BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC. FOR APPROVAL OF REVISION OR REVISIONS TO ITS RATES, RULES AND CHARGES PURSUANT TO ADVICE NOTICE NO.87	)	**Case No. 21-00267--UT**
NEW MEXICO GAS COMPANY, INC. APPLICANT	)	

ORDER ADOPTING AND APPROVING CERTIFICATION OF STIPULATION

THIS MATTER comes before the New Mexico Public Regulation Commission ("Commission") upon the Certification of Stipulation described below.

Whereupon, being duly informed,

THE COMMISSION FINDS AS FOLLOWS:

1. Hearing Examiners Elizabeth C. Hurst and Christopher P. Ryan issued the Certification of Stipulation in this case on November 10, 2022 (the "CS").

2. The parties have waived filing of exceptions to the CS via the *Notice of Waiver of Exceptions to Certification of Stipulation* filed on November 14, 2022.

3. The Commission has jurisdiction over the parties and the subject matter of this case.

4. The Commission accepts and adopts all findings of fact and conclusions of law throughout the CS.

IT IS THEREFORE ORDERED:

A. The Decretal Paragraphs contained in the CS, attached here as Exhibit 1, are incorporated by reference as if fully set forth herein and are ADOPTED, APPROVED, and ACCEPTED as orders of the Commission.

B. The CS is ADOPTED, APPROVED, and ACCEPTED in its entirety.

C. This Order is effective immediately.

D. A copy of this Order shall be served upon all parties listed on the attached certificate of service via email, if the email addresses are known, and if not known, by regular mail.

E. This docket shall close on the date that the Rate Schedules and the Revised Tariffs to be filed in accordance with the Stipulation become effective as provided in this Final Order.

ISSUED under the Seal of the Commission at Santa Fe, New Mexico, this 30th day of November 2022.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Cynthia B. Hall, electronically signed
CYNTHIA B. HALL, COMMISSIONER, DISTRICT 1

Voted No
JEFFERSON L. BYRD, COMMISSIONER, DISTRICT 2

/s/ Joseph M. Maestas, electronically signed
JOSEPH M. MAESTAS, COMMISSIONER, DISTRICT 3

Voted No
THERESA BECENTI-AGUILAR, COMMISSIONER, DISTRICT 4

/s/ Stephen Fischmann, electronically signed
STEPHEN FISCHMANN, COMMISSIONER, DISTRICT 5

Exhibit 1

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC. FOR APPROVAL OF REVISIONS TO ITS RATES, RULES, AND CHARGES PURSUANT TO ADVICE NOTICE NO. 87	))))	**Case No. 21-00267-UT**

CERTIFICATION OF STIPULATION

NOVEMBER 10, 2022

HEARING EXAMINERS

Elizabeth C. Hurst &

Christopher P. Ryan

Contents

ABBREVIATIONS

ABS	Acrylonitrile Butadiene Styrene
C&I	Commercial and industrial
CCAE	Coalition for Clean and Affordable Energy
CNG	Compressed Natural Gas
COA	City of Albuquerque
CO_2e	Carbon Dioxide Equivalent
DCF	Discounted Cash Flow
FACOS	Fully Allocated Cost of Service
FEA	Federal Executive Agencies
FTY	Future Test Year
GHG	Greenhouse Gas
HDD	Heating Degree Day
IMP	Integrity Management Program
LAC	Los Alamos County
LDC	Local Distribution Company
NEE	New Energy Economy
NMAG	New Mexico Attorney General
NMGC	New Mexico Gas Company
O&M	Operations and Maintenance
PUA	Public Utility Act, NMSA 1978, §§ 62-1, to -6, and 62-8 to -13 (2019).
NM AREA	New Mexico Affordable Renewable Energy Alliance
PVC	Polyvinyl Chloride
RD	Recommended Decision
ROE	Return on Equity
WNA	Weather Normalization Adjustment
WRA	Western Resource Advocates

ATTACHMENTS

Attachment A	Stipulation with Exhibits
Attachment B	Chart of NMGC Rate Cases
Attachment C	List of Exhibits and Counsel
Attachment D	NMGC's Proposed Transcript Corrections and the Hearing Examiners Resolution of Them.

In accordance with 1.2.2.20(A)(5)(b) NMAC, Elizabeth C. Hurst, and Christopher P. Ryan, Hearing Examiners in this case, submit this Certification of Stipulation ("Certification") to the New Mexico Public Regulation Commission ("NMPRC" or "Commission") concerning the Unopposed Stipulation ("Stipulation") entered into by New Mexico Gas Company, Inc. ("NMGC" or the "Company"), the Commission's Utility Division Staff ("Staff"), the Office of New Mexico Attorney General ("NMAG"), the New Mexico Affordable Reliable Energy Alliance ("NM AREA"), Western Resource Advocates ("WRA"), Coalition for Clean Affordable Energy ("CCAE"), New Energy Economy ("NEE"), and Incorporated County of Los Alamos ("LAC") (collectively, the "Signatories"), and filed with the Commission.[1] The Signatories asserted that the Stipulation resolves and settles all issues in this case. A copy of the Stipulation is attached to this Certification as **Attachment A**.

1. INTRODUCTION AND SUMMARY OF CERTIFICATION OF STIPULATION

This certification concerns NMGC's request to increase its rates, and it comes to the Commission on an unopposed stipulation. The Hearing Examiners recommend that the Commission approve the Stipulation.

The parties contend that the Stipulation was the product of serious bargaining, benefits ratepayers and the public interest, and does not violate any important regulatory principles or practices.[2] This is all correct.

The Stipulation here is not a black box stipulation. In this, as in all rate cases, the Company sets forth its claimed revenue deficiency in its Application by detailing its current revenue versus

[1] On May 24, 2022, The City of Albuquerque ("COA") filed a Notice of Joinder in Unopposed Stipulation. On May 26, 2022, Federal Executive Agencies ("FEA") filed a Notice of Joinder in Unopposed Stipulation. All parties in the case were Signatories to the Stipulation.
[2] NMGC BIC 4-9.

its costs, expenses, and investments.[3] In settlement, the Parties (through negotiation) agreed on terms of this settlement including the amount of the revenue increase to be provided to the Company, the ROE, and the Company's capital structure. Agreement on all these financial terms is part of this settlement based on overall consideration of the components of the Company's revenues, operations, and capital investments.[4]

The Stipulation was a significant retreat from what NMGC requested in its initial Application. The chart below sets out (in graphical form) the principal differences between the Application and Stipulation as they relate to revenue and rate implications. As the reader reviews the information it is important to note that "[o]ver 99 percent of NMGC's customers receive service pursuant to the Rate 10 residential rate or one of the three standard general service C&I rates."[5] The small-general-service class is the second-largest class of NMGC customers by a significant margin. The impact of the base rate change to an average residential customer monthly bill using 53 therms is $2.67 or 4.30%.[6] The impact of the base rate change to an average small general service customer monthly bill using 316 therms is $7.74 or 2.69%.[7]

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[3] NMGC Ex. 2 (Shell Testimony in Support of Stipulation) at 6.
[4] *Id*. at 7.
[5] NMGC Ex. 35 (Yardley Direct Testimony) at 24.
[6] NMGC Ex. 36 (Yardley Stipulation Testimony) at 5.
[7] *Id*.

Case No. 21-00267-UT	Application	Stipulation
Revenue Increase	20.8% or $40.7 mil	9.68% or $19.3 mil
Return on Equity	10.1% (+0.725%)	9.375% (no change)
Cost of Debt	3.27%	3.27%
Weighted Average Cost of Capital	6.89%	6.44%
Capital Structure (equity/long-term debt)	53/47	52/48
Residential Class Base Revenue Increase	20.5%	9.65%
Increase to average residential monthly bill	9.0%	4.30%
Increase in Residential Access Fee	$2.25 ($12.00 to $14.25)	$0.40 ($12.00 to $12.40)
Small General Service Class Base Revenue Increase	20.5%	9.68%
Increase in Small General Service Access Fee	$4.25 ($23.50 to $27.75)	$4.25 (23.50 to 27.75)

Attachment B to this Certification of Stipulation is an overview (in graphical form like that above) that compares the present Stipulation to the results in NMGC's last two rate cases, both of which were also resolved by stipulation. Review of that chart is an effective way to think about the rate and revenue merits of the present Stipulation as the chart provides the necessary context to meaningfully assess the rate and revenue results agreements reached.

Turning to the Application itself, NMGC initially projected a future-test-year cost of service revenue requirement of $237.1 million, and a revenue deficiency of $40.7 million.[8] NMGC claims that the increase in the revenue requirement and the resulting deficiency is the product of NMGC's need to make capital investments and increased operating expenses that are not offset or paid for by system growth.[9] NMGC claims that "all of NMGC's expenses are going up—both O&M and non-O&M."[10]

The Parties (all of whom are identified at **Attachment C**) negotiated and agreed on the revenue deficiency of $19.3 million, the ROE of 9.375%, the debt/equity structure of 52%/48%, and the increase in the Residential Rate No. 10 access fee from $12.00 to $12.40.[11]

In order to reach the $19.3 million increase in revenue agreed to in the Stipulation, the Company is delaying the dates some of its proposed capital investments will be used and useful. Delays in capital investments result in decreases to total net-plant balances in the adjusted FTY in the amount of $75,365,878 compared to NMGC's original request. Moreover, the Company is spreading the decrease in capital investments over 2022 and 2023, which allows the Company to mitigate the overall impact of these adjustments. NMGC averred that they identified projects that can be delayed without negatively affecting the Company's service to its customers.[12] Net

[8] NMGC Ex. 27 (Blotter Direct Testimony) at 6.
[9] *Id*. at 6-7.
[10] *Id*. at 7.
[11] NMGC Ex. 2 (Shell Testimony in Support of the Stipulation) at 8.
[12] NMGC Ex. 10 (Bullard Testimony in Support of Stipulation) at 3-4. From an accounting point of view, these Capital-Projects adjustments result in an $11.5 million revenue requirement decrease primarily due to how the capital investments are recovered through rates. Capital investments placed into rate base do not result in a dollar for dollar increase in the Company's revenue requirement. This is because capital projects are placed in service at different points in time and are depreciated over time. Depreciation times vary for different capital investments, but it is common for an investment to be depreciated over multiple years. The Company includes in its revenue requirement the amount it needs to recover the depreciation of the capital projects, the return on the investment, the impact of accumulated deferred income taxes, and property taxes. NMGC Ex. 31 (Buchanan Stipulation Testimony) at 8.

Transmission Plant is composed of all capital projects that NMGC undertakes related to its transmission system. This includes construction or repairs to NMGC's transmission pipelines and to compressor stations. The Company proposes to adjust this budget by approximately $31.1 million.[13] The Company is delaying the Potash Mainline Replacement project and this change results in a reduction to plant of approximately $5.5 million. NMGC also proposes to delay the material verification cutouts on the Lea County Mainline resulting in a reduction to plant of approximately $2.5 million.[14]

Net Distribution Plant is composed of all of the capital projects that NMGC undertakes related to its distribution system. This includes construction or repairs to NMGC's distribution pipelines and construction of service lines. The Company proposes to adjust this budget by approximately $21.8 million.[15]

The Company is able to revise the expansion of automated meter reading ("AMR") throughout the State. The Company originally proposed to spend a total of $17.6 million on AMR related activities from 2022 through 2023.[16] Due to several factors, including labor and parts shortages, NMGC is now planning to spend $12 million over the same time frame which results in a $5.6 million decrease in plant compared to the original request.[17] This results in a reduction to net plant of $2.5 million and the company will still be able to get all of the bare main out of its

[13] *Id.* at 4.
[14] *Id.* at 5.
[15] *Id.*
[16] *Id*.
[17] *Id*. at 6.

system by the end of 2024.[18] NMGC is also delaying the T or C 8 inch Mainline Reinforcement Phase III which results in a reduction to net plant of $2 million.[19]

Net General and Intangible Plant includes many items that are necessary for the utility to function but do not obviously fall within distribution or transmission functions. This includes buildings, office furniture, computers, software, and vehicles. The Company proposes to adjust this budget by approximately $22.5 million.[20] Examples of this reduction include NMGC's agreement to halt its proposed Phase II hydrogen blending project pending further discussion with Parties and a future determination by the Commission, resulting in a decrease to net plant of $2.9 million.[21] The Company has also revised its replacement/upgrade of the Quorum software system used to schedule gas and administer the supply of gas in the Company's system, including transportation activities resulting in a decrease of $2.7 million.[22]

NMGC also initially proposed an Integrity Management Cost Recovery Mechanism ("IMP[23] Mechanism") to allow it to recover its annual investment in the Company's Integrity Management Program as those investments are made. NMGC alleged that the IMP Mechanism is a method to recover these investments annually to promote better planning and budgeting by NMGC, and better communication with the regulators about NMGC efforts in this regard.[24] NM AREA explains that, "[i]f this case had been fully litigated, NM AREA would have opposed the .

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[18] *Id*.
[19] *Id*.
[20] *Id*.
[21] *Id*.
[22] *Id*. at 6-7.
[23] The terms "Integrity Management Program" and "Integrity Management Plan," often shortened to just "IMP," commonly identify a utility's plans and programs designed to identify and mitigate the greatest relative risks within a gas distribution and transmission system. NMGC Ex. 8 at 30.
[24] NMGC Application Executive Summary at 2. The company also proposed and then later withdrew an IMP-cost-recovery mechanism in its last two rate cases. NM AREA BIC 7.

