

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

PEDRO AZAGRA BLAZQUEZ

July 29, 2021

**INDEX TO JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE.....	1
III.	PROPOSALS TO WHICH JOINT APPLICANTS WOULD NOT OBJECT.....	2
IV.	PROPOSALS TO WHICH JOINT APPLICANTS OBJECT	15
V.	UPDATES.....	19
VI.	CONCLUSION.....	20
	SELF-VERIFICATION	

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

I. INTRODUCTION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

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

A. My name is Pedro Azagra Blazquez. I am the Chief Development Officer and a Member of the Executive Committee of Iberdrola, S.A. (“Iberdrola”). I am also a member of the Board of Directors for Avangrid, Inc. (“Avangrid”).

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS MATTER?

A. Yes, I filed Direct Testimony in this case on November 23, 2020, Supplemental Testimony on February 26, 2021, Rebuttal Testimony on April 21, 2021, Direct Testimony in Support of Second Amended Stipulation on June 18, 2021, and Supplemental Testimony on July 27, 2021.

II. PURPOSE

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my Rebuttal Testimony in Support of the Second Amended Stipulation is to address the issues raised and the recommendations made by the New Mexico Public Regulation Commission’s (“NMPRC” or the “Commission”) Utility Division Staff (“Staff”), New Energy Economy (“NEE”), Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”), Bernalillo County (the “County”), and New Mexico Affordable Reliable Energy Alliance (“NM AREA”).

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

III. PROPOSALS TO WHICH JOINT APPLICANTS WOULD NOT OBJECT

Q. NM AREA WITNESS GORMAN PROPOSED CHANGING ALL REFERENCES IN THE SECOND AMENDED STIPULATION TO THE “AFFILIATE,” “AFFILIATED ENTITY,” OR “AFFILIATED COMPANY” TO READ “AFFILIATED INTEREST.” HOW DO THE JOINT APPLICANTS RESPOND TO THIS PROPOSAL?

A. Joint Applicants intended that all of these phrases to have the same meaning, and do not object to any proposed clarifications on that point the Commission believes are necessary.

Q. NM AREA WITNESS GORMAN ALSO PROPOSED INCLUDING REFERENCES TO STAFF IN PROVISIONS NOTING HOW PARTIES WILL EFFECTUATE THE REGULATORY COMMITMENTS IN THE SECOND AMENDED STIPULATION. HOW DO JOINT APPLICANTS RESPOND?

A. Joint Applicants would be happy to have Staff participate, to the extent Staff wishes to do so, in effectuating the regulatory commitments. Potential language that Joint Applicants would not object to would be, for example, for Regulatory Commitment No. 2, bullet point 3 to read:

Additionally, within 90 days of closing of the Proposed Transaction, Joint Applicants will allocate at shareholder expense \$2.5 million each year for five years following closing, for a total of \$12.5 million, for the benefit of impacted indigenous community groups in the Four Corners region, as designated by intervening Community Groups. This amount is not related in any way to, and will not impact, the amounts required to be transferred to the energy transition funds pursuant to NMSA 1978, Section 62-18-16(J) in relation to the abandonment of any coal-fired generation facility in New Mexico. The Joint Applicants commit to engage in periodic meetings, at least twice annually, with impacted community stakeholders in the Four

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 Corners region, NMPRC Staff and the Office of the Attorney General for
2 the State of New Mexico (“NM AG”) to discuss community interests
3 regarding Joint Applicants operations and renewable energy and storage
4 development in the Four Corners region.
5

6 And for Regulatory Commitment No. 6 to read:
7

8 **Minority- and Woman-Owned Business Procurement Program.** Joint
9 Applicants commit to work closely with NMPRC Staff and the NM AG to
10 arrive at and initiate an effective Minority- and Woman-Owned Business
11 Procurement Program within six months following closing of the Proposed
12 Transaction. The goal of this program will be to increase the contract
13 opportunities for minority- and woman-owned businesses in New Mexico
14 in conjunction with PNM contracts to procure goods and services. The
15 program will have three components: (i) Early Outreach (to maximize
16 participation of minority- and woman-owned businesses in requests for
17 proposals (“RFPs”)); (ii) RFP Weighting (to strongly consider the benefits
18 of contracting with a minority- or woman-owned New Mexico business,
19 along with price, experience, capability, timing and other factors); and (iii)
20 Annual Review (to evaluate the success of the program) for a minimum of
21 five years following closing of the Proposed Transaction. Each year for at
22 least five years following such closing, the Joint Applicants commit to
23 provide data from its Annual Review to the NM AG and to other
24 stakeholders that are signatories to this Stipulation and will modify the
25 program as needed based upon input from and discussions with the NM AG
26 and other stakeholders that are signatories to this Stipulation.
27

