

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF)
AVANGRID, INC., AVANGRID NETWORKS, INC., NM)
GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY)
OF NEW MEXICO AND PNM RESOURCES, INC. FOR)
APPROVAL OF THE MERGER OF NM GREEN)
HOLDINGS, INC. WITH PNM RESOURCES, INC.;)
APPROVAL OF A GENERAL DIVERSIFICATION PLAN;)
AND ALL OTHER AUTHORIZATIONS AND APPROVALS)
REQUIRED TO CONSUMMATE AND IMPLEMENT THIS)
TRANSACTION) Case No. 20-00222-UT
)
AVANGRID, INC., AVANGRID NETWORKS, INC.,)
NM GREEN HOLDINGS, INC., PUBLIC)
SERVICE COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC.,)
)
JOINT APPLICANTS.)
_____)

JULY 29, 2021 REBUTTAL TESTIMONY

OF

LISA QUILICI

July 29, 2021

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SELF-AFFIRMATION

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I. INTRODUCTION AND PURPOSE

1
2 **Q. PLEASE STATE YOUR NAME, AFFILIATION, AND BUSINESS ADDRESS.**

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

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN CASE NO. 20-00222-UT?**

7 A. Yes. On April 21, 2021, I filed Rebuttal Testimony on behalf of Public Service Company
8 of New Mexico (“PNM”), PNM Resources, Inc. (“PNMR”), Avangrid, Inc. (“Avangrid”),
9 Avangrid Networks, Inc. (“Networks”) and NM Green Holdings, Inc. (collectively, with
10 Iberdrola, S.A., the “Joint Applicants”) in the application regarding the proposed
11 acquisition of PNMR by Avangrid (such acquisition and associated corporate organization
12 steps as described in the application filed in this proceeding being the “Proposed
13 Transaction” or the “Transaction”). On June 18, 2021, I filed Testimony in Support of the
14 Second Amended Stipulation.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. The purpose of my testimony is to respond to the testimony of certain parties in opposition
17 to the Second Amended Stipulation entered into among PNM, PNMR, Avangrid,
18 Networks, NM Green Holdings, Inc., the Attorney General of the State of New Mexico
19 (“Attorney General”), Western Resource Advocates, the International Brotherhood of
20 Electrical Workers Local 611, Dine Citizens Against Ruining Our Environment, Nava
21 Education Project, San Juan Citizens Alliance, To Nizhoni Ani, the Coalition for Clean
22 Affordable Energy, Interwest Energy Alliance, Walmart, Inc., Onward Energy Holdings,
23 LLC, M-S-R Public Power Agency, and the Incorporated County of Los Alamos
24 (collectively, the “Signatories”) (the “Stipulation”) filed on June 4, 2021. The Stipulation
25 includes 56 Stipulated Regulatory Commitments (“Stipulated Regulatory Commitments”).
26 In particular, I respond to the testimonies of John J. Reynolds on behalf of New Mexico
27 Public Regulation Commission (“Commission”) Utility Division Staff (“Staff”), Mark E.
28 Garrett on behalf of Albuquerque Bernalillo County Water Authority (“ABCWUA”),

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1 Maureen L. Reno on behalf of Bernalillo County, Christopher K. Sandberg on behalf of
2 New Energy Economy, and Michael P. Gorman on behalf of New Mexico Affordable
3 Reliable Energy Alliance (“NM AREA”). I respond to testimony regarding rate credits
4 and other customer benefits, the economic development benefits of the Joint Applicants
5 job creation commitment, and management and governance, the same topics I addressed
6 in my Rebuttal Testimony and Testimony in support of the Second Amended Stipulation.

II. OVERVIEW AND KEY CONCLUSIONS

**Q. PLEASE PROVIDE A BRIEF OVERVIEW OF YOUR TESTIMONY IN
RESPONSE TO OPPOSITION TO THE SECOND AMENDED STIPULATION.**

10 A. As I stated in my testimony in support of the Stipulation, the benefits of the Transaction
11 are broad and substantial. I understand that since the Stipulation was filed, settlement
12 discussions have continued with Staff and other non-signatories and in some cases
13 testimony in opposition to the Stipulation is intended to reflect consensus positions on
14 amendments to the Stipulation which non-signatory(ies) would find acceptable. In
15 response, the Joint Applicants state that they are agreeable to many of the modifications
16 and enhancements proposed to the Stipulated Regulatory Commitments.

17 My testimony here addresses the increase in rate credits proposed by the Joint
18 Applicants in response to opposition testimony. As discussed by Mr. Pedro Azagra
19 Blazquez, the Joint Applicants propose to increase the rate credits committed to in the
20 Stipulation by \$15 million, to a proposed total rate benefit of \$88 million, made up of \$65
21 million in rate credits, \$6 million in residential customer arrearages forgiveness, \$2 million
22 in funds for assisting in providing electricity to customers in remote areas and \$15 million
23 for low-income energy efficiency. The Joint Applicants proposed increase to rate credits
24 is identical to that proposed by NMAREA witness Mr. Gorman and Bernalillo County
25 witness Ms. Reno.