. . IMP rate rider because it is a piecemeal ratemaking mechanism that is not authorized by the . . . []PUA or any other applicable statute." The company agreed to withdraw that request in the Stipulation and further agreed to refrain from proposing an IMP-cost-recovery mechanism in its next rate case.[25] NMGC's willingness to again withdraw the request for an IMP mechanism and to commit to not proposing it again in the next rate case is a significant concession.

The intervenors engaged in significant discovery and, it seems, meaningfully tested the inputs and assumptions utilized to support NMGC's initial Application. This is discussed in more detail in the body of this writing.

After settling on the key financial terms, the parties left it to the Company to develop a cost of service to file with Stipulation. The Company has done this, and the Stipulation Cost of Service supporting the Settlement is attached to the Stipulation.[26]

The bottom line in any settlement is reaching a compromise that is acceptable to the parties and which allows the Company to continue to provide its customers with efficient and reliable service at fair, just, and reasonable rates.[27] The Stipulation does this.

It maintains the company's currently authorized ROE and slightly adjusts the company's capital structure from 53% equity and 47% debt to 52% equity and 48% debt. It requires ratepayers to absorb increased operating costs, which is in part, a product of real increases in the cost of labor NMGC, like all utilities, presently face.

The Stipulation achieves reasonable changes in rates for legitimate reasons to compensate for increases in gas company costs and it makes reasonable changes to achieve goals in decreasing

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[25] NM AREA BIC 7.
[26] NM Ex 31 (Buchanan Testimony in Support of Stipulation) at 2-9.
[27] *Id.*

carbon and reducing NMGC's carbon footprint. The intervenors in this case whose priorities are environmental concerns all support the Stipulation.

The controversial issues—e.g., the IMP mechanism, the permanency of the WNA, etc.—are put off to the next or a future rate case. These matters are also discussed in detail in the writing that follows.

The rates that will become effective if the Stipulation is approved cannot, by the agreement reached in Case No. 19-00317-UT, take effect until January 1, 2023.[28] This stay-out provision was viewed as one of the benefits of the Stipulation in 19-00317-UT.

The Signatories agree that the Stipulation constitutes a full resolution of all issues between the Signatories.[29] They also agree that the terms of the Stipulation reflect good-faith, arms-length negotiations, and they properly balance the interests of the customers and investors.[30] The Signatories further claim that the Stipulation is in the public interest and will result in fair, just, and reasonable rates.[31] The Hearing Examiners' analysis of the Stipulation and the record comes to the same conclusions.

Having evaluated the facts in evidence and considering the record as a whole, the Hearing Examiners find that the Stipulation satisfies each of the Commission's standards for approval. The Stipulation is factually and legally compliant with applicable legal requirements, Commission

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[28] Case No.19-00317-UT, paragraph 17 of the Stipulation adopted *by Final Order Adopting Certification* (12/16/20). At the hearing, in response to questions about clarifying this provision, Staff Witness Ms. Leyba-Tercero testified that the proposed Advice Notice would be withdrawn, and NMGC would file a new Advice Notice with revised rate schedules. Transcript ("Tr.") 06/30/22 at 1026-1027. The New Advice Notice would go into effect on January 1, 2023, and NMGC could start charging those rates for service going forward. *Id*. at 1031-1032.
[29] Stipulation paragraph 7.
[30] *Id.* at paragraph 5.
[31] *Id.* at paragraph 6.

policy standards, and is supported by a preponderance of uncontroverted evidence sufficient to approve the Stipulation.

2. BASIC INFORMATION ABOUT NMGC

NMGC is a Delaware corporation authorized to do business in the State of New Mexico as a public utility with its principal office at 7120 Wyoming Blvd. NE, Suite 20, Albuquerque, New Mexico 87109. NMGC is wholly owned by New Mexico Gas Intermediate, Inc. ("NMGI").[32] On September 2, 2014, TECO Energy, Inc. ("TECO") completed the acquisition of NMGI (the "Acquisition") pursuant to approvals and authorizations contained in the Final Order (the "Acquisition Order") issued on August 13, 2014, in NMPRC Case No. 13-00231-UT. On July 1, 2016, Emera Inc. completed the acquisition of TECO pursuant to the approvals and authorizations contained in the Final Order issued on June 22, 2016, in NMPRC Case No. 15-00327-UT.[33] [34]

NMGC provides natural gas utility service to approximately 540,000 customers.[35] 90% of its customers are households or small businesses that primarily use natural gas for heating their homes and businesses.[36] NMGC's business is the delivery, not the production, of natural gas.

The company has 700 employees and 750 positions and operates throughout the state.[37]

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[32] Case No. 19-00310-UT, In the Matter of the Application of New Mexico Gas Company, Inc. for Authorizations to Issue Up to $100 Million in Unsecured Notes, Application at 1. Final Order issued 11/13/19.
[33] *Id.*
[34] Pursuant to Bench Request No. 6 issued to NMGC during the hearings in the case, more information was provided about TECO and Peoples Gas ("PGS"). TEC's electric division provides retail electric service to approximately 810,600 customers in West Central Florida. TEC's electric division retail territory comprises of about 2,000 square miles in West Central Florida, including, Hillsborough County and parts of Polk, Pasco, and Pinellas Counties. PGS is engaged in the purchase, distribution, and sale of natural gas for residential, commercial, industrial, and electric power generation customers in Florida. PGS has approximately 445,300 customers, including in Florida's major metropolitan areas. PGS's system includes approximately 14,400 miles of gas mains and 8,100 miles of service lines. NMGC's Responses to Bench Requests by the Hearing Examiners Issued Throughout Public Hearings at p.4-5.
[35] NMGC Ex. 1 (Shell Direct Testimony) at 3.
[36] *Id.*
[37] *Id.* at 4.

NMGC filed its last rate case in 2019.[38] That matter was resolved by stipulation and granted NMGC a 1.4% increase in residential rates, a 9.375% ROE, and a 52% / 48% capital structure. NMGC will likely file an additional rate case in December 2023 to have a rate increase effective January 2025.[39]

NMGC offered the following usage distribution chart in response to bench requests.[40]

Usage Distribution and Bill Impact Chart			
Annual Average Therms Per Month	**Number of Residential Customers**	**Percentage of Total Residential Customers**	**Percentage Bill Increase (Average Monthly Bill)**
0 – 24	72,500	14%	3.3%
25 – 49	197,500	39%	4.1%
50 – 74	145,000	29%	4.3%*
75 – 149	77.000	15%	4.4%
150 or more	8,900	2%	4.5%

* 38,000 customers (8% of total) use, on average, 51-55 therms per month.

At hearing, NMGC witness Shell explained that the company operates "in nearly every corner of the state . . . We are the largest provider[] of natural gas in . . . New Mexico."[41] He noted that the other gas providers in the state include "a few municipal utilities, like in Las Cruces and Las Vegas, . . . in Raton" as well as "a small privately owned utility that serves over 40,000 customers down in the southeast part of the state."[42]

[38] NMGC Ex.1 at 7.
[39] Tr. 06/27/2022 (NMGC Witness Shell) at 124-25.
[40] NMGC Ex. 39 (NMGC Response to Bench Request issued on January 27, 2022) at 2.
[41] Tr. 06/27/2022 (NMGC Witness Shell) at 117.
[42] *Id.* at 117-18.

3. PARTICIPANTS IN THIS PROCEEDING

The following parties intervened in this case and in the order listed: NM AREA, NMAG, CCAE, NEE, WRA, FEA, COA, LAC, Tiger Natural Gas, Inc. (intervention later withdrawn), Summit Energy, LLC (intervention later withdrawn). The intervenors, Staff, and NMGC participated robustly.

There were over 850 interrogatories and requests for production.[43] The parties engaged in informal technical conferences where the company's FTY model and other issues were extensively discussed.[44] Informal discovery was conducted, and this resulted in the sharing of information.[45] NMGC performed model runs for the intervenors and those runs incorporated variables the intervenors proposed.[46] The intervenors' experts conducted financial analyses to test the company's assumptions.[47] Discussions took place between the attorneys regarding various aspects of the case via telephone calls and through in-person meetings.[48]

The Commission, through Commissioner Fischmann, issued bench requests for NMGC in January 2022 shortly after the company filed this rate case. NMGC timely responded.

The Hearing Examiners issued oral bench requests for NMGC at a status conference early in this case, and then issued subsequent written bench requests for NMGC and the intervenors on June 6, 2022, June 8, 2022, June 21, 2022, and June 22, 2022. Responses to all those requests were also received.

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[43] NMGC BIC at 2.
[44] *Id.*
[45] *Id.*
[46] *Id.*
[47] *Id.*
[48] *Id.*

A four-day hearing occurred between June 27 and 30, 2022, via the Zoom platform, where the testimony of twenty-five witnesses was received. The Hearing Examiners issued additional bench requests to NMGC throughout the four-day hearing. NMGC responded to those too.

4. PROCEDURAL HISTORY

On December 13, 2022, NMGC filed its initial Application for revision of rates including Advice Notice No 87.

On January 5, 2022, the Commission suspended the proposed rates for nine months beginning on January 12, 2022, and appointed Hearing Examiner Elizabeth C. Hurst to preside over this case.

On January 24, 2022, Hearing Examiner Hurst issued a Procedural Order setting a procedural schedule. The Procedural Order required among other things: (1) NMGC, at its sole expense, to have a copy of the Notice to be published once in newspapers of general circulation sufficient for availability in every county where NMGC provides service on or before February 9, 2022; NMGC shall immediately, at its sole expense, post a copy of the Notice on its public website; NMGC also, at its sole expense, was required to provide individual notice to its ratepayers by March 7, 2022; NMGC shall promptly file affidavits reflecting such publication, individual service, and posting with the Commission; (2) required NMGC to file any revisions to its Application and supplemental testimony by April 1, 2022; (3) any motions to intervene were to be filed by April 4, 2022; (4) established May 25, 2022, as the deadline for filing Staff/Intervenor direct testimony; (5) established June 7, 2022, as the deadline for the filing of a stipulation and any supporting documents pursuant to 1.2.2.20 NMAC; (6) required any opposition to a stipulation to be filed by June 13, 2022; (7) established June 15, 2022, as the deadline for filing rebuttal testimony or in the alternative, testimony in support of a stipulation; (8) required any testimony in opposition to a stipulation to be filed by June 22, 2022; (9) scheduled a pre-hearing for June 24, 2022; and (10) set a public hearing to commence on June 27, 2022 and continue into the first week of July as necessary. Additionally, the Order set out that if any parties request consideration of a stipulation, the Hearing Examiner may refuse to consider the stipulation or condition consideration of the stipulation on the stipulating parties' agreement to toll the running of the suspension period for the period of time beginning with the commencement of the parties' settlement negotiations and ending with final Commission action on the stipulation.

On February 18, 2022, a Second Procedural Order was issued. That Order did not amend any of the significant dates and addressed issues arising in the intervention period.

Five written, public comments were received.[49] All commenters were opposed to the Commission granting NMGC the rate increase it requested in its Application.

On February 28, 2022, the Commission assigned Christopher P. Ryan as Co-Hearing Examiner.

On March 4, 2022, a Protective Order was issued.

On March 15, 2022, NMGC supplied proof it gave notice of this case to its customers and the public more generally as directed by Hearing Examiner Hurst.

On April 1, 2022, NMGC filed an Initial List of Errata Revisions Pursuant to 17.1.3.19(C) NMAC.[50]

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[49] Case No. 21-00267-UT, Public Comments (5), (02/14/2022). The commenters included Don Agnello of Los Lunas, Jeffrey Burrill of Albuquerque, Dain Hubley who did not specify his address, Len and Sharon LaClair of Los Lunas, and Diana Clark of Los Ranchos.

[50] NMGC's references to "Errata" are incorrect. These proposed changes were not corrections to errors, they were additions, revisions, or amendments to filed testimony. They are admitted pursuant to 1.2.2.10.G.(5) NMAC, "amendments and withdrawal of pleadings and supporting documents" which require leave of the commission or

On April 4, 2022, NMGC filed its Third Errata Notice Providing Schedule H-5.2.

On April 27, 2022, NMGC filed its Fourth Errata.

On May 2, 2022, a Third Procedural Order was issued. At the Parties' request, that Order shortened the deadline for filing of rebuttal testimony to ensure that there would be time for discovery requests based on rebuttal.

On May 11, 2022, NMGC filed a request for a status conference advising the Hearing Examiners that a settlement in principle had been reached on major issues. The parties were in the process of drafting related settlement documents and wanted a status conference to discuss the procedure for considering an unopposed Stipulation including issues of which filings are necessary, modifications to the procedural order if any, timing for considering the filings, and other procedural issues.

On May 17, 2022, a status conference was held, and the parties were advised by the Hearing Examiner that that depending on when a stipulation was filed, some procedural dates and details would be changed but that the hearing date would not change.[51]

On May 20, 2022, NMGC filed an Unopposed Stipulation.