28 **Q. NM AREA WITNESS GORMAN PROPOSED THAT “ALL REPORTS AND**
29 **COMPLIANCE FILINGS SHOULD BE SERVED ON ALL THE PARTIES TO**
30 **THIS CASE AND THE COMMISSION, AND NOT ONLY THE SIGNATORIES TO**
31 **THE STIPULATION.” HOW DO JOINT APPLICANTS RESPOND?**

32 **A.** Joint Applicants agree that any reports or compliance filing contemplated in the Stipulation
33 or required by the Commission in this case will be served on the certificate off service
34 established by the Commission in this case.
35

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **Q. BERNALILLO COUNTY WITNESS RENO AND NM AREA WITNESS GORMAN**
2 **PROPOSE THAT JOINT APPLICANTS INCREASE THE RATE CREDITS IN**
3 **REGULATORY COMMITMENT NO. 1 FROM \$50 MILLION TO \$65 MILLION,**
4 **FOR A TOTAL OF \$88 MILLION OF RATE BENEFITS PROVIDED. DO JOINT**
5 **APPLICANTS AGREE WITH THIS RECOMMENDATION?**

6 **A.** Yes. Joint Applicants agree to increase the rate credits provided in Regulatory
7 Commitment No. 1 from \$50 million to \$65 million.

8
9 **Q. COUNTY WITNESS RENO MAKES SEVERAL RECOMMENDATIONS WITH**
10 **RESPECT TO REGULATORY COMMITMENT NO. 2. WHAT ARE THESE**
11 **RECOMMENDATIONS AND DO JOINT APPLICANTS AGREE WITH THEM?**

12 **A.** In regard to Regulatory Commitment No. 2, Ms. Reno recommends to include the
13 following language:

14 The Joint Applicants shall create 150 full-time jobs in New Mexico over three years
15 following the closing of the proposed transaction. At least 130 full-time jobs shall be
16 created by the Joint Applicants (other than PNM).

17 • The Joint Applicants shall file an annual compliance report with the Commission
18 providing the following information for each new full-time job: job title, annual
19 salary, location (city or county), date of hire, and any period of time during which
20 the job was vacant.

21 • PNM will create at least 20 new full-time jobs for electric service craftsmen.

22 • The Joint Applicants (other than PNM) shall create at least 100 new full-time jobs
23 within the Albuquerque-Bernalillo County metropolitan area.

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

- 1 • If the Joint Applicants fail to create 150 new full-time jobs in New Mexico within
2 three years after the closing of the proposed transaction, they shall pay \$80,000 per
3 job shortfall to the PNM Good Neighbor Fund. A job shortfall shall exist if the job
4 was not created or if it has remained vacant for more than 6 months.
- 5 • The Joint Applicants shall contribute \$15 million, at shareholder expense, to
6 economic development projects or programs in New Mexico over 5 years following
7 the closing of the proposed transaction. This funding may not be used for fossil fuel
8 use or related projects. The economic development funds shall be dispersed
9 through a competitive grant program. Such grants may be disbursed only to
10 nonprofits proposing economic development projects or conducting economic
11 development programs in areas served by PNM.
- 12
- 13 • The Joint Applicants shall provide \$12.5 million, at shareholder expense, over 5
14 years to impacted indigenous community groups in the Four Corners region.
- 15

16 Overall, the Joint Applicants do not have any significant issues or concerns with these
17 recommendations. However, Mr. Darnell in his testimony discusses two modest
18 clarifications. Additionally, the last \$12.5 million commitment is missing the remainder
19 of the original language, which may have been an inadvertent omission from County
20 witness Reno, and we would be looking to keep that clarifying language.