26 ABCWUA witness Mr. Garrett and New Energy Economy witness Mr. Sandberg
27 continue to argue that utility customer rate benefits should be linked to the holding
28 company control premium. As I discussed in my Rebuttal Testimony, there is no basis for
29 this argument. The Transaction’s control premium is not analogous to a gain on the sale of

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1 a utility asset as asserted by Mr. Garrett. The pre-transaction market price of the holding
2 company's common stock reflects the market value of all of the company's assets and
3 liabilities as well as investors' expectations about the company's performance, dividends
4 and the opportunity for gain or loss on the disposition of that stock. The control premium
5 is the premium paid to acquire the majority control of the holding company stock and has
6 no relation to the asset value of the company. The fact that shareholders will receive a
7 premium for the acquisition of a controlling interest in PNMR, the holding company, does
8 not mean that customers and the public interest will not benefit, or will not benefit enough,
9 from the transaction.

10 While the Transaction should be assessed on its own merits and not in comparison
11 to other transactions, the rate benefits of the Transaction nonetheless compare very
12 favorably to those committed to in other transactions. The Joint Applicants' proposed rate
13 credit of \$65 million equates to approximately \$123 per PNM customer¹, nearly twice that
14 of any other transaction in New Mexico² and in the upper decile of the transactions
15 approved and closed over the past five years.

16 My testimony also addresses the increase in economic development benefits
17 proposed by the Joint Applicants in response to the opposition and the important other
18 benefits created by the Joint Applicants' jobs creation commitment. As discussed by Mr.
19 Azagra in his testimony, the Joint Applicants proposed to (1) increase their commitment to
20 shareholder-funded contribution to economic development projects or programs in New
21 Mexico, disbursed through a fund administered independently of the Joint Applicants from
22 \$7.5 million over three years to \$15 million over five years, and (2) include a monetary
23 penalty if they do not fully satisfy the new jobs commitment. The Joint Applicants
24 proposed increased economic development funding is identical to what was proposed by
25 NM AREA witness Mr. Gorman and the proposed penalty is responsive to Mr. Gorman's
26 proposal.

¹ \$65 million rate credit/530,000 customers

² Sun Jupiter Holdings, Inc.'s ("Sun Jupiter") purchase of El Paso Electric Company ("EPE") (the "EPE Transaction") included a \$86.14/customer bill credit. TECO Energy Inc.'s ("TECO") purchase of New Mexico Gas Company ("NMGC") (the "NMGC Transaction") included a \$27.53/customer bill credit and EMERA Inc.'s purchase of TECO (the "TECO Transaction") included no bill credit. Please see Table 1 of my testimony.

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1 It is also important to note that jobs creation and the associated impact on the
2 economic health and vitality of a community is a primary objective of economic
3 development programs. If approved and closed, the Transaction will directly create 150
4 new full-time jobs in New Mexico that otherwise would not exist. These new jobs will
5 likewise create new economic stimulus in the form of taxes and money spent in the local
6 community. The direct commitment to create new jobs in New Mexico is a clear and direct
7 benefit to the state.

8 Finally, I provide context and background in support of Mr. Azagra testimony
9 responding to the testimony encouraging the Commission to require a regulatory
10 commitment that PNM have a majority independent Board of Directors and Ms. Reno's
11 recommendation that the chairperson of the PNM board be independent and disinterested.
12 The governance commitments proposed by the Joint Applicants are consistent with
13 industry norms and the requirement that all directors be residents of New Mexico is more
14 specific than industry norms.

15 **Q. PLEASE HIGHLIGHT YOUR KEY CONCLUSIONS IN RESPONSE TO**
16 **OPPOSITION TO THE SECOND AMENDED STIPULATION.**

17 A. I believe the Transaction, inclusive of the Stipulated Regulatory Commitments and the
18 Joint Applicants' proposal to modify and enhance certain of those commitments, support a
19 conclusion that the Transaction is in the public interest. The benefits of the Transaction
20 are broad and substantial and are enhanced by the Joint Applicants' proposal to modify and
21 enhance certain Stipulated Regulatory Commitments. If the Transaction is approved and
22 closes, the benefits to PNM's customers and the local economy are expected to exceed
23 \$320 million over eight years.

III. RATE BENEFITS

25 **Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY YOU RESPOND TO IN**
26 **THIS SECTION OF YOUR TESTIMONY.**

27 A. In this section of my testimony, I will address the testimony in opposition to Stipulation of
28 NMAREA witness Mr. Gorman, Bernalillo County witness Ms. Reno, ABCWUA witness

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1 Mark E. Garrett and New Energy Economy witness Christopher K. Sandberg pertaining to
2 the level of rate credits and rate benefits agreed to in the Second Amended Stipulation.

3 **Q. HAVE THE JOINT APPLICANTS PROPOSED TO ENHANCE THE CUSTOMER**
4 **RATE CREDIT IN RESPONSE TO DISCUSSIONS WITH NON-SIGNATORIES**
5 **AND TESTIMONY FILED IN OPPOSITION TO THE STIPULATION?**

6 A. Yes. As discussed by Mr. Azagra, the Joint Applicants propose to increase the customer
7 bill credit by \$15 million, to a proposed total rate benefit of \$88 million, made up of \$65
8 million in rate credits, \$6 million in residential customer arrearages forgiveness, \$2 million
9 in funds for assisting in the of customers in remote areas and \$15 million for low-income
10 energy efficiency. The Joint Applicants' proposed increase to customer bill credits is
11 identical to that proposed by NM AREA witness Mr. Gorman and Bernalillo County
12 witness Ms. Reno.³