On May 23, 2022, Hearing Examiner Hurst issued a Fourth Procedural Order. That Order reset varying deadlines to accommodate the filing of the Stipulation; the hearing date did not change. The Order also tolled the suspension period as of April 28, 2022, (the date the parties commenced settlement negotiations) and explained that the suspension period would remain tolled until the Commission acted on the Stipulation.

presiding officer.

[51] Fourth Procedural Order at 2 fn. 1.

There was no opposition to the Stipulation; the document itself reports that Commission Staff, the NMAG, NM AREA, WRA, CCAE, NEE, and LAC support the Stipulation. The FEA and the COA joined the Stipulation later.[52]

The hearing commenced on June 27, 2022, and continued through June 30, 2022. Nearly all questioning at the hearing was conducted by the hearing examiners.

There was one public commentor at the hearing on June 27, 2022, (Ms. Cianci) and she requested that the Commission not approve NMGC's Application.[53]

Following the hearing, NMGC submitted corrections to the official transcript. They are accepted in part and rejected in part as set out in **Attachment D.**

NMGC, Staff, and NM AREA filed initial briefs in support of the Stipulation. NEE and CCAE filed a joint brief in support of the Stipulation. NEE, CCAE, and WRA also filed a reply brief to discuss certain issues for which the Hearing Examiners asked guidance.

5. APPLICABLE LEGAL STANDARDS

There are five sets of legal standards relevant here: (1) statutory directives governing rate cases; (2) the Commission's rule on FTY filings; (3) Commission rules and precedent concerning review of uncontested stipulations; (4) precedent and legal concepts bearing on how administrative agencies treat settlement agreements; and, (5) the evidentiary standards generally applicable in administrative proceedings. These are addressed in turn.

[52] NMGC BIC 1-2.
[53] Tr. (6/27/22) at 17-20.

5.1. General Standards Applicable in Rate Cases

Under the PUA, the Commission has "general and exclusive power and jurisdiction to regulate and supervise every public utility in respect to its rates and service regulations . . . and to do all things necessary and convenient in the exercise of its power and jurisdiction."[54]

"Every rate made, demanded or received by any public utility shall be just and reasonable."[55] This broad, statutory directive is given specific content by the Commission. It "is vested with considerable discretion in determining the justness and reasonableness of utility rates."[56]

"At any hearing involving an increase in rates or charges sought by a public utility, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility."[57]

The term "public utility" includes

> every person not engaged solely in interstate business and . . . that may own, operate, lease or control:
>
> . . .
>
> (2) any plant, property or facility for the manufacture, storage, distribution, sale or furnishing to or for the public of natural or manufactured gas or mixed or liquefied petroleum gas for light, heat or power or other uses[.]"[58]

"To set a just and reasonable rate, the Commission must balance the investor's interest against the ratepayer's interest."[59]

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[54] NMSA 1978, § 62-6-4(A) (2003).
[55] NMSA 1978, § 62-8-1 (1941).
[56] *Attorney General v. N.M. Pub. Serv. Comm'n*, 1984-NMSC-081, ¶ 12, 101 N.M. 549, 685 P.2d 957.
[57] NMSA 1978, § 62-8-7(A) (2011).
[58] NMSA 1978, § 62-3-3(G)(2) (2009).
[59] *Behles v. New Mexico Pub. Serv. Comm'n*, 1992-NMSC-047, ¶29, 114 N.M. 154, 836 P.2d 73.

NMSA 1978, Section 62-8-7 (2011) addresses requests for changes in rates. The statute provides, *inter alia*, whenever a utility files an application "proposing new rates, the commission may, upon complaint or upon its own initiative, except as otherwise provided by law, upon reasonable notice, enter upon a hearing concerning the reasonableness of the proposed rates."[60]

In reaching its ultimate decision, the Commission is not tied down either by the PUA or by case law to considering only a single factor in establishing rates. Instead, "[t]he Commission is vested with considerable discretion in determining whether a rate to be received and charged is just and reasonable."[61] The Supreme Court has "consistently construed the [Public Utility Act] broadly rather than to limit the Commission to any one particular method [of ratemaking]; the touchstone is the reasonableness of the ultimate decision."[62]

When setting rates, it is the end result reached and not the method employed which is controlling.[63] The New Mexico Supreme Court has stated that a regulatory commission has "discretion on public policy issues involved with regard to apportionment" of rates, and that "determining the level of subsidies, if any, is a Commission function."[64]

5.2. Future Test Year

NMGC tendered its new rate schedules based on a FTY period. For that reason, the provisions of 17.1.3 NMAC apply here.

[60] Section 62-8-7(C).
[61] *Hobbs Gas Co. v. New Mexico Pub. Serv. Comm'n*, 1980-NMSC-005, ¶4, 94 N.M. 731, 616 P.2d 1116.
[62] *New Mexico Industrial Energy Consumers v. NMPSC*, 1986-NMSC-059, ¶ 29, 104 N.M. 565, 725 P.2d 244.
[63] *Attorney General of State of N.M. v. New Mexico Pub. Serv. Comm'n*, 1991-NMSC-028, ¶ 26, 111 N.M. 636, 808 P.2d 606.
[64] *Mountain States Tel. & Tel. Co. v. New Mexico State Corp. Comm'n*, 1977-NMSC-032, ¶ 65, 90 N.M. 325, 563 P.2d 588.

The purpose of 17.1.3 NMAC is "to define and specify the different or additional minimum data requirements to be filed in support for a tendered new rate schedule or rate schedule based on a future test year period . . . ."[65] It is unnecessary to discuss the rule in any depth here in this preliminary overview of governing standards. There is no argument advanced by anyone that NMGC failed to fulfill the applicable requirements in this rule.

5.3. Stipulation Standards

The Commission's rules of procedures provide that "[s]ettlement stipulations shall be binding only if approved by the commission."[66] The stipulation here is uncontested and the rules governing uncontested stipulations govern. Those rules direct that, "[u]pon receipt of a stipulation which would settle substantive issues, the commission or presiding officer shall conduct a public hearing to determine whether the stipulation should be approved by the commission . . . ."[67]

"In cases heard by a hearing examiner rather than the commission, the hearing examiner may" do one of two things:

> (a) determine that the settlement stipulation should not be certified to the commission at all, in which event the hearing examiner may indicate to the parties and staff whether additional evidence or legal argument in support of the stipulation or amendments to the stipulation might meet the hearing examiner's reservations about the stipulation;

or, alternatively, "(b) certify the settlement stipulation to the commission for its review[.]"[68] The hearing examiners have done the latter.

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[65] 17.1.3.6 NMAC.
[66] 1.2.2.20 NMAC.
[67] 1.2.2.20(A)(3) NMAC; *but see id.* ("[I]n extraordinary cases, for good cause shown, the commission or presiding officer may forego a public hearing.").
[68] 1.2.2.20(A)(5)(a), (b) NMAC.

In the latter case, the rules specify that the "certification shall include a recommended disposition of the stipulation, whether the recommendation be positive or negative or otherwise suggest a manner of disposition[.]"[69] This is also done.

The proponent of a stipulation has the burden of supporting the stipulation with sufficient evidence and legal argument to allow the Commission to approve it.[70]

The standard of proof to support a stipulation is that the stipulation must be fair, just, reasonable and in the public interest.[71] The questions that must be asked and answered when evaluating stipulations include the following:

- Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- Does the settlement, as a package, benefit ratepayers and the public interest?
- Does the settlement violate any important regulatory principles or practices?[72]

These questions can be restated as the following affirmative criteria or factors. The proponent of the stipulation must demonstrate that (1) the parties and Staff had notice and an opportunity to be heard on the stipulation, (2) the stipulation is in accordance with applicable law, and (3) a preponderance of the evidence in the record (as a whole) supports the Commission's conclusion that the stipulation is fair, just, reasonable, and in the public interest.

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[69] 1.2.2.20(A)(5)(b) NMAC

[70] 1.2.2.20(A)(3) NMAC.

[71] *See Applications of Public Service Company of New Mexico and New Mexico Gas Company, Inc. for the Abandonment, Purchase and Sale of Gas Utility Assets and Services*, Case No. 08-00078-UT, Certification of Stipulation (Nov. 24, 2008), at 3, Final Order Partially Approving Certification of Stipulation (Dec. 11, 2008).

[72] *Suspension of a Portion of Gas Company of New Mexico's Purchase Gas Adjustment Clause, and the Investigation Relative Thereto*, PUC Case No. 2453, Certification of Stipulation, at 11 (May 18, 1993); *Re Public Service Company of New Mexico*, 110 P.U.R. 4th at 85 (quoting with approval In re Cleveland Electric Illuminating Co., 99 P.U.R. 4t~ 407, 449 (Ohio PUC 1989)); *Application of Southwestern Public Service Co. for Revision of its Retail Rates Pursuant to Advice Notice Nos. 217, 218, and 219 et al.*, Case No. 08-00354-UT, Final Order Conditionally Approving Stipulation at 13 (July 14, 2009).

5.4. Other Stipulation Considerations

NMGC points out in its brief that "[t]he Commission has a longstanding policy favoring resolution of disputes through settlement."[73] In other Commission cases, adjectives other than "favoring" are utilized to express the point that settlement is desirable. For example, one case notes that "there is strong public policy favoring the settlement of disputes to avoid costly and protracted litigation."[74] It is crucial to understand what these words do and do not convey.

In civil litigation, "it is well established that settlement agreements are creatures of private contract law[,]" and the adjudicative tribunal (typically district courts) are not parties to the settlement and nor may they modify the settlement terms.[75] This is because a settlement is a "surrender of a cause of action, perhaps for a consideration less than the injury received."[76]

"Generally, the law and public policy favor and encourage compromises and settlements as a means of resolving uncertainties and discouraging lawsuits. Settlement agreements simplify litigation without taking up valuable court resources, and reduce the burden on the courts."[77] That said, settlements are not necessarily beneficial in every circumstance and they also have costs for the legal system that are as equally significant as the benefits the legal system gains from them.[78] In any case, the crucial point here is that the benefits and costs associated with settlements cannot be readily transposed to Commission adjudications. In other words, it is wrong to think that because courts favor settlements that therefore an administrative agency like the Commission

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[73] NMGC BIC 3; Case No. 10-00069-UT, Recommended Decision, at 7 (02/09/2011).
[74] *Re Pub. Serv. Co. of New Mexico*, 110 P.U.R.4th 69 (N.M.P.S.C. Mar. 6, 1990).
[75] *Sullivan v. DB Investments, Inc.*, 667 F.3d 273, 312 (3d Cir. 2011).
[76] 15B Am. Jur. 2d *Compromise and Settlement* § 2.
[77] 15B Am. Jur. 2d *Compromise and Settlement* § 3.
[78] Ezra Friedman & Abraham L. Wickelgren, *No Free Lunch: How Settlement Can Reduce the Legal System's Ability to Induce Efficient Behavior*, 61 SMU L. Rev. 1355, 1368 (2008).

should assume that this preference necessarily applies in the same fashion. The point will become clear with some additional explanation.

The Commission's rules make clear that stipulations reached in Commission proceedings must be presented to, reviewed by, and then approved by the Commission.[79] The rules very plainly and bluntly state that "[s]ettlement stipulations shall be binding only if approved by the commission."[80] This fact alone illustrates that stipulations before this Commission should not be considered the direct corollaries to the private settlement agreements in the district courts of New Mexico.

Those latter agreements remove the dispute from the tribunal. The filing of a stipulation with the Commission requires the Commission to act and make certain determinations. The Commission must, unless extraordinary circumstances exist,[81] hold a hearing to determine if an uncontested stipulation should be approved.[82] Where the stipulation is contested, the presiding officer can refuse to hear the stipulation and, in the event that does not occur, the rules state that "[a] public hearing shall be conducted to determine whether [an uncontested] stipulation shall be approved by the commission."[83] Regardless of whether a hearing is conducted or not, the stipulation must be approved by the Commission, and that is a very important point.

The existence of a stipulation indicates that the parties (and not necessarily all of them) have reached agreement that a particular resolution meets some legal standard and is maximally desirable as a matter of policy. The Commission must be persuaded that this is so, and it is free to

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[79] *See also* 1.2.2.20(A)(3) NMAC ("The proponents of the stipulation have the burden of supporting the stipulation with sufficient evidence and legal argument to allow the commission to approve it.").
[80] 1.2.2.20 NMAC.
[81] 1.2.2.20(A)(3) NMAC.
[82] 1.2.2.20(A)(3) NMAC.
[83]

reject the parties' views on the subject. The significance of this point is not to be overlooked. Unlike district courts, the Commission must act on settlement agreements/stipulations.

Moreover, the cases the Commission handles generally involve application of discretionary judgment to which, by constitutional and statutory design, the public interest necessarily inheres. The Commission makes policy and must determine what, in its judgment, is the best or optimal course of action for all stakeholders.[84] Commission cases rarely involve simple, binary choices. While an unopposed stipulation is evidence that a course of action proposed by stipulators is the most optimal path, the existence of the stipulation remains merely credible evidence or persuasive argumentation supporting one course of action. The existence of the stipulation is not binding evidence precluding disagreement. Afterall, the Commission very recently unanimously rejected the stipulation reached in the PNM/Avangrid merger case.[85]

With regards to the purported cost savings flowing from stipulations, the Commission must, in all but extraordinary circumstances when dealing with uncontested stipulations, still proceed to a hearing on a stipulation and find evidence to support a legal determination about the merits of the stipulation. For this reason, it is not true that settlements inevitably lead to cost savings. This point is well illustrated by this very case.