21

22

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **Q. HOW DO THE JOINT APPLICANTS RESPOND TO NM AREA WITNESS**
2 **GORMAN’S PROPOSAL TO INCREASE THE ECONOMIC DEVELOPMENT**
3 **BENEFITS PROVIDED IN REGULATORY COMMITMENT NO. 2 TO \$15**
4 **MILLION OVER FIVE YEARS AND REQUIRE “A SPECIFIC DOLLAR**
5 **AMOUNT THAT THE JOINT APPLICANTS WILL PAY IF THE PROMISED**
6 **ECONOMIC DEVELOPMENT JOBS DO NOT MATERIALIZE”?**

7 **A.** These recommendations appear to be covered by the recommendations from Ms. Reno’s
8 above. Joint Applicants are agreeable to these recommendations.

9
10 **Q. NM AREA WITNESS GORMAN AND COUNTY WITNESS RENO BOTH MAKE**
11 **RECOMMENDATIONS TO MODIFY REGULATORY COMMITMENT NO. 15**
12 **TO STATE THAT IBERDROLA IS SUBJECT TO THE JURISDICTION OF THE**
13 **COMMISSION, WHICH SHALL INCLUDE THE AUTHORITY TO SUBPOENA**
14 **AND COMPEL THE ATTENDANCE AND TESTIMONY OF THE DIRECTORS,**
15 **OFFICERS, EMPLOYEES, AND AGENTS OF IBERDROLA AND ANY**
16 **SUBSIDIARIES, AFFILIATES, AND HOLDING COMPANIES.¹ HOW DO THE**
17 **JOINT APPLICANTS RESPOND TO THIS PROPOSAL?**

¹ Witness Gorman proposes the following language: Iberdrola agrees that it is subject to the ongoing jurisdiction of the commission in all subsequent regulatory matters related to actions that directly involve PNM for as long as Iberdrola, any affiliated interest, subsidiary, or other holding company owns PNM. The commission's jurisdiction includes, but is not limited to, the Commission's ability to subpoena, and require the attendance of any employee or agent of Iberdrola or its affiliated interests, at any proceeding before the Commission. Similarly, Witness Reno proposes the following language: Iberdrola shall be subject to the full jurisdiction of the Commission for the entire duration of its ownership of PNM, to include direct or indirect ownership by subsidiaries, affiliates, and holding companies. The Commission’s jurisdiction includes, but is not limited to, the authority to subpoena and compel the attendance and testimony of the directors, officers, employees, and agents of Iberdrola and any subsidiaries, affiliates, and holding companies. Joint Applicants will work with NM AREA and the County to reconcile their proposed language in a manner that is acceptable to both parties.

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **A.** Iberdrola hereby commits that it will be subject to the Commission’s jurisdiction for as
2 long as it owns PNM.

3

4 **Q.** **HOW DO THE JOINT APPLICANTS RESPOND TO WITNESS GORMAN’S**
5 **PROPOSAL TO INCLUDE IBERDROLA AS ONE OF THE “JOINT**
6 **APPLICANTS,” AS DEFINED IN THE FOOTNOTE ON PAGE 1?**

7 **A.** Joint Applicants agree that Iberdrola should be considered by the Commission as one of
8 the Joint Applicants.

9

10 **Q.** **NM AREA WITNESS GORMAN PROPOSED SEVERAL CHANGES TO**
11 **REGULATORY COMMITMENT NO. 17 INCLUDING GRANTING THE THREE**
12 **INDEPENDENT AND DISINTERESTED BOARD MEMBERS SPECIAL VOTING**
13 **RIGHTS ON DIVIDEND POLICY, THE ISSUANCE OF DIVIDENDS, AND**
14 **EXECUTIVE COMPENSATION AND REQUIRING THAT PNM FILE A**
15 **DELEGATION OF AUTHORITY DOCUMENT WITH THE COMMISSION NO**
16 **LATER THAN 30 DAYS AFTER THE CLOSING OF THE PROPOSED**
17 **TRANSACTION THAT WILL REQUIRE PNM TO ADOPT THE**
18 **MANAGEMENT STRUCTURE ORDERED IN THIS CASE. HOW DO JOINT**
19 **APPLICANTS RESPOND?**

20 **A.** Joint Applicants are agreeable to NM AREA’s proposal to grant special voting rights on
21 matters of dividend policy, issuance of dividends, and executive compensation to the three
22 independent and disinterested Directors on PNM’s Board. In fact, the Stipulation in
23 paragraph 17 already provides in substance for these ideas, so NM AREA’s proposals are