13 **Q. ABCWUA WITNESS MR. GARRETT AND NEW ENERGY ECONOMY**
14 **WITNESS MR. SANDBERG ARGUE THAT THE PROPOSED RATE CREDITS**
15 **ARE INSUFFICIENT IN COMPARISON TO THE PREMIUM SHAREHOLDERS**
16 **OF PNM WILL RECEIVE.⁴ WHAT IS YOUR RESPONSE?**

17 A. As I discussed in my Rebuttal Testimony, it is inappropriate to seek to link utility rate
18 benefits, including rate credits, and the holding company control premiums as Messrs.
19 Garrett and Sandberg have done.⁵ Utility rate benefits are intended to provide an up-front
20 and certain benefit to utility customers. The Joint Applicants' proposed utility rate benefits
21 do just that. The Joint Applicants have worked with and heard many parties in this
22 proceeding and have responded by increasing the rate benefits to PNMR's customers. If

³ NM AREA witness Mr. Gorman Testimony in Opposition to the Stipulation at 13. Bernalillo County witness Ms. Reno Testimony in Opposition to the Stipulation at 4.

⁴ ABCWUA witness Mr. Garrett Testimony in Opposition to the Stipulation at 10-11. New Energy Economy witness Mr. Sandberg Testimony in Opposition to the Stipulation at 36-37.

⁵ Mr. Sandberg uses the term acquisition premium to describe both the acquisition premium (i.e., the difference between the purchase price of a transaction and the net book value of the seller's assets which will be booked as goodwill) and the control premium (i.e., the portion of the acquisition premium which exceeds the pre-merger market value of the selling company's stock). Both Mr. Sandberg and Mr. Garrett propose to increase the Joint Applicants' proposed rate credits in relation to the Transaction's control premium.

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1 the Commission approves the Transaction and the Joint Applicants' enhanced Regulatory
2 Commitments, after the Transaction closes PNM's customers will benefit from \$88 million
3 in rate benefits⁶ and, as I discuss in the next section of my testimony, the local community
4 will benefit from hundreds of millions of dollars in economic development benefits.

5 The control premium is the premium paid by the buyer to compensate shareholders
6 of the holding company for the acquisition of a controlling interest in the holding company.
7 The fact that shareholders will receive a premium for the acquisition of a controlling
8 interest in PNMR, the holding company, does not mean that customers and the public
9 interest will not benefit, or will not benefit enough, from the transaction.

10 Mr. Sandberg's own testimony highlights the different purposes of rate credits and
11 control premiums. Mr. Sandberg testifies that PNMR stock traded at \$27.08 per share on
12 March 18, 2020, comparing it to the share price of \$50.30 to be paid at the closing of the
13 Transaction, "[t]o get a true sense of how stockholders could benefit."⁷ Mr. Sandberg
14 ignores the facts that when PNMR's stock price rose to \$54.49 per share on February 7,
15 2020, PNM's and TNMP's customers did not participate in the gains of PNMR's
16 shareholders. Nor did PNM's and TNMP's customers participate in any losses of PNMR's
17 shareholders when PNM's stock price fell to \$27.08 per share on March 18, 2020.

18 **Q. MR. GARRETT ALSO ARGUES THAT THE PRINCIPLES GOVERNING THE**
19 **REGULATORY TREATMENT OF GAINS ON THE SALE OF UTILITY ASSETS**
20 **ARE ANALOGOUS TO THE SITUATION PRESENTED BY THIS**
21 **TRANSACTION.⁸ WHAT IS YOUR RESPONSE?**

22 A. As I discussed in my Rebuttal Testimony, a share of stock in PNMR, a holding company,
23 is not analogous to an asset held by PNM, a regulated utility. The pre-transaction market
24 price of PNMR's stock reflects the market value of all of the holding company's assets and
25 liabilities, and investors' expectations about the company's performance, dividend and the
26 opportunity for gain or loss on the disposition of their stock. The control premium is the

⁶ \$65 million in rate credits, \$6 million in residential customer arrearages forgiveness, \$2 million in funds for assisting in the of customers in remote areas and \$15 million for low-income energy efficiency.

⁷ New Energy Economy witness Mr. Sandberg Testimony in Opposition to the Stipulation at 36.

⁸ ABCWUA witness Mr. Garrett Testimony in Opposition to the Stipulation at 15-17.

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1 premium being paid to acquire majority control of PNMR’s stock and has no relation to
2 the asset value of PNMR, and is not related to the asset value of its subsidiary, PNM.

3 **Q. WHAT IS YOUR RESPONSE TO MR. GARRETT’S TESTIMONY REGARDING**
4 **THE APPROACHES FOLLOWED BY OTHER COMMISSIONS IN**
5 **EVALUATING THE ADEQUACY OF RATE CREDITS?**

6 A. Mr. Garrett testifies that he “is not aware of any commission that has specifically required
7 that ratepayers receive at least half as much in rate credits as the utility’s shareholders
8 receive as a result of a merger”⁹. On this point, Mr. Garrett and I agree. As I discussed in
9 my Rebuttal Testimony, there have been dozens of utility regulatory proceedings involving
10 merger transactions since 2010. None of the decisions in those proceedings included a
11 Commission-required allocation of any of the transactions control premium to ratepayers.