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[84] *See In re Petition of PNM Gas Services*, 2000-NMSC-012, ¶ 98, 129 N.M. 1, 1 P.3d 383 (explaining that "the Commission has considerable discretion in the area of rate design" and stating further that the Court will "assume that the Commission, in exercising its expert judgment and in making public policy decisions necessarily implicated by rate design, may rely in part on public commentary in its task of evaluating the evidence in the record and formulating a proper rate structure.").

[85] Case No. 20-00222-UT, *In the Matter of the Joint Application of Iberdrola, SA., Avangrid, Inc., Avangrid Networks, NM Green Holdings, Inc., Public Service Company of New Mexico and PNM Resources, Inc. for the 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*, Order on Certification of Stipulation issued 12/8/21.

Here, NMGC spent what it projected for a fully litigated case.[86] The company claims that, had this matter not settled, even more would have been spent.[87] This assertion does little to negate the fact that NMGC spent all the money it projected would be necessary for a fully litigated case on this proceeding which ended in a Stipulation. This very case illuminates that stipulations do not necessarily reduce projected litigation expenses.

The New Mexico Supreme Court has, quite sensibly, supported the Commission's efforts to foster "cooperative approach[es]" that reconcile the interests of all parties and avoids "the polarization that accompanies adversarial proceedings."[88] These words do not suggest, however, that the Commission should elevate efficiency over thoroughness or allow the parties' agreement on difficult questions to prevail merely because they believe a stipulated resolution is best.

These views are not radical or controversial. A leading treatise on Administrative law notes that "[m]any disputes that come before agencies are not good candidates for negotiated settlement . . . ."[89] The authors of the text note that many administrative matters involve "unclear or unstable" legal rules, factual disputes, indeterminate facts, facts inaccessible to certain parties during early stages of proceedings, numerous parties with divergent interests, and parties whose interests are principally to delay resolution of an issue.[90] One major point is excluded from this list.

The Commission is legally bound to exercise the plenary authority it has been delegated over the regulation of utilities and be vigilant in that endeavor no matter what the posture of the case might be. The Commission cannot simply assume the parties to a case know best and rely on

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[86] NMGC Ex. 24 (Jones Testimony Responding to June 6, 2022 Bench Requests) at 2-3; Tr. (6/28/2022) at 516– 520.
[87] NMGC BIC at 18.
[88] *New Mexico Indus. Energy Consumers v. New Mexico Pub. Serv. Comm'n*, 1986-NMSC-059, ¶ 21, 104 N.M. 565, 725 P.2d 244.
[89] Richard J. Pierce, Jr., *Administrative Law Treatise*, § 7.14, at 524 (4th ed.).
[90] *Id.*

their judgment about optimal outcomes. The Commission is very different than a district court that is tasked with presiding over private causes of action that are controlled almost entirely by the parties litigating them.

The Commission is required to independently assess the matters before it, and the value and importance of that independent review will only grow as our society engages in a transformation of its energy system that will shake and rearrange the ground upon which the stakeholders routinely appearing in Commission proceedings operate. Put more simply, difficult cases are the Commission's future. The responsibility to grapple with that difficulty belongs to the Commission. Settlements may aid the Commission in its task but are not a substitute for the exercise of discretion. Afterall, accepting a settlement is no different than registering agreement with the proposed resolutions in it.

In sum, the Commission sits as the ultimate arbiter of proceedings thoroughly suffused with questions of public interest. This is both a privilege and burden. The parties' judgment about the case will remain merely valid evidence of what might be the best outcome. The Commission itself remains responsible for ensuring an adjudication or other administrative action best serves the public.[91] While settlements have utility, they should not and cannot be treated as foregone conclusions to which the Commission is merely applying a rubber stamp.

5.5. Evidentiary Standards

The rule in administrative proceedings in general, and adjudications before this Commission in particular, is that unless a statute provides otherwise, the proponent of an order or

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[91] *See* NMSA 1978, §§ 62-19-9(B)(5), (6) (effective Jan. 1, 2023) (directing the Commission to take action and issue orders "not inconsistent with law to assure implementation of and compliance with the provisions of law for which the commission is responsible" and take action to "improve . . . the provision of services to the citizens of New Mexico[.]").

moving party has the burden of proof.[92] The burden of proof is two-prong: it includes both the *prima facie* burden of adducing sufficient evidence to go forward with a claim and the burden of ultimate persuasion. The quantum of proof in administrative adjudications is, again unless expressly provided otherwise, a preponderance of record evidence.[93] Preponderance of the evidence means the greater weight of the evidence.[94] That is, evidence that—when weighed with that opposed to it—has more convincing force. It has superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to incline a fair and impartial mind to one side of the issue rather than the other.[95]

6. DISCUSSION

6.1. NMGC's Initial Application

NMGC's initial Application sought to increase rates to meet a projected $40.7 million revenue deficiency in 2023.[96] The rate increase requested amounted to a 20.8% increase in NMGC's cost of service.[97] NMGC would collect this deficiency through base rates.[98]

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[92] 3 DAVIS, KENNETH CULP, ADMINISTRATIVE LAW TREATISE § 16.9 at 255–57 (2d ed. 1980). *See Int'l Minerals and Chemical Corp. v. N.M. Pub. Serv. Comm'n*, 81 N.M. 280, 283, 466 P.2d 557, 560 (1970) ("Although the statute does not specifically place any burden of proof on [complainant] International, the courts have uniformly imposed on administrative agencies the customary common-law rule that the moving party has the burden of proof.").

[93] *See* DAVIS, *supra*, § 16.9 at 256 ("One can *never* prove a fact by something less than a preponderance of the evidence") (emphasis in original); *See* El Paso Electric Co. et al. v. N.M. Pub. Serv. Comm'n, 1985-NMSC085, ¶ 12 ("This Court, however, does express its deep concern regarding the reasonableness of this heightened standard of proof ['clear and convincing evidence'], especially since a 'preponderance of evidence' standard is customary in administrative and other civil proceedings.") (emphasis added); *Re Southwestern Public Service Co.,* Case No. 2678, Recommended Decision of the Hearing Examiner (Nov. 15, 1996) ("No matter how the Commission describes its standard of review, SPS bears the burden of proof in this case. SPS must demonstrate that a preponderance of evidence exists in the record on which to base approval of the requested authorizations surrounding the merger.").

[94] *Campbell v. Campbell*, 1957-NMSC-001, ¶ 24, 62 N.M. 330, 310 P.2d 266.

[95] Black's Law Dictionary 1431 (11th ed. 2019).

[96] NMGC Ex. 1 at 18.

[97] *Id*.

[98] *Id*.

For convenience, the chart appearing at the beginning of this document is reproduced below and provides a graphical display of the core requests within NMGC's Application.

Case No. 21-00267-UT	**Application**
Revenue Increase	20.8% or $40.7 mil
Return on Equity	10.1%
Cost of Debt	3.27%
Weighted Average Cost of Capital	6.89%
Capital Structure (equity/long-term debt)	53/47
Residential Class Base Revenue Increase	20.5%
Increase to average residential monthly bill	9.0%
Increase in Residential Access Fee	$2.25 ($12.00 to $14.25)

6.1.1. <u>Overview of NMGC's Requests</u>

NMGC's Application sought recovery of $245 million of capital investment that the company will, it claimed, make between January 2022 and December 2023.[99] These investments include the following:

- Capital investment in the company's 12,318 miles of pipeline.
- Investment in the IMP.
- Investments in IT&T to enhance NMGC's "cybersecurity, business functionality, and customer experience."
- Investments to reduce methane emissions from NMGC's operations including funds to blend hydrogen with natural gas in NMGC's system.
- Funding for increases in NMGC's O&M expenses. The O&M expenses themselves are comprised of subsets of costs:

[99] *Id.* at 10.

- Rising operating costs due to inflation and labor-cost increases.
  - Thirty-two new employees.
  - Increased depreciation and amortization expenses associated with NMGC's expectations regarding additional plant that has been or will be put into service between 2021 and the end of 2023.
  - Increased taxes
- IMP rate rider.[100]

NMGC's rate Application is based on a FTY. Why? Because, according to the company, the "drivers" for NMGC's rate filing are the recovery of anticipated "capital investments" NMGC will make in 2022 and 2023 and recovery of anticipated and "significantly increasing O&M expenses" in 2023.[101] The filing of a FTY-rate application ensures, according to the company, that rate revenues match anticipated costs.[102]

NMGC supplied a fully functional cost-of-service model as required by 17.1.3.11. NMAC.

The Commission's FTY rule also required NMGC to supply in its rate-adjustment application a (1) base period, an (2) adjusted base period, a (3) future test year period, and (4) verifiable linkage data to allow assessment of the future test year projections.[103]

The base period NMGC selected is the twelve months ending June 30, 2021, that is June 30, 2020, to June 30, 2021. The FTY period is the twelve-month period ending December 31, 2023, that is December 31, 2022, to December 31, 2023. NMGC selected Two linkage periods: linkage period 1 is June 30, 2021, to June 30, 2022, and linkage period 2 is December 31, 2021, to December 31, 2022.

[100] *Id*. at 11-13, 15.
[101] *Id*. at 16-17.
[102] *Id*. at 17.
[103] 17.1.3.12 NMAC.

This information is more readily comprehensible in visual format.

Base Period	Linkage 1	Linkage 2	FTY Period
06/30/20 – 06/30/21	06/30/21 – 06/30/22	12/31/21 – 12/31/22	12/31/22 – 12/31/23

Note that there is overlap in the two linkage-period date ranges. NMGC is aware of this.[104] The overlap is not depicted visually above to keep that presentation clean and simple.

Witness Buchannan explained that "[t]he Linkage Periods are intended to provide a clear, annualized line of sight from the [b]ase [p]eriod to the [FTY] period."[105] He explained further that "NMGC developed its [FTY] rate base using a projected thirteen-month average of balances through December 31, 2023, which is the end of the [FTY]."[106]

6.1.2. <u>ROE</u>

NMGC's Application requested a 10.1% ROE. This request would constitute a 0.725% or 72.5 basis-point increase from NMGC's present allowed ROE of 9.375%.

At hearing, NMGC reported that its actual ROE in 2021 was 9.56%, or 0.185% (18.5 basis points) over its allowed ROE.[107] NMGC's earned ROE in 2018 was 9.8%. It was 11.4% in 2019.[108]

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[104] NMGC Ex. 27 at 35.
[105] *Id*. at 7.
[106] *Id*. at 57.
[107] Tr. 06/27/2022 (NMGC Witness Shell) at 127-28.
[108]Case No. 19-00317-UT, Certification of Stipulation at 38 (11/24/2020).

Additionally, at the hearing NM AREA witness Gorman testified that the only bond rating agency that rates NMGC is Fitch.[109] Staff was also aware of this, but Mr. Tupler testified that he would rely on Fitch just as reasonably as he would S&P and Moody's.[110]

The company's ROE witness in this case, Robert A. Morin, Ph.D., concluded that an ROE of 10.1% was conservative and "fairly compensates investors, maintains NMGC's credit strength, and attracts capital needed for utility infrastructure and reliability . . . ."[111] Dr. Morin's ROE recommendation was predicated upon NMGC's proposed capital structure of 53% common-equity capital and 47 % debt.[112]

Dr. Morin claimed that his recommended ROE was "conservative given the higher relative risks of the company by virtue of its significant financing requirements from its large construction program, relatively small size, absence of risk mitigating mechanisms relative to its peers, lack of regulatory diversification, and a generally heightened industry risk environment."[113]

He relied on three different cost-of-equity methodologies to reach his cost-of-equity estimate because, in his view, "no single method provides the necessary level of precision for determining a fair return, but each method provides useful evidence to facilitate the exercise of an informed judgment."[114] Dr. Morin added further that "it is extremely dangerous to rely on only one generic methodology to estimate equity costs[,]" and added that the danger is "compounded when only one variant of [a single] methodology is employed" and compounded even further

[109] Tr. 6/30/22 (NM AREA Witness Gorman) at 907.
[110] Tr. 6/30/22 (Staff Witness Tupler) at 939.
[111] NMGC Ex. 25 (Errata Testimony of Dr. Morin) at 6.
[112] *Id.* at 7.
[113] *Id.* at 8.
[114] *Id.* at 18.

"when that one methodology is applied to a single company."[115] Dr. Morin writes that "the utilization of multiple methodologies is critical, and reliance on a single methodology highly hazardous."[116]

Here is the outcome of the varying methods Dr. Morin utilized.

STUDY	**ROE**
CAPM	10.4%
Empirical CAPM	10.6%
Historical Risk Premium Electric	9.8%
Allowed Risk Premium	9.8%
DCF Elec Utilities Value Line Growth	9.4%
DCF Elec Utilities Analysts Growth	8.7%
DCF Nat Gas Utilities Value Line Growth	11.5%
DCF Nat Gas Utilities Analysts Growth	10.4%

The average of these estimates is 10.1%.

At hearing, Dr. Morin offered an update to these calculations based on data acquired after he filed his prefiled testimony.[117] The graphic below shows that data and calculates the change.