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 fine with Joint Applicants. Joint Applicants would also be agreeable for PNM to file a
2 Delegation of Authority document with the Commission no later than 30 days after the
3 closing of the Proposed Transaction. Joint Applicants would be agreeable with the
4 following language on these topics:

5 **Management.** In recognition of the importance of having a utility board
6 that has a significant local voice, Joint Applicants make the following
7 commitments to local management:

- 8 • PNM’s Board of Directors will have decision-making authority
9 over PNM dividend policy, issuance of dividends (except for
10 contractual tax payments), debt issuance, capital expenditures,
11 management and services fees, and operation and maintenance
12 expenditures;
- 13 • Within 30 days following closing of the Proposed Transaction, PNM
14 will file with the Commission a Delegation of Authority specifying
15 that the PNM Board has this authority. After review and approval
16 by the Commission, the Delegation of Authority will be adopted by
17 the PNM Board as a corporate resolution of PNM;
- 18 • PNM’s Board of Directors will be comprised of seven directors, all
19 of whom shall be New Mexico residents. Three of the directors shall
20 be “independent” as that term is defined in the rules and regulations
21 of the NYSE and “disinterested” as defined as follows: “A
22 disinterested Director will qualify as independent in all material
23 respects in accordance with the rules and regulations of the NYSE
24 (which are set forth in section 303A of the NYSE listed company
25 manual) from Avangrid, its holding company(ies) and its
26 subsidiaries or affiliated interests and any entity with a direct or
27 indirect ownership interest in PNM, PNMR and/or TNMP, and also
28 will have no material relationship with Avangrid or Iberdrola or
29 their subsidiaries or affiliated interests or any entity with a direct or
30 indirect ownership interest in PNM, currently or within the previous
31 five years, or on a going-forward basis. No independent or
32 disinterested Director sitting on PNM’s Board shall sit on any other
33 boards of companies or affiliated interests owned by Avangrid,
34 Iberdrola, or their subsidiaries, or have any financial relation with
35 PNM or its parent/holding companies, other than receiving
36 compensation directly related to their duties as PNM Board
37 members. No independent disinterested director shall have an
38 ownership interest, including shares (over which they have direct or

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 indirect control, e.g. through a broker, to buy or sell), in PNM,
2 Avangrid, Iberdrola, NM GREEN HOLDINGS, any holding
3 company or any affiliated company and/or subsidiary of any of the
4 aforementioned companies or their parent companies or any
5 company or holding company that is created after the acquisition.
6 Notwithstanding any contrary provision contained herein, the
7 matters directly under the control of PNM are subject to and are
8 understood to be in compliance with all applicable requirements of
9 any order of the NMPRC, including, specifically, any commitments
10 made by PNM in connection with any such order.

- 11 • Board decisions will be by a simple majority vote of the directors,
12 with the exception of dividend matters. A super majority of the
13 Board (which means a majority of the Board that also includes a
14 majority of independent and disinterested members) is required for
15 dividend policy matters and the issuance of dividend payments. The
16 independent and disinterested directors, acting by majority vote
17 shall have the authority to prevent PNM from making any dividend,
18 except for contractual tax payments, if they determine that it is in
19 the best interest of PNM to retain such amounts to meet expected
20 future requirements of PNM.
- 21 • PNM’s CEO and senior management will continue to have day-to-
22 day control over PNM’s operations, and contact with local
23 stakeholders and intervenors will be through local management and
24 employees for all regulatory, operational and community
25 engagement matters. This operational authority includes the sole
26 authority by PNM to settle any proceeding at the NMPRC if in the
27 sole discretion of senior management (subject to general oversight
28 of the PNM Board) it is in the best interests of the Utility to do so.
- 29 • PNM’s Board of Directors meetings will be held in New Mexico or
30 virtually so long as New Mexico’s or national COVID or other
31 similar travel restrictions are in effect.
- 32 • Other than in conformance with all applicable rules, regulations and
33 orders of the Commission based upon a Commission-approved cost
34 allocation methodology, Avangrid, Iberdrola and any other
35 intermediary holding companies will not charge PNM for a share of
36 executive, management or administrative costs;
- 37 • PNM’s day-to-day operations will be conducted by PNM’s local
38 management and employees, and PNM’s local management will
39 continue to establish company priorities and respond to local
40 conditions;