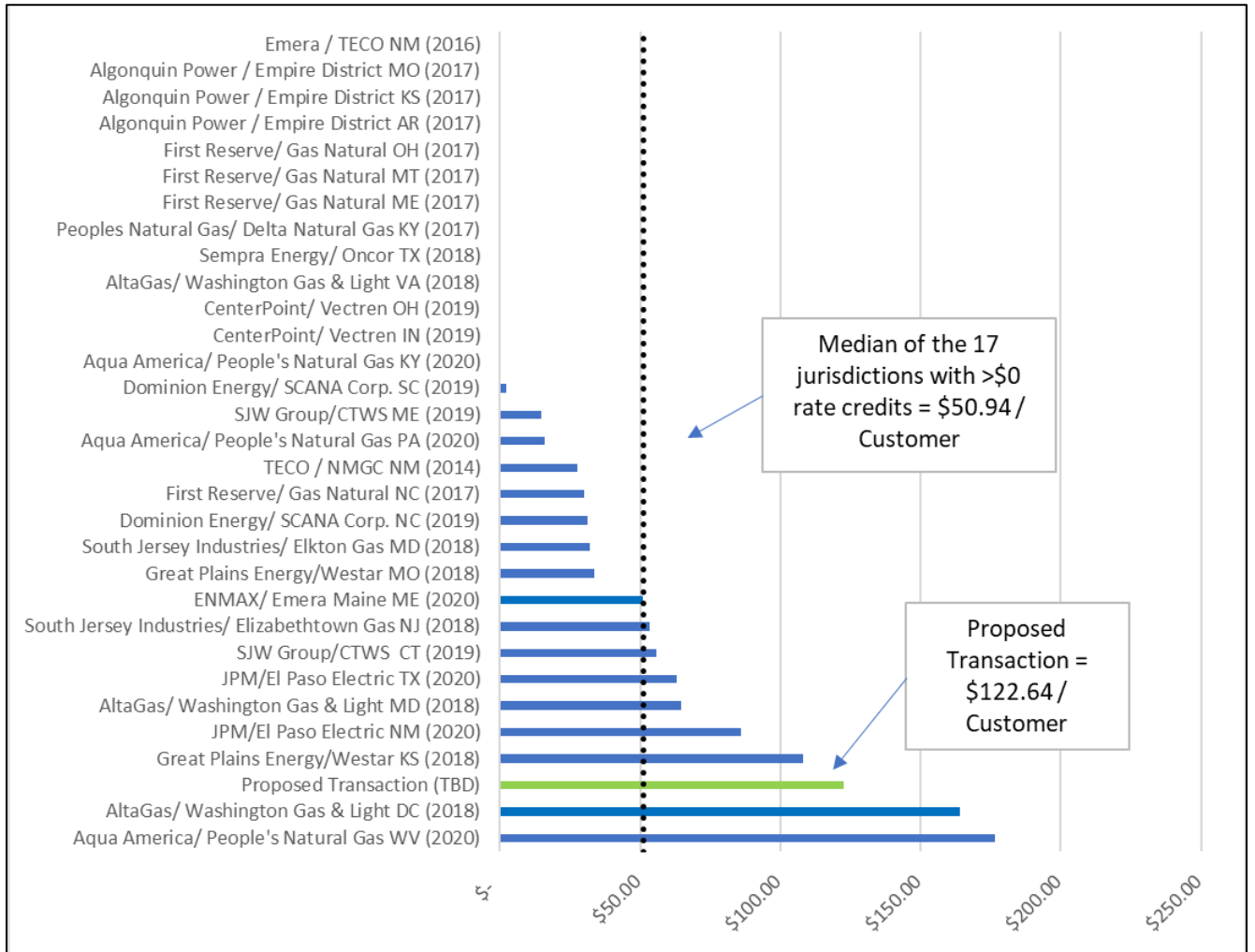
12 It should also be noted that the Joint Applicants’ proposed rate credit of \$65 million,
13 which equates to approximately \$123 per PNM customer¹⁰, compares very favorably to
14 rate credits provided in other transactions. I have reviewed 14 utility transactions in 28
15 jurisdictions that have closed over the past five years (2017-present) and two additional
16 transactions that are not within the post-2017 time frame but were completed in New
17 Mexico. As shown in Figure 1 below, of those 30 jurisdictional approvals, 17 included
18 commitments to provide rate credits to customers, and one more jurisdictional approval
19 included monetary customer benefits with no rate credit provided (see Figure 2). The Joint
20 Applicants’ proposed rate credits are substantially larger than both the average and the
21 median rate credits provided in these other transactions, and the rate credits provided in the
22 EPE Transaction, the NMGC Transaction and the TECO Transaction.

⁹ ABCWUA witness Mr. Garrett Testimony in Opposition to the Stipulation at 16.