	Initial	Updated	Change
CAPM	10.4 %	10.4 %	None
Empirical CAPM	10.6 %	10.6 %	None
Historical Risk Premium Electric	9.8 %	9.9 %	+ 0.1 %
Allowed Risk Premium	9.8 %	10.2 %	+ 0.4 %
DCF Elec Utilities Value Line Growth	9.4 %	8.9 %	- 0.5 %
DCF Elec Utilities Analysts Growth	8.7 %	8.8 %	+ 0.1 %
DCF Nat Gas Utilities Value Line Growth	11.5 %	10.9 %	- 0.6 %
DCF Nat Gas Utilities Analysts Growth	10.4 %	9.2 %	- 1.2 %

[115] *Id.* at 19.
[116] *Id.* at 21.
[117] Tr. (6/29/22) (NMGC Witness Dr. Morin) at 607-609 and Response to Hearing Bench Request No. 8 filed on June 30, 2022. These updates were based upon May 2022 information. Dr. Morin's recommendation on the stipulated ROE will be discussed in a later section on the Stipulation.

In the end, Dr. Morin indicated that his 10.1% recommended ROE is "barebones and conservative" and that an ROE "less than 10.1% would not be just and reasonable."[118] What follows is a very general overview of the models Dr. Morin utilized and how he applied them.

[118] NMGC Ex. 25 at 69.

DCF

As a theory, the DCF approach asserts that "the value of any security to an investor is the expected discounted value of the future stream of dividends or other benefits."[119] Because NMGC is not a publicly traded company that offers dividends, Dr. Morin had to use proxies when assessing NMGC's cost of equity under the DCF model.[120] He relied on averages reached from four different groupings of companies. His results are set out in the chart below.

DCF STUDY	ROE
Natural Gas Util. Value Line Growth	11.49%
Natural Gas Util. Analysts Growth	10.38%
Gas & Elec Util. Value Line Growth	9.42%
Gas & Elect Util. Analysts Growth	8.68%

CAPM

"[T]he fundamental idea underlying the CAPM is that risk-averse investors demand higher returns for assuming additional risk, and higher-risk securities are priced to yield higher expected returns than lower-risk securities."[121] The CAPM model "quantifies the additional return, or risk premium, required for bearing incremental risk."[122] Dr. Morin offered both a traditional and empirical CAPM analysis.

CAPM Method	**ROE**
Traditional CAPM	10.4%
Empirical CAPM	10.6%

[119] *Id*. at 21.
[120] *Id*. at 28.
[121] *Id*. at 36.
[122] *Id*.

For the traditional CAPM, Dr. Morin used a risk-free rate of 3.3%, a beta of 0.88%, and a [market risk premium] of 7.8%. Applying basic math, 3.3% + 0.88 x 7.80% = 10.2% (rounded to the nearest tenth). To this, Dr. Morin added 0.2% in flotation costs which produced a final figure of 10.4%. In Dr. Morin's view, flotation costs are inherent in raising equity and, thus, must be incorporated into a utility's ROE.[123]

Many of the assumptions embedded in the CAPM carry over into the ECAPM calculation. The 0.2% increase in the ECAPM is just a reflection of the nature of the ECAPM method.

Risk Premium

Dr. Morin calculated both the historical and allowed risk premium.[124]

Risk Premium	**ROE**
Historical Risk Premium	9.8%
Allowed Risk Premium	9.8%

6.1.3. Capital Structure

Dr. Morin also provided testimony on NMGC's capital structure. He examined the capital structure of a "peer group of natural gas utilities" over the last three years as well as projections for 2022 to 2024. These are captured in this chart (supplied by Dr. Morin):

[123] *Id.* at 64.
[124] *Id.* at 63.

		(1) 2018	(2) 2019	(3) 2020	(4) Hist	(5) Proj 2024-26
1	Atmos Energy	65.7	62.0	60.0	62.6	60.0
2	Chesapeake Utilities	62.1	56.1	57.8	58.7	60.0
3	New Jersey Resources	54.6	50.2	44.9	49.9	47.0
4	NiSource Inc.	37.9	36.9	32.9	35.9	40.0
5	Northwest Natural	51.9	51.8	50.8	51.5	57.0
6	ONE Gas, Inc.	61.4	62.3	58.5	60.7	53.0
7	South Jersey Inds.	37.6	40.8	37.4	38.6	38.5
8	Southwest Gas	51.7	52.1	49.5	51.1	51.0
9	Spire Inc.	54.3	55.0	51.0	53.4	55.0
	MEDIAN	**54.3**	**52.1**	**50.8**	**51.5**	**53.0**

He explained that "the median projected common equity ratio over the 2022-2024 period for the natural gas peer group is 53% which is equal to the . . . Company's requested 53%."[125]

6.1.4. Capital Additions

The company's capital investment in 2021 was $183.5 million.[126] Total capital investment in 2022 and 2023 amounts to $244.8 million,[127] $121.7 million in 2022 and $123.1 million in 2023.[128]

There were four principal reasons for capital expenditures: (1) New-customer growth, (2) system reliability, (3) issues arising in the normal course of NMGC's business, and (4) proactive system improvements.[129] The primary driver of capital spending will be investment in projects related to NMGC's IMP.[130] NMGC emphasized several large projects within the IMP.

Pecos Valley Mainline Replacement. This is an $11 million project that should be completed at some time in 2022. The purpose of the project is to increase system supply and

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[125] *Id.* at 75.
[126] NMGC Ex. 8 (Bullard Direct Testimony) at 4.
[127] *Id.*
[128] *Id.*
[129] *Id.* at 6.
[130] *Id.* at 21.

reliability in southern New Mexico. It is a necessary project because the mainline was installed in the 1950s and steel pipe was used. This type of pipe is susceptible to cracking. Those cracks pose risks to customers. The line needs to be brought into compliance with federal standards; hence, replacement is necessary.

Potash Mainline Replacement. This is a $5.5 million project that should be completed in 2023. The project's purpose is also to increase reliability in southern New Mexico. It is a necessary project because the line was installed in the 1930s and was also constructed, in parts, of steel. Parts of the line are only four-inch in diameter rather than six and this precludes inline inspection. For these reasons, it is most efficient to replace the entire line.

Clovis Mainline Replacement. This is a $4.2 million project that will be completed in two-phases. The first is expected to be completed in 2023 and the second in 2024. NMGC is not, at this time, seeking rate-base recovery of the second phase. The purpose of the project is to increase system reliability in eastern New Mexico. As with the other projects discussed here, this line was also installed in the 1930s and is made of steel which is susceptible to cracking. It is most efficient to replace the entire line.

Automated Meter Reading Device Expansion. This is a project that will cost approximately $17.6 million. Completing it will increase efficiency of NMGC's operations in multiple cities and towns. Employees will be able to read meters more efficiently. Installation of these meters in 2022 will occur in Farmington, Clovis, Portales, Tucumcari, Clayton, and Carlsbad. In 2023, they will be installed in Alamogordo, Silver City, Truth or Consequences, and Anthony. In total, NMGC anticipates installing 80,000 automated meters in 2022 and 2023.

6.1.5. **Rate Design**

NMGC witness Yardley supplied testimony for NMGC on rate design. As noted previously, more than 99% of NMGC's customers receive service under the Rate 10 Residential Rate or one of the three standard general service rates.[131] NMGC's remaining customers are served under NMGC's seven other tariffs.

The proposed rates in NMGC's Application included a 20.5% base revenue increase for the Rate No. 10 residential class and Rate No. 8 – Small General Service; a 26% base revenue increase for medium and large general service and several other classes; and a 0% increase for irrigation service, water and sewer pumping service, and cogeneration service.[132]

Witness Yardley also explained that NMGC needed to increase the residential monthly, fixed-access fee from $12.00 to $14.25.[133] According to witness Yardley, his FACOS "suggested" a "more significant increase to this access fee," and he recommended a $2.25 increase only "as a means of moderating bill impacts to smaller customers."[134]

Witness Yardley supplied data underlying his recommendations including charts showing information derived from his FACOS.[135] The primary results from the FACOS are the rate of return by class as compared to the Company's weighted average cost of capital of 6.89%. The table below provides a summary of the FACOS rate of return by class. The rates of return are presented in absolute terms and on a unitized basis that compares the ratio of each class's rate of

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131 NMGC Ex. 35 (Yardley Direct) at 24. The general service customer and industrial rates are Rate No. 54 – small volume general service, Rate No. 56 – medium volume general service, and Rate No. 58 – Large volume general service.
132 *Id*. at exhibit DPY-9.
133 *Id*. at 32.
134 *Id*.
135 *Id*. at 29.

return to the average rate of return at present rates of 2.24%.[136] In simplest terms, the chart shows which class is contributing how much in relation to the average contribution.

NMGC FACOS EXISTING Rate of Return by Class

Rate Schedule	FACOS Rate of Return	Unitized
Rate 10 - Residential	2.31%	1.02
Rate 30 - Irrigation Service	9.97%	4.42
Rate 31 - Water and Sewer Pumping Service	18.36%	8.14
Rate 37 - Gas Air Conditioning Service	(5.41%)	(2.40)
Rate 39 - Compressed Natural Gas Vehicle Fuel	(2.97%)	(1.32)
Rate 54 - Small General Service	3.20%	1.42
Rate 56 - Medium General Service	2.02%	0.90
Rate 58 - Large General Service	0.97%	0.43
Rate 61 - Sales for Resale Service	(7.26%)	(3.22)
Rate 70 - Off-System Transportation	(5.61%)	(2.49)
Rate 72 – Compressor Fuel	(4.44%)	(1.97)
Rate 114 - District Energy System Service	2.10%	0.93
Overall	2.24%	1.00

Witness Yardley also provided a subsequent table presenting similar content but for the proposed rates.[137] The unitized column compares the ratio of each class's rate of return as compared to NMGC's weighted average cost of capital of 6.89%.

[136] *Id.*
[137] Id. at 36.

NMGC FACOS proposed rates Rate of Return by Class

Rate Schedule	FACOS Rate of Return	Unitized
Rate 10 - Residential	7.34%	1.07
Rate 30 - Irrigation Service	10.00%	1.45
Rate 31 - Water and Sewer Pumping Service	18.40%	2.67
Rate 37 - Gas Air Conditioning Service	(3.33%)	(0.48)
Rate 39 - Compressed Natural Gas Vehicle Fuel	(0.22%)	(0.03)
Rate 54 - Small General Service	7.26%	1.05
Rate 56 - Medium General Service	5.84%	0.85
Rate 58 - Large General Service	4.44%	0.64
Rate 61 - Sales for Resale Service	(5.97%)	(0.87)
Rate 70 - Off-System Transportation	(4.11%)	(0.60)
Rate 72 – Compressor Fuel	(2.61%)	(0.38)
Rate 114 - District Energy System Service	5.88%	0.85
Overall	6.88%	1.00

Witness Yardley provided additional evidence about the impact of the requested rate revisions. That additional evidence is compiled in the table below. The table was not provided by witness Yardley but was created by the Hearing Examiners to organize evidence to ensure effective presentation.[138]

[138] For reference, the values in the Hearing-Examiner-created table come from Witness Yardley's direct testimony at exhibits DPY-9 and DPY-10.

Rate Schedule	Current Base Revenues	Proposed Base Revenues	Change In Base Revenues
Rate 10 – Residential	148,647,999	179,167,810	20.5%
Rate 30 - Irrigation Service	591,059	591,059	0.0%
Rate 31 - Water and Sewer Pumping Service	33,648	33,648	0.0%
Rate 35 - Water and Sewer Pumping Service	-	-	0.0%
Rate 37 - Gas Air Conditioning Service	2,359	2,972	26.0%
Rate 39 - Compressed Natural Gas Vehicle Fuel	133,586	168,287	26.0%
Rate 54 - Small General Service	35,438,459	42,714,542	20.5%
Rate 56 - Medium General Service	5,333,529	6,718,989	26.0%
Rate 58 - Large General Service	3,870,198	4,875,537	26.0%
Rate 61 - Sales for Resale Service	385,334	485,430	26.0%
Rate 70 - Off-System Transportation	335,523	422,679	26.0%
Rate 72 – Compressor Fuel	499,999	629,881	26.0%
Rate 114 - District Energy System Service	780,346	983,053	26.0%
Overall	196,052,039	236,793,887	20.8%

It is important to consider these proposals in more granular terms. Here are the anticipated rate changes for NMGC's four largest classes that would occur if these rate changes became effective:

- Rate 10 Customers – 20.5% increase in base revenues comprised of an 18.8% increase in the access charge (from $12.00 to $14.25) and a 78.8% increase in transmission charges.
- Rate 54 Customers – 20.5% increase in base revenues comprised of an 18.1% increase in the access charge (from $23.50 to $27.75) and a 45.7% increase in transmission charges.
- Rate 56 Customers – 26.0% increase in base revenues comprised of a 19.3% increase in the access charge (from $109.00 to $130.00), a 25.5% increase in transmission charges, and a 26.9% increase in distribution charges.
- Rate 58 Customers – 26.0% increase in base revenues comprised of a 19.0% increase in the access charge (from $1,240.00 to $1,475.00) and a 97.8% increase in distribution charges.[139]

[139] NMGC Ex. 35 at exhibit DPY-9.