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

- 1 • Any amendments or changes to the dividend policy must be
2 approved by a majority vote of the directors that also includes the
3 affirmative vote of a majority of independent and disinterested
4 directors;
- 5 • The Compensation Committee of the PNM Board of Directors shall
6 have sole responsibility to set the compensation and benefits for all
7 directors and officers of PNM, in accordance with the provisions of
8 this Stipulation. The Compensation Committee will be made up
9 exclusively of the three independent and disinterested directors;
- 10 • PNM’s headquarters will remain in Albuquerque, New Mexico for
11 so long as Avangrid, Iberdrola or any parent company or any
12 affiliated interest owns PNM.
- 13 • This provision shall not be construed as agreement by any Party
14 concerning the prudence of any costs associated with the Board of
15 Directors.
- 16 • After closing of the Proposed Transaction, the Commission may
17 initiate a management audit of PNM, to be performed by a
18 consulting firm chosen by and under the direction of the
19 Commission to review the impacts of the merger’s Class II
20 Transactions upon PNM’s local management of the utility,
21 including the conduct of PNM’s day-to-day operations and
22 establishment of company priorities in response to local conditions,
23 consistent with the Commission’s regulations governing the General
24 Diversification Plan (17.6.450.10(C)(8) NMAC). The costs of this
25 audit will be borne by PNM shareholders and not recoverable from
26 ratepayers.
- 27 • For the formation of any holding company, PNM will not pay
28 excessive dividends to the holding company, and the holding
29 company will take no action that will have an adverse and material
30 effect on the public utility’s service and rates. The public utility will
31 obtain prior approval for any PNM investment in an affiliated
32 interest

33

34 **Q. COUNTY WITNESS RENO REQUESTS TO HAVE A NUMBER OF CHANGES**
35 **MADE TO REGULATORY COMMITMENT NO. 17 RELATED TO**
36 **MANAGEMENT ISSUES. ARE THESE CHANGES ACCEPTABLE?**

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **A.** Most of them are. However, Ms. Reno has one sentence revision that is not acceptable that
2 reads: “The Chair of the PNM Board of Directors [is] to be independent and disinterested.”
3 I discuss the reasons why this proposal is not a good idea below.

4
5 **Q.** **WHAT PROPOSED MODIFICATIONS TO REGULATORY COMMITMENT**
6 **#17 DOES COUNTY WITNESS RENO RECOMMEND WITH WHICH JOINT**
7 **APPLICANTS AGREE?**

8 **A.** Joint Applicants are agreeable to the remainder of Ms. Reno’s modifications, which include
9 that 1) PNM’s Board of directors being comprised of seven Directors, all of whom shall be
10 New Mexico residents; 2) three of the seven Directors shall be “independent” as that term
11 is defined by the New York Stock Exchange; 3) no independent or disinterest Director
12 sitting on PNM’s Board shall sit on any other boards of companies or affiliated interests
13 owned by Avangrid, Iberdrola, or their subsidiaries or holding companies or have any
14 financial relationship with PNM or its parent/holding companies; 4) no independent or
15 disinterested Director shall have an ownership interest in the Joint Applicants or their
16 affiliates, including shares over which they have direct or indirect control; and 5) Board
17 decisions will be made by a simple majority vote of the Directors, with the exception that
18 super-majority of the Board (which means a majority of the Board that also includes a
19 majority of independent and disinterested members) is required for dividend policy matters
20 and the issuance of dividend and compensation payments.

21
22 All of these recommendations are included in NM AREA Witness Gorman’s proposed
23 modification to Regulatory Commitment No. 17, to which Joint Applicants are agreeable.

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **Q. NM AREA WITNESS GORMAN PROPOSED AMENDING REGULATORY**
2 **COMMITMENT NO. 43 TO MAKE CLEAR THAT ALL RECOMMENDATIONS**
3 **PROPOSED BY THE CARBON TASK FORCE ARE SUBJECT TO**
4 **COMMISSION JURISDICTION. HOW DO JOINT APPLICANTS RESPOND?**

5 **A.** Joint Applicants agree with the general statement that any acts PNM undertakes involving
6 the provision of utility service, or any costs PNM incurs in relation to its utility function,
7 are subject to Commission review and approval. To the extent the Carbon Reduction Task
8 Force recommends PNM take certain actions related to the provision of utility service in
9 New Mexico, Joint Applicants agree that the Commission would have jurisdiction over any
10 of PNM's actions.