¹⁰ \$65 million rate credit/530,000 customers

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1 FIGURE 1: DIRECT RATE CREDIT/CUSTOMER



2

3 As shown in Figure 2 below, comparing the Joint Applicant's total rate benefit of

4 \$88 million which equates to approximately \$166 per PNM customer also compares very

5 favorably to rate benefits (*i.e.*, rate credits plus monetary commitments for low-income

6 customers and energy efficiency) provided in other transactions. As shown in Figure 2

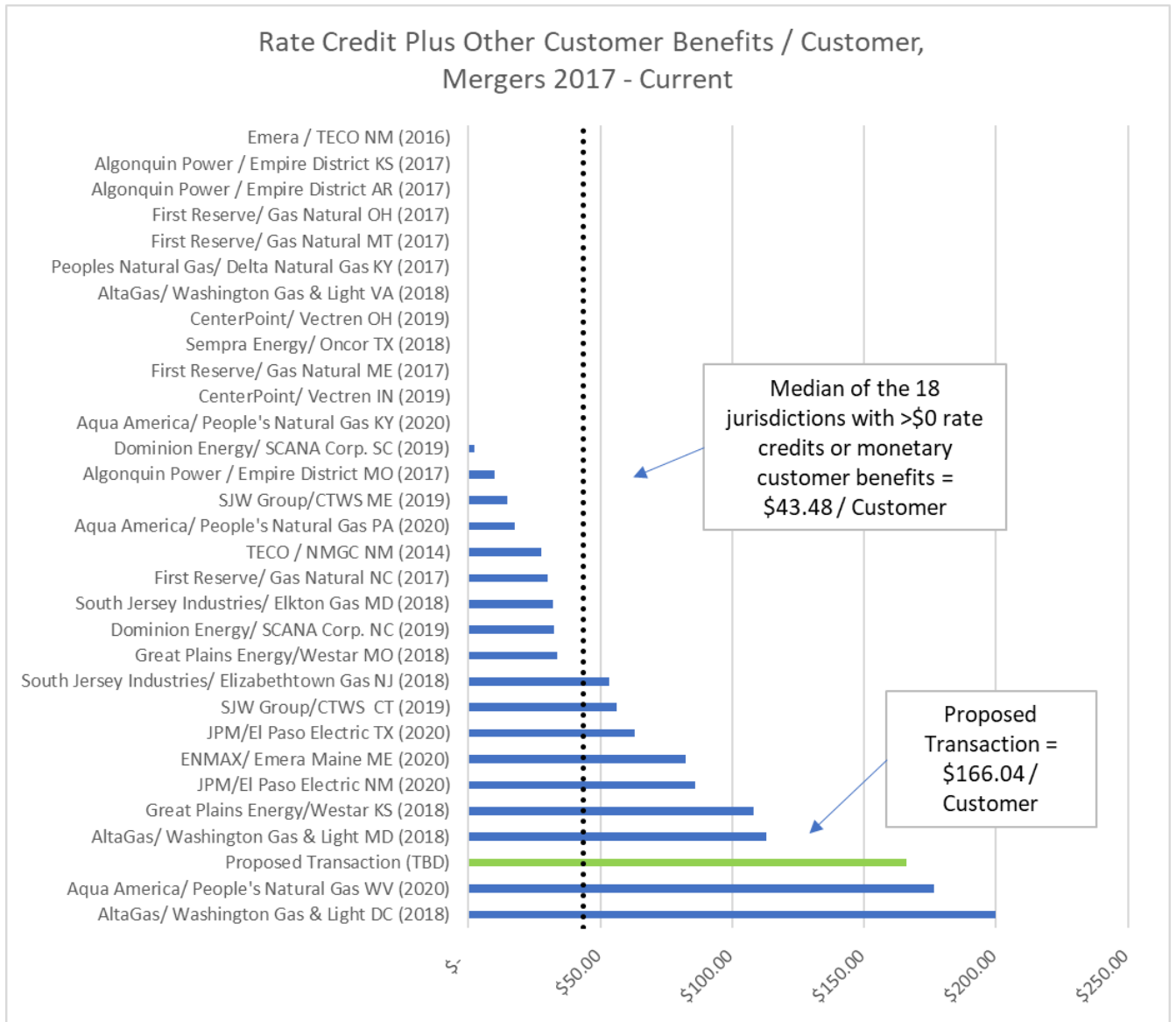
7 below, of the 30 jurisdictional approvals, 18 included commitments to provide monetary

8 customer benefits.¹¹

¹¹ The Missouri-jurisdictional Algonquin Power acquisition of Empire District Electric, which closed in 2017, required a \$1.5M commitment to low-income weatherization programs, but provided no direct rate credits to customers. See File No. EM-2016-0213, Stipulation and Agreement, August 23, 2016, at 5-6

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1 FIGURE 2: RATE CREDIT PLUS OTHER CUSTOMER BENEFITS/CUSTOMER



2

3 IV. JOB CREATION AND ECONOMIC DEVELOPMENT

4 Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY YOU RESPOND TO IN
5 THIS SECTION OF YOUR TESTIMONY.

6 A. In this section of my testimony, I address the testimony of Commission Staff witness Mr.
7 Reynolds, NM AREA witness Mr. Gorman, Bernalillo County witness Ms. Reno,
8 ABCWUA witness Mr. Garrett, and New Energy Economy witness Mr. Sandberg in

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1 opposition to the Second Amended Stipulation pertaining to job creation and economic
2 development commitments.