6.1.6. New Rate 72

NMGC's Application proposed a new compressor-fuel rate, Rate 72. Witness Yardley explained that a separate rate for this service is appropriate because "the load characteristics for this type of load vary from other NMGC commercial end uses."[140] The users who fall within this tariff utilize "gas as a compressor fuel."[141]

6.1.7. IMP

Witness Bullard explained that "[t]he primary driver for the increase in capital investment are projects related to the Company's [IMP]."[142] The IMP is comprised of "plans and programs designed to identify and mitigate the greatest relative risks within a gas distribution and transmission system."[143] These plans exist because certain infrastructure is aged, and modern regulation assumes a phase out of that aged infrastructure.[144] Witness Bullard identified areas of focus for NMGC's IMP.

- *Replacement of Legacy Pipe* — Replacement of PVC and ABS pipe in NMGC's distribution system. Much of this pipe does not have location wire. NMGC plans to replace 129 miles of this pipe in 2022 and 2023 at a cost of approximately $14 million.
- *Replacement of Legacy Bare-Steel Pipe* — This pipe is susceptible to corrosion and leaks as it is "bare" or lacking necessary corrosion resistance. NMGC anticipates replacing all bare-steel pipe in its system at a cost of roughly $5.8 million.

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[140] NMGC Ex. 35 at 3.
[141] *Id.*
[142] NMGC Ex. 8 at 21.
[143] *Id.* at 30. At the hearing, Mr. Bullard testified that transmission pressures on NMGC's system range from 300 PSI to 1100 PSI. Their distribution system pressures range from 2 PSI up to 200 PSI. 6/27/22 Tr. at 262.
[144] NMGC Ex. 8 at 30-34.

- *Replacement of X-Trube Services* — These are thin-walled, steel-tubing services installed in the 1960s and 1970s. Replacing these along with the compression fittings associated with them will reduce leakage.
- *Sewer-Camera Inspections for Cross Bores* — NMGC must, at times, bore holes rather than dig trenches for installations of gas pipeline. A "cross bore" is an unintentional intersection of a gas or sewer line. NMGC uses sewer cameras to inspect for these cross bores.
- *Transmission-System Modifications to Allow Internal Inspection* — A portion of NMGC's transmission system predating 1994 does not allow for what is known as "pigging." Pigging is a process by which a device is inserted into transmission lines, is moved using system pressure, and as the device moves it assesses the condition of the pipe through which it is travelling. Some sections of NMGC's lines turn too sharply to accommodate pigging. NMGC intends to remedy this shortcoming and modify its transmission system so that pigging is possible.
- *Installation of Remote Shut-Off Valves* — Remote valves that can shut off supply are used to prevent and mitigate unintended releases of gas. NMGC intends to install over 151 remote shut-off valves before 2026.
- *Verification of Pipeline Materials Via Mechanical Testing of Cutouts* — Federal regulations require NMGC to perform cutouts and material testing every mile for pipeline that NMGC does not have adequate records regarding pipe-wall thickness, yield strength, etc. There are inadequate records for thirty-eight percent of NMGC's transmission system

as that part of the system was installed prior to 1970. Cutouts and testing will have to be performed on that portion of pipeline.

- *Hydrostatic testing of Pipelines or Reconfirmation of Maximum Allowable Operating Pressure on Pre-1970 Pipelines* — Approximately 38% of NMGC's pipelines do not have pressure-test records. Federal regulations require NMGC to complete the pressure tests for at least 50% of the system that requires tests by 2027.[145]

Witness Bullard offered the following chart showing anticipated-IMP costs for 2022 and 2023.[146]

Planning Portfolios	2022	2023
Material Verification	$2,123,504	$4,969,006
Hydrotesting	$1,385,710	$2,442,016
Pipeline Replacements	$11,079,054	$9,737,248
Transmission Modifications	$4,513,625	$5,140,529
Remote Shut-off Valves (RSV)	$777,316	$512,185
Legacy Plastic	$7,667,760	$5,047,823
Bare Main	$2,797,777	$2,981,871
DC-X-Trube	$3,652,139	$3,629,064
Total	**$33,996,885**	**$34,459,742**

[145] *Id*. at 35-44.
[146] *Id*. at exhibit TCB-9 at 1 of 4.

Witness Bullard also provided a chart showing anticipated-IMP expenditures for 2024, 2025, and 2026.[147]

Expected Future IMP Investments

	2024	2025	2026
Material Verification	$3,041,209	$3,615,073	$3,262,808
Hydrotesting	$1,747,601	$3,652,915	$1,991,892
Pipeline Replacements	$10,034,435	$7,232,815	$7,756,400
Transmission Modifications	$2,750,966	$6,152,541	$2,718,076
RSV	$397,465	$804,110	$717,991
Legacy Plastic	$169,959	$2,467,475	$4,089,815
Bare Main	-	-	-
Xtrube	$3,729,947	$4,099,658	$4,120,158
Total	$21,871,582	$28,024,587	$24,657,140

Witness Bullard emphasized that these are just "projections." The IMP program involves "identification and remediation of risks to NMGC's system and areas surrounding NMGC's facilities," and "NMGC is constantly evaluating these risks and may at times need to accelerate spending . . . ."[148] These evaluations will undergo updates and spending may differ from projections or fluctuate in uncertain ways. For this reason, NMGC advocates (as it has before) that "the Commission allow NMGC a way to begin recovering these safety-driven investments close to when they are made."[149] By this, he means the IMP-cost-recovery mechanism.

[147] *Id*. at 44.
[148] NMGC Ex. 8 at 45.
[149] *Id*. at 44.

6.1.8. IMP-Cost-Recovery Mechanism

NMGC's Application also again (as was the case in NMGC's past two rate cases) requested an IMP-cost-recovery mechanism so named given that the mechanism permits NMGC to recover through a rider-like rate mechanism costs associated with NMGC's IMP expenditures.

Witness Yardley described the mechanism this way: "[t]he proposed IMP Mechanism is a rate rider that reflects the revenue requirements associated with the areas of targeted replacement and facility[-]enhancement needs associated with the Company's current IMP . . . ."[150] According to NMGC, it bears costs/expenses necessary to perform all tasks in the list above at section 6.1.7. and must do so to ensure safe and reliable service; "yet[,] there are no incremental revenues associated with these integrity management activities."[151] NMGC claims that "many other jurisdictions have adopted targeted cost recovery mechanisms that allow LDCs to recover the costs of infrastructure replacement and safety enhancements in between rate cases."[152] For clarity, these claims deserve additional treatment.

The argument offered by witness Yardley and NMGC in support of the rider is that "NMGC's IMP investments are non-revenue producing and will not contribute incremental base rate revenues, nor will the investments lead to an immediate or significant reduction in operations and maintenance costs." In other words, the investments are expenses that do not generate new income to recoup the expense, and the investments also do not lead to savings by, for example, increasing efficiency. The costs are just costs for which there is no offset. Accordingly, witness

[150] NMGC Ex. 35 at 12.
[151] *Id*. at 11.
[152] *Id*.

Yardley contends that "[r]elying on traditional base rate cases for recovery of the IMP costs does not provide for timely recovery . . . and leads to earnings attrition."[153]

NMGC witness Bullard made a similar argument. He asserted that it would effectively work a penalty on NMGC to preclude it an immediate recovery mechanism given that the company is expected to act immediately and not wait until a rate case filing to make safety improvements required by regulations with which it must comply.[154]

As has been noted, NMGC withdrew the request for the IMP-cost-recovery mechanism in the Stipulation.

6.1.9. <u>GHG Initiatives</u>

The first section of writing here concerns what NMGC has done since the 2019 rate case. The latter writing focuses on what NMGC proposes in the application to do moving forward.

Previous GHG Efforts

The Stipulation in Case No. 19-00317-UT requires NMGC to provide information in this present case about its GHG-reduction initiatives since that case. Specifically, paragraph 26 of the Stipulation in the 2019 rate case provides that NMGC will

> [i]n its next rate . . . provide a reasonable estimate of the reductions in carbon dioxide and methane emissions . . . produced by NMGC's initiatives, including those described in the testimony of NMGC Witness Gerald C. Weseen, and will document the reduction in GHG Emissions produced by those initiatives. NMGC will provide testimony addressing the cost effectiveness of its GHG initiatives.

[153] *Id*. at 14.
[154] *Id*. at 45.

That summary and estimate of GHG reductions was supplied. It is useful to keep in mind, while considering that data, that NMGC's scope-one emissions[155] were estimated to be 169,500 metric tons of CO_2e[156] in 2020.

All the data that follows comes from witness Weseen's direct testimony.

Solar Panel Installation

NMGC has started installing solar panels at facilities across the state to self-generate electricity at sixteen different locations. When the installations are complete, the cost will be approximately $3 million and will eliminate release of 618 metric tons ("MT") of CO2e, with lifetime emissions reductions estimated at more than 17,000 MT of CO2e. Once complete, annual avoided costs will be more than $140,000.[157]

CO2e, or carbon dioxide equivalent, is a standard measurement used in reporting GHG emissions, and means the number of metric tons of CO2 emissions with the same global warming potential as one metric ton of another greenhouse gas, including methane.

CNG Facility

NMGC constructed a CNG-fueling facility for company vehicles at its Edith facility and began purchasing CNG vehicles in 2020 for regular vehicle replacement under its fleet procurement program. It ordered a total of seventeen vehicles.[158] The vehicles purchased are Ford

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[155] The abbreviation CO_2e is, according to the EPA, the "[n]umber of metric tons of CO2 emissions with the same global warming potential as one metric ton of another greenhouse gas[.]" https://sor.epa.gov/sor_internet/registry/termreg/searchandretrieve/termsandacronyms/search.do?search=&term=co2e&matchCriteria=Direct&checkedAcronym=true&checkedTerm=true&hasDefinitions=false.
[156] Scope 1 emissions are "[e]missions from operations that are owned or controlled by the reporting company." https://sor.epa.gov/sor_internet/registry/termreg/searchandretrieve/termsandacronyms/search.do?search=&term=scope%201%20emissions&matchCriteria=Contains&checkedAcronym=true&checkedTerm=true&hasDefinitions=false
[157] NMGC Ex. 12 (Weseen Direct Testimony) at 5.
[158] *Id.* at 6.

F-150s, F-250s, and F-350s.[159] The average annual avoided cost per vehicle, based on CNG use versus regular fuel and expectations for lower maintenance costs for CNG vehicles, is estimated to be about $750.[160] The estimated annual emission reductions when all vehicles are delivered and operating is twenty-seven metric tons.[161] NMGC also reported that it planned to complete a CNG facility at its Santa Fe service center at some future, unspecified time.[162]

Grade 3 Leaks

NMGC and industry practices delineate three categories of gas leaks on a natural gas utility system: Grade 1, Grade 2, and Grade 3.[163] Grade 1 leaks represent an immediate hazard; they must be addressed immediately. NMGC fully complies with this requirement.

Grade 2 leaks are, at the time of discovery, not hazardous to people or property, but repair is justified based on their potential to become a hazard in the future. Grade 2 leaks must be eliminated within 15 months of discovery. NMGC fully complies with this requirement.

Grade 3 leaks are non-hazardous and are expected to remain that way; nevertheless, they produce emissions. Grade 3 leaks must be re-checked yearly to ensure those leaks continue to meet the criteria of a Grade 3 leak.[164] NMGC committed to repairing all "legacy, Grade-three leaks" a total of 431 leaks.[165] The cost of this was $780,000 and resulted in a total reduction of 4,000 metric tons of emissions.[166]

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[159] NMGC Ex. 14 (Weseen Testimony in Response to June 6, 2022 Bench Requests) at 7.
[160] NMGC Ex. 12 at 6.
[161] *Id.*
[162] *Id.* at 7.
[163] *Id.*
[164] *Id.*
[165] *Id.* at 8.
[166] *Id.*

Wizard Controller Replacements

These are pneumatic pressure controllers that use gas pressure to move a valve that vents gas into the atmosphere.[167] Newer models of these controllers are a low-bleed design which require less gas to perform the same function and reduce the amount of supply gas vented to the atmosphere.[168] NMGC replaced thirty-five of these controllers in 2020 and 2021.[169] The annual emissions avoided by the replacement of 35 Wizard Controllers is estimated to be more than 3,000 MT of CO2e, with an estimated lifetime avoided emissions of more than 30,000 MT of CO2e (based on an expected life of 10 years for each controller).[170]

As summarized in the table below, each of the four GHG emission reduction initiatives included in the Company's 2019 Rate Case is cost effectively reducing GHG emissions from Company operations.[171]

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[167] *Id.*
[168] *Id.*
[169] *Id.*
[170] *Id.* at 9.
[171] *Id.*

Summary of 2019 Rate Case GHG Emissions Reduction Initiatives[172]

Initiative	Upfront Incremental Investment	Annual Avoided Costs	Annual Avoided Emissions ($MT\ CO_2e$)	Lifetime Avoided Emissions ($MT\ CO_2e$)	$ per MT CO_2e
Solar installation (16 facilities)	$3,036,878	140,070 (estimated)	618 (estimated)	16,069	($6.79)
CNG Vehicles (Through filing)	$255,449	$12,899 (estimated)	24 (estimated)	268	$299.54
Wizard Controller Replacement	$201,353	$12,555 (estimated)	3,113 (estimated)	31,126	$2.98
Grade 3 Leak Repair	$778,082	$14,910 (estimated)	3,932 (estimated)	19,662	$35.74
TOTAL	**$4,271,762**	**$180,434**	**7,687**	**67,125**	**$11.93**

Prospective GHG Initiatives

Turning now to NMGC's prospective GHG initiatives, witness Weseen states that NMGC has embarked upon or will imminently take the steps described below. Some of these steps require Commission approval.