11
12 **Q. NM AREA WITNESS GORMAN ALSO PROPOSED AMENDING**
13 **REGULATORY COMMITMENT NO. 43 TO INCLUDE LANGUAGE STATING**
14 **THAT THE PARAGRAPH DOES NOT CONSTITUTE A REGULATORY**
15 **ENDORSEMENT OF STAKEHOLDER ACTIONS, AND ANY PARTY TO THE**
16 **STIPULATION MAY TAKE AN INDEPENDENT POSITION ON PROPOSED**
17 **LEGISLATION. HOW DO JOINT APPLICANTS RESPOND?**

18 **A.** Joint Applicants agree that any signatory or supporter of the Stipulation reserves all
19 positions on all such legislation, and Joint Applicants acknowledge that Regulatory
20 Commitment No. 43 does not constitute regulatory endorsement of stakeholder actions and
21 that any party may take an independent position including opposition to any legislation that
22 might be proposed.

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **Q. COUNTY WITNESS RENO RECOMMENDS THAT THE COMMISSION**
2 **REQUIRE THE FOUR CORNERS POWER PLANT TO BE CLOSED AS SOON**
3 **AS POSSIBLE WHILE MINIMIZING THE POTENTIALLY EXTREMELY**
4 **LARGE COST TO RATEPAYERS AND THE CONTINUED ENVIRONMENTAL**
5 **DETRIMENT. DO YOU HAVE ANY REACTION TO THIS**
6 **RECOMMENDATION?**

7 **A.** As I have made clear in previous testimony, Avangrid and Iberdrola have a strong no-coal
8 policy and consistent with that policy, Avangrid and Iberdrola would certainly support an
9 early closure of the FCPP. Of course, the joint owners would need to make that
10 determination, and that is not a decision for Avangrid or Iberdrola to make, and we
11 understand that existing contractual obligations may be relevant to such a decision. Ms.
12 Reno is correct that there is another proceeding already underway that allows parties to
13 take positions and allows the Commission to make determinations regarding the pending
14 abandonment and securitization requests. Iberdrola and Avangrid are not parties to that
15 proceeding. Ms. Reno's request to minimize costs are already issues in that proceeding.

16
17 **Q. STAFF WITNESS REYNOLDS TESTIFIES ABOUT ALLEGED BREACHES OF**
18 **PROTOCOL OR REGULATORY CONDUCT BY AVANGRID AND IBERDROLA**
19 **AS A REASON FOR STAFF'S DESIRE FOR AN INDEPENDENT BOARD OF**
20 **DIRECTORS, BUT ALSO STATES THAT IF REGULATORY PROTOCOLS ARE**
21 **RESPECTED IT MAY MITIGATE SOME OF STAFF'S CONCERNS. HOW DO**
22 **YOU RESPOND?**

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **A.** To be clear, neither I nor anyone from Avangrid or Iberdrola have spoken with or directed
2 anyone to speak with “senior NMPRC staff” in relation to this case. Moreover, I would
3 like to say that Avangrid tried on multiple occasions to have broad-based and inclusive
4 settlement discussion meetings with the parties, including Staff. There was a reluctance
5 by some parties to have these meetings. And when those meetings occurred, they were,
6 unfortunately, largely unproductive. The Joint Applicants have been more than happy to
7 discuss settlement terms with anyone who has a serious interest in doing so, and has
8 continued discussing settlement with parties all the way up to the filing of the testimonies
9 in opposition to the Stipulation a couple of weeks ago.

10

11 I have always understood that principals are free to talk with other principals in the context
12 of settlement discussions. My experience is that lawyers are trained advocates, and there
13 are times when it is more productive to have principals of the clients sit down and see if
14 they can resolve issues directly rather than filtered through lawyers. That being said, we
15 certainly respect everyone’s views on this topic. Accordingly, in an effort of good faith
16 and respect for the Commission, the Staff and the parties in this proceeding, I am willing
17 to make the following commitment on behalf of Joint Applicants, that they will abide by
18 in the event the merger is approved by the Commission and closes:

19

20 The Joint Applicants agree that during the pendency of any PNM proceeding at the
21 Commission, they will provide the attorney that has entered an appearance on behalf of
22 any party prior notice of their intent to contact that party about substantive issues in dispute
23 in the Commission proceeding. In the case of a party that is a membership organization,

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 this notice will be provided before the Joint Applicants contact any member of that
2 organization. This notice provision includes contacts that will be made by any employee,
3 contractor, agent or retained outside counsel of the Joint Applicants or any of their affiliated
4 interests. This provision does not limit the utility from contacting customers regarding
5 routine service quality and other customer service issues. In addition, Mr. Darnell explains
6 that this provision does not prohibit contact that is not intended to change a party's position
7 in a proceeding at the Commission, or undermine regulatory counsel's representation of
8 the party.