3 **Q. HAVE THE JOINT APPLICANTS PROPOSED TO ENHANCE THE ECONOMIC**
4 **DEVELOPMENT COMMITMENTS IN RESPONSE TO DISCUSSIONS WITH**
5 **NON-SIGNATORIES AND TESTIMONY FILED IN OPPOSITION TO THE**
6 **STIPULATION?**

7 A. Yes. As discussed by Mr. Azagra, the Joint Applicants propose to adopt the
8 recommendation of NM AREA witness Mr. Gorman and Bernalillo County witness Ms.
9 Reno to increase the shareholder-funded contributions to economic development projects
10 or programs in New Mexico, disbursed through a fund administered independently of the
11 Joint Applicants customer bill credit from \$7.5 million over three years to \$15 million over
12 five years.¹² The Joint Applicants continue to commit to allocate at shareholder expense
13 \$2.5 million each year for five years following closing, for a total of \$12.5 million, for the
14 benefit of impacted indigenous community groups in the Four Corners region, as
15 designated by intervening Community Groups.

16 In addition, the Joint Applicants propose to enhance their commitment to create or
17 bring an additional 150 full time jobs to New Mexico over the three-year period following
18 the closing of the Proposed Transaction and that these new jobs will remain for no less than
19 five years thereafter consistent with Bernalillo County witness Ms. Reno's proposal,
20 including a commitment that for each job of the agreed to 150 jobs not created or brought
21 to New Mexico after the three-year period, Avangrid shall return \$80,000 per job shortfall
22 to the PNM Good Neighbor Fund.¹³ Mr. Azagra discusses these enhancements in his
23 testimony.

¹² NMAREA witness Mr. Gorman Testimony in Opposition to the Stipulation at 14. Bernalillo County witness Ms. Reno Testimony in Opposition to the Stipulation at 6.

¹³ Bernalillo County witness Ms. Reno Testimony in Opposition to the Stipulation at 6.

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1 **Q. WHAT IS THE TOTAL VALUE OF THE JOINT APPLICANTS' ECONOMIC**
2 **DEVELOPMENT COMMITMENTS?**

3 A. The Joint Applicants economic development commitments are expected to create \$232
4 million in economic development benefits over eight years. These economic development
5 benefits will begin to accrue within 90-days of closing of the Proposed Transaction. The
6 \$12.5 million for the benefit of impacted indigenous community groups in the Four Corners
7 region and the general economic development funding of \$15 million will be dispersed
8 over the five-year period following the Proposed Transaction closing. The Joint Applicants
9 have committed to have the 150 new jobs in place within three years from the closing of
10 the Proposed Transaction and then remain in place for at least five years after the initial
11 three-year period. As I discussed in my Rebuttal Testimony, these new jobs will create
12 estimated direct wages of \$105 million and estimated induced wages of \$100 million.¹⁴
13 These figures do not include additional multiplier effects of the Joint Applicants' other rate
14 benefits.

15 **Q. ABCWUA WITNESS MR. GARRETT ARGUES THAT JOB CREATION DOES**
16 **NOT EQUATE TO ECONOMIC DEVELOPMENT.¹⁵ DO YOU AGREE?**

17 A. No. The purpose of economic development investment is generally recognized to, in part,
18 create additional jobs within a given economic region.¹⁶ Similarly, New Mexico
19 economic development agencies at the local level specifically include job creation in their

¹⁴ Direct wages of \$105 million are calculated using a starting annual wage of \$92,006 for each position escalated at an inflation rate of 2%. The 2022 average non-executive PNM wage is estimated to be \$92,006 using the 2020 actual average non-executive wages of \$88,433 escalated by an assumed wage growth rate of 2 percent per year. The 150 jobs are added in equal increments over three years and remain in place for five years after the full 150 positions are in place. The induced wages calculation is based on a starting annual wage of \$51,656 escalated at an inflation rate of 2% based on current New Mexico wage data. *See* New Mexico - May 2020 OEWS State Occupational Employment and Wage Estimates (bls.gov). A net induced job multiplier is based on analysis performed by M.J. Bradley & Associates, LLC. *See* Powering America: The Economic and Workforce Contributions of the U.S. Electric Power Industry, M.J. Bradley & Associates, LLC.

¹⁵ ABCWUA witness Mr. Garrett Testimony in Opposition to the Stipulation at 21.

¹⁶ The U.S. Department of Commerce which oversees the U.S Economic Development Administration states that "Job recreation is fundamental to its mission." <https://www.commerce.gov/about/strategic-plan/enhance-job-creation>.

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1 stated goals.¹⁷ The Joint Applicant commitment to create 150 new jobs in New Mexico
2 represents a very real increase in economic activity for the state and fully meets the
3 definition of economic development. If economic development spending to create jobs is
4 a customer benefit, then it must be the case that actual created jobs represent a customer
5 benefit.

6 **Q. NEW ENERGY ECONOMY WITNESS MR. SANDBERG STATES THAT THE**
7 **JOB CREATION COMMITMENTS ARE “VAGUE”.¹⁸ WHAT IS YOUR**
8 **RESPONSE?**

9 **A.** The Joint Applicants have been very clear that as a condition of the Proposed Transaction
10 they will add 150 new jobs in New Mexico. These job commitments are quite specific and
11 as proposed by Mr. Azagra include a financial shortfall payment for each job that is not
12 created. In this context, these job benefits represent a form of highly certain and specific
13 economic development investment. As with all investments, returns to economic
14 development investments can and do differ from expectations (*e.g.*, a specific economic
15 development incentive may create fewer jobs than anticipated). Conversely, an economic
16 development commitment to directly create new jobs with a financial penalty for jobs not
17 created represents a lower risk investment (and greater ratepayer benefit) than open-ended
18 economic development investments designed to create jobs in the future.