Equipment Purchases

The Company is purchasing equipment and taking actions that will further reduce methane emissions from the Company's system, building on the Grade 3 leak repair work the Company undertook in the 2019 Rate Case.[173]

NMGC intends to purchase mobile flare units to avoid venting of gas during large system improvement projects, including construction or retirement of lines. These units allow for burning

[172] *Id.* at 10.
[173] *Id.* at 13.

gas as opposed to gas being vented, which produces CO2 emissions rather than methane emissions, and therefore a reduction in overall GHG emissions.[174] This will cost $390,000 in 2022 and 2023 and will eliminate an estimated 3,620 MT of CO_2 emissions.[175]

NMGC will also purchase trailer-mounted compressors to extract natural gas stranded in isolated sections of the main, compress it, and inject it back into the system. The compressor will also be used during integrity management in-line inspections ("ILI"), to move gas from the upstream side of the ILI tool to the downstream side, to help push the tool through the pipeline.[176] The Anticipated cost of this action is $710,000 and will eliminate an estimated 2,100 MT of CO_2.[177] NMGC will change its processes for starting compressor stations to reduce gas venting in the startup stage.[178] This will cost approximately $610,000 to eliminate an estimated 602 MT of CO_2.[179]

For investments in 2022 and 2023, these three actions will eliminate approximately 6,400 MT of CO2 at a cost of just more than $1.7 million. Over an assumed 15-year life, these actions will reduce the Company's GHG emissions by approximately 96,000 MT of CO2e. The average cost per MT of CO2e, for this portfolio of initiatives, is estimated to be $21.83.[180]

Hydrogen Blending

Natural gas is methane and hydrogen blending involves taking pure hydrogen and blending it with natural gas already in the gas distribution system thereby reducing the methane being

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[174] *Id.*
[175] *Id.*
[176] *Id.* at 13-14.
[177] *Id.* at 14.
[178] *Id.*
[179] *Id.*
[180] *Id.*

delivered.[181] The company could eventually supply the blended gas systemwide to its customers.[182] That hydrogen will come from renewable natural gas, combustion of natural gas with carbon capture, or from hydrogen produced by electrolyzers utilizing excess wind or solar energy.[183]

NMGC proposes that the project occur in two phases. Phase 1 involves installation of pipes and blending equipment at the Edith Facility, to enable the testing of hydrogen blended with natural gas.[184] Phase 1 began in late 2021. During these tests, small amounts of premixed hydrogen and natural gas were blended into a replicated testing system that is completely isolated from the Company's distribution system and tested in natural gas appliances.[185] These Phase 1 tests, which will continue in 2022, are supported by consulting expertise from the Gas Technology Institute (GTI) and are being used to prepare for Phase two of the project.[186]

Phase two will involve blending five percent hydrogen with ninety-five percent methane and then introduction of that mix into an isolated segment of NMGC's system that actually serves customers.[187] A key element of Phase two is engagement with interested and affected stakeholders, including the community and residential/commercial customers, and data collection regarding blending and the potential impact of hydrogen on NMGC's system.[188]

NMGC anticipates that the cost of Phases I and II is expected to be \$6.7 million to be spent in 2022 and 2023.[189] Shareholder funds will be used first to cover these expenses. Then, NMGC

[181] *Id.* at 15.
[182] *Id.* at 15-16.
[183] *Id.* at 17.
[184] *Id.* at 16.
[185] *Id.*
[186] *Id.* at 16-17.
[187] *Id.* at 17.
[188] *Id.*
[189] *Id.* at 18.

will require $2.9 million in funds collected from ratepayers to fully fund both phases. In its Application, NMGC proposed to include $2.9 million in rate base for 2023.[190]

6.1.10. WNA

In 18-00038-UT, the Commission approved a Weather Normalization Adjustment ("WNA") mechanism to allow NMGC to adjust base-revenue recoveries annually for variations in temperature, *i.e.*, variations that are beyond the ability of the company or its customers to influence or control. The mechanism was approved as a five-year pilot program. It will terminate at the end of the five-year period unless the Commission expressly approves otherwise.[191] This is year four of the program.

In Case No. 19-00317-UT, paragraph 25 of the Stipulation set forth the Signatory's agreement that NMGC's proposed change to NMGC Rule No. 29 to update the factors use in the Company's Weather Normalization Adjustment Mechanism as shown in Stipulation Exhibit No. is fair, just, and reasonable and should be approved by the Commission.[192]

NMGC, through Witness Yardley, asks in its application that the Commission permit the WNA to operate for "an additional heating season . . . ."[193] The WNA appears to be performing as expected based upon the results of the first two heating seasons. It should be noted that temperatures for each of the first two years were relatively close to normal.[194] Additional details about the program are provided to aid the Commission in its assessment of that request.

[190] *Id.*
[191] Case No. 19-00317-UT, Certification of Stipulation, (11/24/2020) at 32, approved by Final Order (12/16/20).
[192] Case No. 19-00317-UT Unopposed Stipulation at 8 and Ex. No. 9. Approved by Commission Final Order (12/16/20).
[193] NMGC Ex. 35 at 34.
[194] *Id.*

The WNA applies to rates 10 and 54. Witness Yardley gave a full account of how the WNA functions. In sum, the weather at the end of a heating season is compared to an average and then the deficit or surplus is collected or returned. Here are witness Yardley's words on the subject.

> At the end of the heating season (October - April), the actual measured weather will be compared with normal weather to determine how much warmer or colder weather variated from normal. The base revenue impact of a warmer period will be charged to customers over the subsequent year and the base revenue impact, of a colder period will be credited to customers over a subsequent year. The process will repeat itself each year with the second and each succeeding year changing the net rate to be charged or credited depending on the intervening weather.[195]

At hearing Mr. Yardley was asked whether the WNA Mechanism was effectively an attempt to separate the Company's ability to collect revenue from volumetric sales, and answered that "yes, it is a form of that."[196] He also testified that it is a form of revenue decoupling.[197] In Case No. 18-00038-UT, Mr. Yardley testified that "wide fluctuations in weather in recent winter heating seasons have affected customers' bills and have contributed directly to fluctuations in the level of base revenue recoveries to [NMGC]."[198] The WNA was designed to address this problem. It "is not intended to provide the Company with a guarantee that it will earn its authorized revenue requirement in any given year[,] but to provide the Company with a reasonable opportunity of earning that authorized revenue requirement."[199]

Witness Yardley reports that "[t]he WNA appears to be performing as expected" based on the first two heating seasons during which the adjustment has existed.[200] Both years had "relatively

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[195] Case No. 18-00038-UT, Direct Testimony of Daniel P. Yardley, at 18 (02/26/2018).
[196] Tr. 06/30/2022 (NMGC Witness Yardley) at 1046.
[197] *Id*.
[198] Case No. 18-00038-UT, Phase I Certification of Stipulation, at 9 (04/08/2019) adopted by Final Order (7/17/2019).
[199] *Id*.
[200] NMGC Ex. 35 at 34.

close to normal" temperatures.[201] He asserts that allowing the WNA to continue to function "for additional heating seasons will aid in the assessment of whether to continue, modify[,] or replace the WNA."[202] He recommends "that the WNA be continued in its present form until the conclusion of NMGC's next base rate case or be brought forward for review at the commission's discretion."[203]

NMGC Witness Dr. Kann testified that her review of climate data for this case supports the conclusion that "10-year averages remain the recommended estimate or predictor for expected HDDs."[204] "HDDs are values of temperature departures from a base value and are used as indicators of energy fuel consumption."[205] As was explained previously, the WNA ensures excess base-rate revenues are refunded to customers when colder-than-normal weather occurs and ensures customers are charged additional base-rate revenues when warmer-than-normal weather occurs.[206] The HDDs are utilized to determine how the weather played out (colder or warmer) in comparison to averages.

Whether the WNA should be a permanent feature of NMGC's rates is an important question but is, as later described, not under consideration here.

6.1.11. New Employees

NMGC's Application asks for revenue to "cover its planned increase in headcount."[207] NMGC asked for revenue to add thirty-two employees by 2023.[208] NMGC witness Wilcox

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[201] *Id.*
[202] *Id.*
[203] *Id.* at 34-35.
[204] NMGC Ex. 33 at 4.
[205] *Id*. at 8.
[206] Case No. 18-00038-UT, Direct Testimony of Daniel P. Yardley, at 18 (09/24/2018).
[207] NMGC Ex. 1 at 13.
[208] NMGC Ex. 21 at 17; NMGC Ex. 27 at 8.

testified that, "[i]n evaluating the number of positions the company needs to meet the increasing demands on it, each company group evaluated its needs for additional personnel."[209] This was the result.

- *Corporate Security* – One (1) Physical Security Infrastructure Specialist.[210]
- *Human Resources* – Two (2) HR generalists.[211]
- *Customer Service and Communications* – Ten (10) employees including a low-income program manager, a web designer, and a digital-customer-experience specialist, and others.[212]
- *Operations Employees* – Seven (7) new employees including line locators, an inspection supervisor, and others.[213]
- *IT&T* – Two (2) employees one each for cyber security and infrastructure.[214]
- *Legal* – Two (2) employees, a compliance coordinator and contracts analyst.[215]
- *Gas Management and Technical Services* – Seven (7) employees for, among other things, pipeline safety, gas supply, and environmental.[216]

It is the Hearing Examiners understanding that this is a full account of the requested new employees. This amounts to thirty-one new positions. It is unclear if the Hearing Examiners have missed one or NMGC's numbers are inflated by one.

6.1.12. Rights of Way

NMGC witness Bullard explained that NMGC anticipated significant costs associated with renewing or procuring rights-of-way associated with the Brazos Mainline project and the Albuquerque Mainline system.[217] Tables providing estimates for renewals of rights of way accompanied the Application. Those tables were voluminous, and the Hearing Examiners requested a more condensed version of the information.

[209] NMGC Ex. 21 at 19.
[210] *Id*. at 20.
[211] *Id*.
[212] NMGC Ex. 18 at 2.
[213] NMGC Ex. 17 at 3.
[214] NMGC Ex. 15 at 37-40.
[215] NMGC Ex. 23 at 29.
[216] NMGC Ex. 8 at 58-59.
[217] *Id*. at 54.

In response, witness Bullard supplied tables showing the total of thirteen-month averages of all rights of way in the adjusted future test: $46,461,655.[218] He also showed that amortization expense associated with these rights of way in the future test year: $3,083,505.[219]

6.1.13. **IT&T Investments**

NMGC Witness DeCourcey provided testimony about IT&T investment included in the company's projections for 2022 and 2023.[220]

Table 1 – NMGC IT&T Capital Investment by Year

Timeframe	Capital Investment
2022	**$9,883,730**
2023	**$10,155,573**
TOTAL	**$20,039,303**

These expenses include costs for internal and external threat reduction, streamlining of projects with IT&T resources, enhancing the customer experience, business analytics, and maintaining and improving IT&T assets including hardware and software.[221]

6.2. STIPULATION

6.2.1. Summary of the Stipulation

The Stipulation provides for the following:

• A negotiated increase in revenues, to be recovered through NMGC's base rates, of $19.3 million; an ROE of 9.375%; and a capital structure of 52% equity and 48% debt.

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218 NMGC Ex. 11 (Bullard Testimony in Response to the June 6, 2022 Bench Requests) at exhibit TCB BR-1 at 2 of 2.
219 *Id.*
220 NMGC Ex. 15 (Decourcey Direct Testimony) at 4.
221 *Id.* at 12-13.

• A calculated cost of debt of 3.27% and a post-tax weighted average cost of capital ("WACC") of 6.44%.

• Annual amortization periods the same as reflected in NMGC's Application. If rates, resulting from a rate case subsequent to this one, are effective prior to the full amortization of the current rate case costs, any party may challenge the unamortized amount of the current rate case costs in such subsequent rate case.

• Continued use by NMGC of its current depreciation rates until they are changed in accordance with 17.3.340 NMAC.

• Provisions addressing the Company's proposed GHG emission reduction programs including its proposals relating to its ongoing hydrogen blending program and its ongoing Compressed Natural Gas ("CNG") vehicle fueling program.

• Withdrawal of the proposed IMP Cost Recovery Mechanism and agreement regarding continuation of an IMP regulatory asset consistent with the one agreed to in NMGC's last rate case, NMPRC Case No. 19-00317-UT.

• A different rate design than the one proposed in the original Application, including a negotiated increase in the Residential Rate No. 10 customer access fee from $12.00 to $12.40 per month.[222]

The first seven paragraphs of the Stipulation contain background regarding the filing of the case and its contents; the Signatories agreements that the Stipulation was a result of arm's length negotiations and properly balanced the interests of customers and investors; and their conclusion that the Stipulation is in the public interest and results in fair, just, and reasonable rates.

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[222] NMGC Ex.2 at 4-5.

Paragraphs 8-16 were set out in the Base Revenue Increase and Stipulated Rates section. Some of the sections have been previously discussed in the summary section of this Certification or will be discussed in subsequent sections.