9
10 **IV. PROPOSALS TO WHICH JOINT APPLICANTS OBJECT**

11 **Q. DO JOINT APPLICANTS DISAGREE WITH CERTAIN CLAIMS OR**
12 **PROPOSALS MADE BY THE PARTIES IN THEIR TESTIMONY IN**
13 **OPPOSITION TO THE STIPULATION?**

14 **A.** Yes.

15
16 **Q. DO JOINT APPLICANTS OBJECT TO MS. RENO'S RECOMMENDATION TO**
17 **REVISE REGULATORY COMMITMENT NO. 17 THAT THE CHAIR OF THE**
18 **PNM BOARD TO BE INDEPENDENT/DISINTERESTED?**

19 **A.** Yes. The Board of Directors has significant authority to make decisions regarding
20 operational and strategic decisions. That requires that the Board schedule meetings,
21 presentations, votes and other actions. The Chairman of the Board typically has the
22 authority to schedule meetings of the Board of Directors and set the agenda for
23 meetings. For a wholly-owned utility company, it is of utmost importance that meetings

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 and votes occur on matters that need to be taken up by the utility. Leaving that for an
2 independent/disinterested director to control runs the risk of missing important deadlines
3 for the utility. What the Joint Applicants are willing to do, however, is to have one of the
4 independent/disinterested directors be designated as the Lead Independent Director. The
5 board would designate an independent director as the “lead” person to represent the
6 independent directors in conversation with management, shareholders, and other
7 stakeholders. This concept is certain not uncommon and has been utilized in the US and in
8 certain European countries. The Lead Independent Director is often responsible for
9 requesting the holding of board meetings, including new points on the board agenda, and
10 coordinating the relationships with the other directors.

11
12 **Q. STAFF WITNESS REYNOLDS TESTIFIES THAT PNM COULD BE**
13 **PURCHASED BY AN INVESTMENT FUND AND REMAIN INDEPENDENT.**
14 **HOW DO YOU RESPOND?**

15 **A.** First, I would point out that PNM does not have any independent members of the Board of
16 Directors currently, and there is no requirement that members of the PNM Board be New
17 Mexico residents. This is important, because Avangrid is proposing to add independent
18 and local New Mexico voices to PNM’s board that do not currently exist.

19
20 Second, the facts indicate that it is not likely that an investment fund would purchase PNM.
21 As was disclosed in PNMR’s proxy, PNMR had many discussions with other parties to
22 gauge interest in either acquiring or merging with PNMR. Avangrid was the only entity
23 that made an offer to PNMR to pursue such a transaction.

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 Furthermore, ownership of a public utility by an investment fund would not be good for
2 customers. There are very few investment firms that own multiple public utilities,
3 especially public utilities that provide the same type of service. When the JP Morgan fund
4 purchased El Paso Electric, JP Morgan did not own any electric utilities in the United
5 States. So, the ability to share best practices and benefit from scales of economies in
6 relation to equipment and services purchases is dramatically reduced, especially compared
7 to Avangrid and Iberdrola, that have tens of millions of electric utility customers.

8
9 Investment funds also typically have to sell their interests by a date certain so that their
10 limited partner investors can obtain the returns on their investment by a predetermined
11 date. This means that the ownership of a utility would, by definition, be for a finite period
12 of time. Iberdrola and Avangrid, on the other hand, intend to retain their interests in utilities
13 for the long-term, with no plans for a sale.

