJ.gov ;
Maria Oropeza	MOropeza@nm DOJ.gov ;
Nicole Teupell	Nteupell@nm DOJ.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 ;
Kaythee Hlaing	Kaythee.Hlaing@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@westernresources.org ;
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 May 16, 2025.

/s/Anita Hart

Anita Hart

Director, Regulatory Affairs

505-697-3838

anita.hart@nmgeo.com