

New Mexico GAS COMPANY

September 18, 2017

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

**RE: New Mexico Gas Company Inc.'s Discounted Transportation Rate Schedule for Kolb Meyer Bioenergy NM I, LLC.
Original Rate Schedule No. 703**

Dear Ms. Sandoval:

Enclosed for filing is New Mexico Gas Company Inc.'s ("NMGC" or the "Company") Original Rate No. 703 Transportation from Bioenergy Plant, which provides a discounted transportation service rate to Kolb Meyer Bioenergy NM I, LLC ("Kolb Meyer"). Under 17.10.660.10(F)(8) NMAC the Company is authorized to offer discount rates lower than the Company's standard rates on file with the New Mexico Public Regulation Commission ("NMPRC" or the "Commission") to transportation customers on a non-discriminatory basis in order to allow the Company to compete for a transportation customer's business.

In this case, NMGC is offering Kolb Meyer a discount on the amount of gas which the Company normally takes for compression facilities and for lost and unaccounted for gas. Under the Company's Third Revised Rate No. 70 Transportation Services, the Company normally transports gas received from a transportation customer, less a quantity of one percent (1%). Under the rate being offered to Kolb Meyer, the Company will transport Kolb Meyer's gas less a quantity of 45/100 of a percent (0.45%).

NMGC is offering Kolb Meyer this discount for several reasons. First, the gas NMGC will transport for Kolb Meyer constitutes an incremental increase in throughput, and therefore revenue, on NMGC's system that will benefit all of NMGC's customers. Second, NMGC believes that without providing an appropriate discount, Kolb Meyer could bypass NMGC's system. Third, bioenergy is a renewable source of methane gas, as well as a potential emerging industry in New Mexico, and providing a discount may help encourage the development of renewable sources of methane gas in New Mexico.

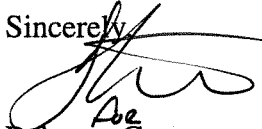
Under the Commission's regulations, specifically 17.10.660.10(F)(8) NMAC, once the Company and Kolb Meyer have agreed upon a discounted transportation rate, the Company is required to file the rate schedule with the Commission within five days of execution of the relevant transportation contract, and the rate is deemed authorized by the Commission. Under 17.10.660.10(F)(8) NMAC, the discounted transportation rate is not subject to the requirements of 17.1.210 NMAC. Therefore the Company is filing the tariff alone, and is not filing an advice

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notice nor supporting testimony as is normally required for a new rate under 17.1.210.11(B) NMAC.

The enclosed original of Original Rate No. 703 Transportation from Bioenergy Plant is for filing, please conform the copy and return it to our courier for our files. If you have any questions or require any additional information, please do not hesitate to contact me at (505) 697-3832. Thank you for your assistance in this matter.

Sincerely,



Rebecca Carter
Manager, Regulatory Affairs

Enclosures

cc: Brad Borman – NMPRC
Tim Martinez – NMPRC

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ORIGINAL RATE NO. 703

Transportation from Bioenergy Plant

AVAILABILITY

Service under this Rate is available for transportation service to a non-NMGC End-User from the Kolb Meyer Bioenergy Plant which is owned by Kolb Meyer Bioenergy NM 1, LLC ("Customer"). Pursuant to 17.10.660.10(F)(8) NMAC this Rate is offered on a non-discriminatory basis, and is available to Transportation Customers who are bioenergy plants and are similarly situated.

RATES

The rate for transportation shall be \$0.189 per MMBTU, subject to adjustment of Company Rate No. 70 for non-NMGC End Use transportation as adjusted by order of the New Mexico Public Regulation Commission.

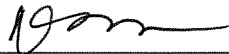
CURTAILABILITY

Service under this Rate may be curtailed to protect service to higher priority customers in accordance with the Company's Rule No. 21.

OTHER CONDITIONS

1. Service under this Rate shall be subject to all applicable laws and orders and to the Company's Rules and Regulations on file with the New Mexico Public Regulation Commission.
2. The Company shall transport gas received from owner at the receipt point and deliver equivalent quantities of gas on an MMBtu basis less a quantity of gas equal to 45/100 percent (0.45%). Such reduction in gas quantity shall be for the lost and unaccounted for gas, because Customer is required to provide its own compression at a pressure sufficient to allow the bioenergy gas to enter into the interstate pipeline system.
3. In addition to the standard merchantable pipeline quality requirements, service under this Rate shall be subject to the maximum constituent concentrations for dairy based biomethane injection constituents set forth below:

Maximum Constituent Concentrations for Dairy Based Biomethane Injection Constituents	
Health Protective Constituents – Carcinogenic	Maximum Level
Ethylbenzene	260 mg/m ³ 60 ppmv
n-Nitroso-di-n-propylamine	0.33 mg/m ³ 0.06 ppmv



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Hydrogen Sulfide	300 mg/m ³ 216 ppmv
Mercaptans (Alkyl Thiols)	120 ppmv
Toluene	9000 mg/m ³ 2400 ppmv
Pipeline Integrity Protective Constituents	Maximum Level
Ammonia	To Be Monitored
Biologicals (Note #1)	To Be Monitored
Hydrogen	To Be Monitored
Mercury	To Be Monitored
Siloxanes	0.01 mg Si/m ³
Notes: 1. Acid-producing Bacteria (ABP), Sulfate-reducing Bacteria (SRB), and Iron-oxidizing Bacteria (IOB).	

If, at any time, gas tendered to the Company at the receipt point(s) fails to conform to the applicable quality specifications, the Company shall promptly provide notice to Customer of the deficiency. Customer shall remedy any such deficiency within a reasonable period of time. If, in the Company's reasonable judgment, non-conforming deliveries threaten imminent physical danger or harm to the Company's system, operations or facilities, or such deliveries do not conform to the Health Protective Constituents Maximum Levels, then the Company, at its option, may immediately refuse to accept any further non-conforming gas. In addition, in the event gas tendered to the Company at the receipt point(s) fails to conform to the applicable quality specifications and (a) are in close proximity to the Company's distribution system or (b) is a repeat offense, the Company, at its sole option, may immediately refuse to accept any gas tendered by the Customer at said receipt point(s).



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 Director, Legal and Regulatory Affairs

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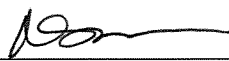
Whenever the Company deems it necessary, the Company at the Company's expense shall conduct or have conducted on its behalf a test or tests to determine the quality of gas received at the receipt point(s) for transport. In the event the gas exceeds any Maximum Level, Customer will make corrections and retesting will be performed at the cost of the Customer until test results are less than the Maximum Levels. Upon Customer's written request, the Company shall provide copies of such tests.

4. Service under this Rate shall be subject to the following indemnification provisions:

Customer shall indemnify and hold harmless the Company, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of Customer or the Company), or for loss or damage to property (including the property of Customer or the Company), arising directly or indirectly from the Customer's performance of its obligations under this Rate, or that occurs based on the gas tendered not meeting the specifications of this tariff.

The Company shall indemnify and hold harmless the Customer, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of Customer or the Company), or for loss or damage to property (including the property of Customer or the Company), which results directly or indirectly from the Company's performance of its obligations arising under this Rate.

5. Disputes arising under this Rate shall be submitted to mediation conducted by a single mediator as agreed upon by the Customer and Company. In the event the dispute cannot be settled through mediation within 120 days of the sending of a notice of controversy, the dispute shall be submitted for binding arbitration in accordance with the provisions under the New Mexico Uniform Arbitration Act.



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Director, Legal and Regulatory Affairs