14
15 Moreover, investment funds often have limitations on their ability to help their utilities
16 raise equity and debt, especially it times of capital market uncertainties. That is because
17 funds raise money for investment, and the ability to ask for more money requires additional
18 raising of capital, which requires that the limited partner investors agree to increase equity
19 funding. Avangrid and Iberdrola do not face these problems. Avangrid currently has
20 \$4.729 billion of available liquidity as of June 30, 2021, based upon its 10Q filing, and
21 Iberdrola has EUR17.581 billion of available liquidity as of June 30, 2021 based upon its
22 quarterly results report, and sources of equity capital can be obtained through a variety of

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 sources, including cash infusions from Avangrid or Iberdrola, as well as the issuance of
2 new stock at Avangrid or Iberdrola.

3
4 **Q. ABCWUA WITNESS GARRETT COMPLAINS THAT THE STIPULATION IS**
5 **UNCLEAR AS TO WHAT IMPACT THE COMMISSION’S DECISION IN**
6 **NMPRC CASE NO. 21-00017-UT MAY HAVE ON THE PROPOSED MERGER**
7 **BETWEEN PNMR AND AVANGRID? HOW DO YOU RESPOND?**

8 **A.** Mr. Garrett’s requests to clarify that any decision in Case No. 21-00017-UT will not trigger
9 a Burdensome Effect under the Merger Agreement. That is a true statement under the
10 Merger Agreement and so we are agreeable to including that language.

11
12 **Q. ABCWUA WITNESS GARRETT TESTIFIES THAT IT IS UNDERSTOOD THAT**
13 **AVANGRID MUST RECOVER THE ACQUISITION PREMIUM IT IS PAYING**
14 **FOR PNMR’S STOCK. HOW DO YOU RESPOND?**

15 **A.** I disagree with Mr. Garrett. There is no plan to use affiliate transactions with PNM as a
16 way to recoup any of the acquisition premium. Contrary to Mr. Garrett’s suggestion,
17 Avangrid is not seeking to recover the acquisition premium in any way from customers,
18 and has made this commitment throughout this case. Avangrid believes that being a long-
19 term owner of PNM is worth the acquisition premium Avangrid is paying.

20
21 **Q. STAFF WITNESS REYNOLDS STATES THAT YOUR TESTIMONY THAT A**
22 **MAJORITY INDEPENDENT BOARD REFLECTS AN “UNREASONABLE**
23 **ULTIMATUM” BY THE JOINT APPLICANTS. DO YOU AGREE?**

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1 **A.** No. As I tried to explain in my previous testimony, it is typical for utility holding
2 companies to have majority control over their utility boards to ensure that they are fulfilling
3 their obligations to provide safe and reliable service to customers and satisfying their
4 fiduciary obligations. And the fact is that Avangrid’s accounting advisors have expressed
5 concern about our ability to consolidate the accounts of PNM. This reflects such a serious
6 concern on our part that we specifically negotiated a provision in our merger agreement
7 that allows us to walk away from the transaction if a majority independent board was to be
8 required. I offered this information not as an ultimatum, but rather in the vein of full
9 transparency so that no one is surprised about our actions or intent in this transaction. We
10 have been consistent about that from the beginning and this is reflective of our business
11 dealings with all parties – to identify areas that are possible for negotiation and resolution,
12 and areas that are not. We are a company that stands by our word, and providing that clarity
13 eliminates surprise and allows parties and regulators full knowledge of the expectations of
14 the transacting parties.

V. UPDATES

17 **Q.** **YOU PREVIOUSLY TESTIFIED THAT JOINT APPLICANTS NEEDED**
18 **APPROVALS FROM OTHER REGULATORY BODIES IN ORDER FOR THE**
19 **PROPOSED TRANSACTION TO CLOSE. WHAT IS THE STATUS OF THOSE**
20 **APPROVALS?**

21 **A.** We have obtained the approvals of all of the regulatory authorities, other than the
22 NMPRC, necessary to close the merger between Avangrid and PNMR.

23

**JULY 29, 2021 REBUTTAL TESTIMONY OF
PEDRO AZAGRA BLAZQUEZ
NMPRC CASE NO. 20-00222-UT**

1

VI. CONCLUSION

2

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

3

A. Yes.

4

GCG#528642

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

PEDRO AZAGRA-BLAZQUEZ, Chief Development Officer and a Member of the Executive Committee of Iberdrola, S.A. and Director on Avangrid’s Board of Directors 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 Pedro Azagra Blazquez and it is true and correct based on my personal knowledge and belief.**

DATED this 29th day of July, 2021.

/s/ Pedro Azagra-Blazquez
PEDRO AZAGRA-BLAZQUEZ