19 **Q. HOW DO YOU ADDRESS THE CRITICISMS OF MR. REYNOLDS THAT THE**
20 **JOB MULTIPLIER YOU HAVE USED IS UNVERIFIED?¹⁹**

21 **A.** The job multiplier I used in my analysis represents a job multiplier estimate applicable to
22 the utility/energy sector.²⁰ Mr. Reynolds recognizes the multiplier effect of the creation of

¹⁷ The City of Albuquerque’s Economic Development Department states that it “...works to create, diversify and enhance job growth and to promote business development and stability.”
<https://www.cabq.gov/audit/news/vendor-audit-economic-development-department-albuquerque-convention-visitors-bureau>.

¹⁸ New Energy Economy witness Mr. Sandberg Testimony in Opposition to the Stipulation at 51-52.

¹⁹ Staff witness Mr. Reynolds Testimony in Opposition to the Stipulation at 7.

²⁰ See Powering America: The Economic and Workforce Contributions of the U.S. Electric Power Industry, M.J. Bradley & Associates, LLC.

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1 new jobs in his testimony regarding his proposal to have the Joint Applicants commit to
2 contributing \$114 million over twenty years to economic development programs: “It will
3 create jobs as well and those jobs will promote additional job creation.”²¹

4 **Q. WHAT IS YOUR RESPONSE TO STAFF WITNESS REYNOLDS PROPOSED**
5 **ECONOMIC DEVELOPMENT FUNDING?**²²

6 A. Again, Mr. Reynolds and I agree that an objective of economic development is new jobs.
7 Mr. Reynolds questions whether the new jobs committed to by the Joint Applicants would
8 have been created absent a formal Stipulated Regulatory Commitment.²³ I respectfully
9 respond that these new jobs would not be created but for the Proposed Transaction. The
10 Joint Applicants’ new jobs commitment satisfies this objective. Mr. Reynolds
11 recommendation that the Joint Applicants contribute \$114 million in shareholder funds to
12 economic development over 20 years is less timely and less direct. Mr. Reynold’s proposal
13 equates to \$5.7 million per year on a nominal basis and far less when adjusted for
14 inflation.²⁴ Furthermore, this proposal is subject to the risk that the funds will not create
15 the desired new or higher paying jobs and since these funds would be dispersed over a 20-
16 year time horizon the bulk of any such job benefits will begin to accrue well after the
17 creation of the full 150 job commitment of the Joint Applicants.

18 **Q. WHAT IS YOUR RESPONSE TO MR. GARRETT’S ASSERTION THAT THE**
19 **PROPOSED TRANSACTION DOES NOT COMPARE FAVORABLY TO OTHER**
20 **TRANSACTIONS IN NEW MEXICO?**²⁵

21 A. As shown in Table 1 below, the Proposed Transaction compares very favorably to other
22 transactions approved in New Mexico. The value of the Proposed Transaction’s economic
23 development commitments exceed those made in the NMGC Transaction and the TECO

²¹ Staff witness Mr. Reynolds Testimony in Opposition to the Stipulation at 7.

²² *Ibid.*

²³ Staff witness Mr. Reynold Testimony in Opposition to the Stipulation at 6.

²⁴ Each annual payment made over 20 years would be discounted back to current value calculated as $1/((1+\text{inflation rate})^y)$. At a 2% inflation rate over 20 years, the real value would be just 82% of the stated nominal value.

²⁵ ABCWUA witness Mr. Garrett Testimony in Opposition to the Stipulation at 19-20.

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Transaction. While the EPE Transaction included a larger nominal direct monetary contribution to economic development programs on a per customer basis in comparison to the PNM Proposed Transaction, as I noted earlier the EPE Transaction’s economic development commitment is to be paid over 20 years and does not include any specific job creation commitments. Taking into account the more than \$200 million value of the Joint Applicants’ job creation commitment, the economic development benefit of the Proposed Transaction’s commitments is both more certain and greater than the EPE Transaction. Finally, as I noted earlier in my testimony, the Joint Applicants’ proposed rate credit is also substantially larger than the rate credits provided in the other New Mexico transactions.

TABLE 1: NEW MEXICO TRANSACTION COMPARISON²⁶

	RATE CREDIT / CUSTOMER	RATE CREDITS WITH OTHER CUSTOMER BENEFITS / CUSTOMER	NOMINAL MONETARY ECONOMIC DEVELOPMENT PAYMENTS (\$M)	<i>Time Frame</i>	JOB CREATION COMMITMENTS
EPE Transaction	\$ 86.14	\$ 86.14	\$ 20.00	20 years	None
NMGC Transaction	\$ 27.53	\$ 27.53	\$ -	n/a	None
TECO Transaction	\$ -	\$ -	\$ 20.00	5 years	25
Joint Applicants Second Amended Stipulation	\$ 122.64	\$ 166.04	\$ 27.50	5 years	150

Note that benefits are considered as they are applied to New Mexico customers only.

V. GOVERNANCE

Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY YOU RESPOND TO IN THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I discuss the composition of PNM’s current Board and the governance commitments made in other utility transactions which is intended to provide context and background in support of Mr. Azagra’s testimony responding to the testimony in opposition to Stipulation of Commission Staff witness Mr. Reynolds, Bernalillo County witness Ms. Reno, NM AREA witness Mr. Gorman and New Energy Economy witness

²⁶ See Case No. 20-00104-UT: Amended Stipulation Exhibit A, at 2-3 and 5. See also Case No. 13-00231-UT: Stipulation, at 5. See also Case No. 15-00327-UT, Application, JA Exhibit NT-3, at 11; Application Executive Summary at 2; Direct Testimony of C. Huskison at 20; and Stipulation Paragraph 18, at 7-9. See also Case No. 20-00222-UT, Joint Applicants enhanced Regulatory Commitments.

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1 Christopher K. Sandberg pertaining to governance, in particular their proposals to require
2 a regulatory commitment that PNM have a majority independent Board of Directors.

3 **Q. WHAT IS THE COMPOSITION OF PNM'S BOARD OF DIRECTORS**
4 **CURRENTLY?**

5 A. As I discussed in my Rebuttal Testimony, PNM's Board of Directors consists of five
6 directors, all of which are employees of PNMR, and none of whom is "independent" or
7 "disinterested".

8 **Q. HAVE THE JOINT APPLICANTS PROPOSED TO ENHANCE THE**
9 **GOVERNANCE COMMITMENTS IN RESPONSE TO DISCUSSIONS WITH**
10 **NON-SIGNATORIES AND TESTIMONY FILED IN OPPOSITION TO THE**
11 **STIPULATION?**

12 A. Yes. Mr. Azagra describes the Joint Applicants' proposed enhancements to the governance
13 commitments contained in the Second Stipulation.

14 **Q. STAFF AND OTHER PARTIES HAVE EXPRESSED CONCERN THAT THE**
15 **JOINT APPLICANTS HAVE NOT COMMITTED THAT PNM WILL HAVE A**
16 **MAJORITY "INDEPENDENT" AND DISINTERESTED BOARD OF**
17 **DIRECTORS FOLLOWING THE CLOSING OF THE TRANSACTION. HOW DO**
18 **YOU RESPOND?**

19 A. As I discussed in my Rebuttal Testimony, the responsibility of PNM's Board is to support
20 the operational and financial success of PNM. A Board member's responsibility is the
21 same, regardless of whether a director satisfies the definition of "independent" and
22 "disinterested". The responsibility of the Board is codified in the Joint Applicants'
23 Regulatory Commitment No. 17 and, as discussed by Mr. Azagra, includes but is not
24 limited to a formal Delegation of Authority specifying the decision-making responsibilities
25 of the Board, further restrictions on "independent" and "disinterested" directors, the
26 requirement that dividend policy requires a supermajority vote of the Board, and the ability
27 of the Commission to order a management audit to be paid for by PNM's shareholders.

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1 The governance commitments proposed by the Joint Applicants are consistent with
2 industry norms. As noted earlier in my testimony, I reviewed 28 jurisdictional approvals
3 for transactions between 2017 to the present plus the two other New Mexico transactions
4 discussed above. The majority of these transactions had no independent board
5 requirement. Further, the commitment that all directors be residents of New Mexico is
6 more specific than industry norms.

7 **Q. MS. RENO RECOMMENDS THAT THE CHAIRPERSON OF THE PNM BOARD**
8 **BE INDEPENDENT AND DISINTERESTED. HAVE ANY OF THE**
9 **TRANSACTIONS YOU REVIEWED FOR THIS TESTIMONY REQUIRED AN**
10 **INDEPENDENT AND DISINTERESTED CHAIRPERSON OF THE BOARD OF**
11 **DIRECTORS OF THE ACQUIRED UTILITY?**

12 A. The only other transaction that I have reviewed from the last five years that required the
13 Chairperson to be independent and disinterested is the EPE Transaction. The other 27 jurisdictions
14 (including EPE Texas) and the other two New Mexico transactions did not require an independent,
15 disinterested Chairperson. As I discussed in my Rebuttal Testimony, it is neither necessary nor
16 consistent with precedent to establish a PNM Board of Directors that is structured the same as the
17 EPE board. The NMGC Transaction included no governance commitments. A separate subsidiary
18 board was established in the TECO Transaction.

19
20 **VI. CONCLUSIONS**

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

22 A. Yes, it does.

23 *GCG#528643*

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION)
OF AVANGRID, INC., NM GREEN HOLDINGS, INC.,)
PUBLIC SERVICE COMPANY OF NEW MEXICO)
AND PNM RESOURCES, INC. FOR APPROVAL OF)
THE MERGER OF NM GREEN HOLDINGS, INC.)
WITH PNM RESOURCES, INC.; APPROVAL OF A)
GENERAL DIVERSIFICATION PLAN; AND ALL) Case No. 20-00222-UT
OTHER AUTHORIZATIONS AND APPROVALS)
REQUIRED TO CONSUMMATE AND IMPLEMENT)
THIS TRANSACTION)
)
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC)
SERVICE COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC.,)
)
JOINT APPLICANTS.)
_____)

SELF AFFIRMATION

LISA QUILICI, Senior Vice President and Member of the Board of Directors of Concentric Energy Advisors, Inc., upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **July 29, 2021 Rebuttal Testimony of Lisa Quilici** and it is true and correct based on my personal knowledge and belief.

DATED this 29th day of July, 2021.

/s/ Lisa Quilici
LISA QUILICI