Paragraphs 17-20 relate to the Section on the IMP Regulatory Asset which will be discussed later in the Certification.

Paragraphs 21-25 are set out in the GHG Emission Reduction Initiative section which will be discussed later.

Paragraphs 26-33 are included in the Additional Provisions section and will be discussed later as necessary.

Paragraphs 34-46 are included in the General Provisions section and will be discussed as necessary.

6.2.2. Stipulated ROE

NMGC originally requested an increase in revenues of approximately $40.7 million to be recovered through base rates, an overall WACC of 6.89% including a requested ROE of 10.1%, and a capital structure comprised of 53% equity and 47% debt.[223] The Stipulation leaves NMGC's ROE at the level set in Case No. 19-00317-UT: 9.375%.[224] In its Application, NMGC requested a 0.725% increase in the ROE which would have put it 10.1%. As was discussed above, NMGC's ROE witness, Dr. Morin, testified in his direct testimony that this was the lowest and most conservative ROE he believed he could recommend.

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[223] *Id.*

[224] The status quo set in 19-00317-UT is itself an outcome of compromise. In that case, the recommendation on the appropriate ROE ranged from NMGC's request of 10.2% to 8.50% recommended by the FEA. The stipulated ROE in 19-00317-UT only increased NMGC's ROE by 0.275% or 27.5 basis points.

In subsequent testimony, Dr. Morin explained that the agreement in the Stipulation regarding NMGC's ROE does not undermine his initial conclusions. He explained that he "performed a DCF analysis, and that analysis supports a range of possible ROEs that easily encompasses the 9.375% ROE settled upon by all the parties in this case."[225] The lowest of these is 8.8%. He added that, "[i]n my opinion using reasonable assumptions under a DCF analysis would support the agreed upon ROE in this case."[226]

During redirect, NMGC's counsel asked Dr. Morin whether the company's willingness to accept a lower ROE than he recommended as a minimum might be predicated upon the fact that the Commission has awarded low ROEs.[227] Dr. Morin responded that "it could be, but I really don't want to go there."[228]

Staff's ROE witness, Marc Tupler, utilized the 9.375% as the lowest value in his range of reasonableness. Witness Tupler explained that 9.375% was the "bottom" of the range given that his analysis produced "much higher" numbers.[229] Witness Tupler's range was a high of 9.64%, a middle of 9.51%, and then a low of 9.375% (or 9.38% rounded to the nearest hundredth decimal).[230]

NMAG witness Crane testified that she and the other individuals (Dr. Woolridge and Prof. Gegax) who assisted her on behalf of the NMAG in this proceeding[231] determined that NMGC's

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[225] NMGC Ex. 26 (Dr. Morin Testimony in Response to the June 6, 2022 Bench Requests) at 8.
[226] *Id.*
[227] Tr. (06/29/2022) (NMGC Witness Dr. Morin) at 633-34.
[228] *Id*. at 632.
[229] Tr 06/30/2022 (Staff Witness Tupler) at 966-67.
[230] Staff Ex. 2 (Tupler Response to the June 6 and June 8, 2022 Bench Requests) at exhibit B; Tr. 06/30/2022 at 928.
[231] According to Witness Crane, Dr. Woolridge looked "at the capital structure, look[ed] at the cost of equity, and to some extent, look[ed] at the cost of debt." Tr. 06/29/2022 at 824. Dr. Gegax focused on rate design. Tr. 6/29/2022 at 825.

initial ROE request of 10.1% was excessive. In fact, their initial analysis resulted in an ROE lower than 9.375%.[232]

For reasons that are not entirely clear, witness Crane declined to specify precisely what Dr. Woolridge's recommendation on the ROE was, and Dr. Woolridge did not testify. Witness Crane would say only that "he's generally been in the ranges lately of, you know, let's call it 8.75 [to] 9.1 [percent]."[233]

Despite this, witness Crane supported the 9.375% outcome, and she expressed that it was an acceptable result given that the "parties had strong and divergent views on this issue" and the parties could at least agree to "retain the currently-authorized cost of equity and capital structure for purposes of the [s]tipulation."[234]

NM Area Witness Gorman testified that the adjustment to the overall rate of return represented an important compromise of the Company's claimed revenue deficiency that led to a settlement deemed fair and reasonable by all parties to this case.[235]

At the hearing, Dr. Morin testified that the average authorized return in the U.S. for gas utilities was about 9.5%.[236] Mr. Gorman testified that for calendar year 2022, for regulated gas delivery companies, the average ROE was 9.38%.[237] Mr. Goman attributes this information to a report dated June by Regulatory Research Associates, who are a division of Standard & Poor's Market Intelligence.[238] Also utilizing Regulatory Research Associates, Mr. Tupler testified the

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[232] NMAG Ex. 1 (Crane Testimony in Support of the Stipulation) at 11, 15.
[233] Tr. (06/29/2022) (NMAG Witness Crane) at 835.
[234] NMAG Ex. 1 at 15.
[235] NM Area Ex. 1 (Gorman Stipulation Testimony) at 3.
[236] Tr. 06/29/22 (NMAG Witness Dr. Morin) at 610.
[237] Tr. 6/30/22 (NM AREA Witness Gorman) at 912-913.
[238] *Id*. at 913.

average allowed ROE across 27 vertically integrated gas utilities for the full year of 2021 was 9.46%.[239]

Despite the existence of evidence supporting a lower ROE than proposed in the Stipulation, no witness in the case offered evidence that the stipulated ROE was not within a zone of reasonableness. All have accepted the number. No one recommended something different. The 9.375% ROE is within the range of reasonable outcomes based upon the substantial evidence in the record, is unopposed, and should be adopted by the Commission.

6.2.3. Other Agreed upon Financial Terms

The Parties negotiated and agreed on the revenue deficiency of $19.3 million, the ROE of 9.375%, the debt/equity structure of 52%/48%, and the increase in the Residential Rate No. 10 access fee from $12.00 to $12.40.[240] The parties used the agreed upon ROE and capital structure along with an anticipated 3.27% cost of debt, to calculate the WACC.[241]

NMGC witness Shell testified that like many companies operating these days, NMGC is facing rising costs and increasing financial pressures which resulted in the filing of a significant rate case.[242] NMGC settled for approximately half of its request because it needs revenues to continue to provide reliable service to our customers. As reflected in the Stipulation Cost of Service, management analyzed how to plan for deferral of some capital projects without compromising safety, reliability, and compliance obligations, and to operate the Company with reduced controllable Operations and Maintenance ("O&M") expenditures.[243]

[239] Tr. 06/30/22 (Staff Witness Tupler) at 932.
[240] NMAG Ex. 2 at 8.
[241] *Id*. at 8-9.
[242] *Id*. at 10.
[243] *Id.* NMGC Witness Buchanan testified that in preparing the Stipulation COS (Cost of Service), he used information in the Application, made two adjustments to reflect data from the Fourth Errata (increased Future Test Year revenue

Equally important to the Company in negotiating this settlement is the Company's awareness that its customers are feeling the pinch of these difficult economic times.[244] As NMGC Witness Yardley explains, "the Stipulation results in a 9.65% base rate increase to Rate 10 residential customers, which equates to a 4.3% monthly bill increase for a residential customer with average use, given that the cost of the gas, a pass-through, accounts for approximately 55% of the average residential bill.[245] As a result of this Stipulation, the average residential customer will see an increase of $2.67 per month, which is reasonable while providing the Company with revenues needed to continue operating effectively.[246]

6.2.4. Rate Design

The Parties agreed to a rate design and the Company prepared Stipulation Exhibit Nos. 2, 3, and 4 to reflect the agreed-to rate design. This design includes the increased Residential Rate No. 10 access fee agreed to by all the Parties.[247]

NMGC witness Yardley testified that the revenue allocation among classes was reasonable because ""all increases fall within 5% of the average increase and under this methodology all rate classes share a proportion of the increase and no rate class receives an unduly burdensome

by $3,317,850 due to a agreement to transport gas for a transportation customer resulting in a corresponding decrease to the revenue requirement, and increased labor cost to account for merit increases from 5% to 9% which increased the revenue requirement by $2,379,670) and then made specific adjustments (as set forth in pages 6-7 of his testimony) to arrive at the agreed upon $19.3 million provided in the Stipulation. NMGC Ex. 31 at 5. The combination of those two revisions resulted in a net revenue increase of approximately $940,000, and thus result in a corresponding decrease in its rate request.

[244] NMAG Ex. 2 at 10.

[245] *Id*. at 10-11. At the hearing, Mr. Shell testified that the 55% is the cost of gas passed through by Gas Company and agreed that the other 45% of the customer's bill are charges for Gas Company's access, transmission, and distribution. Tr. 06/27/22 at 139. Mr. Shell also testified that gas costs have risen from where they were in 2019 and 2020 and have probably doubled. Tr. 06/27/22 at 141.

[246] NMAG Ex. 2 at 11.

[247] NMAG Ex. 2 at 9.

proportion of the agreed upon increase."[248] Mr. Yardley also testified that when you have an average increase of 9.68 percent, if the smallest increase is a 5 percent increase, which is true for Rate 31, and the largest increase is a 13.01 percent increase, which is true for Rate 37, all of these percentages being for base revenues only, not gas costs or total bill, that indicates to me that the revenue increase to each class and the way it's spread, is one that moderates the views of the different parties with respect to cost allocation.[249] In my view, it is a reasonable one.[250]

At the hearing, Mr. Yardley testified that using the information from the study that you have in the record to consider the reasonableness of the revenue allocation and rate design in the Stipulation, makes him comfortable with the way that the revenues are going to be recovered from customers in the Stipulation, even though I don't have a FACOS that directly corresponds to the Stipulation.[251] He is able to use the study that he performed already with an understanding that gives him excellent insight on direction and reasonableness of the rates that are being proposed.[252]

LAC witness Mr. Garcia testified that LAC is a municipality that provides among other services, natural gas services to approximately 19,330 customers.[253] They purchase their own natural gas supplies from a third-party gas supplier and pay NMGC for transportation services across their system to deliver the gas to LAC.[254] This service is provided under the Sale for Resale tariff, referred to as Rate 61.[255] LAC does not run the system to make a profit and approximately 94% of their customers are residential and the other 6% is small commercial, primarily the Los

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[248] NMGC Ex. 36 (Yardley Stipulation Testimony) at 4.
[249] Tr. 06/27/22 (NMGC Witness Yardley) at 205.
[250] *Id*. at 205-206.
[251] *Id.* at 191.
[252] *I*d.
[253] LAC Ex. 1 (Garcia Direct Testimony) at 1.
[254] *Id*. at 1-2.
[255] *Id*. at 2.

Alamos public schools. LAC does not provide services to LANL.[256] LAC has intervened on several NMGC rate proceedings when they deemed it necessary for proceedings related to the transportation of natural gas over the NMGC system.[257] LAC's main objective is to ensure that any increase granted to NMGC was justified and fairly allocated between the various customer types.[258]

Mr. Garcia testified that the Stipulation results in a significant reduction from the increase requested by the Company in its initial and errata filings, and the County believes that the Stipulation achieves our main objective, will allow the company to continue to provide safe and reliable service to its customers, and provides a reasonable chance for NMGC to recover a fair return on its investment in plant.[259] Further, LAC believes that the allocation of the overall revenue increase shown in Stipulation Exhibit 2 is reasonable as it recognizes the various concerns raised by parties, including the County, over the Company's proposed allocation of costs to rate classes. No customer will receive a decrease in rates. [260] Furthermore, the stipulation results in the bulk of NMGC's customers, which take service under the Residential and Small General Service tariffs, receiving a base rate increase lower on a proportional basis than the system-wide average increase (9.68%).[261]

FEA Witness O'Donnell testified that a significant concern of FEA in this case was the Company-filed Fully Allocated Cost of Service Study (FACOS).[262] Mr. O'Donnell disagrees with

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[256] *Id.*
[257] *Id.* at 2-3.
[258] *Id.* at 4.
[259] *Id.*
[260] *Id.*
[261] *Id.* at 4-5.
[262] FEA Ex. 1 (O'Donnell Settlement Testimony) at 2.

the Company's FACOS model that allocates mains based on the replacement cost methodology. He maintains that replacement methodology allocation is inaccurate and contradicts past Company-filed FACOS models that allocates mains based on the historical cost methodology, which in his view is the more accurate manner with which to allocate mains.[263] The parties agreed to a rate design that was not directly tied to a specific FACOS-mains-allocation methodology or any other specific rate-design methodology.[264] FEA supports the Stipulation and agrees with the rate design as proposed in the Stipulation for Settlement purposes in this case.[265]

NEE Witness Dr. Jacobson testified that the Stipulation's revenue allocation is reasonable and is not discriminatory.[266]

NM Area Witness Mr. Gorman testified that developed on Stipulation Exhibit 2, 'the proposed spread of the revenue deficiency reflects a movement toward a compromise on class cost of service, and produces an adjustment to each rate class's revenue collection that aligns with cost of service."[267] The resulting increase by rate class is fair and reasonable.[268] As shown on Stipulation Exhibit No. 2, no class receives less than 52% of the system average increase of 9.68%, or a 5% increase, and no class receives more than 1.35 x the system average increase, or a 13.01% increase.[269] As such, the Stipulation reflects a gradual movement to cost of service, and a compromise on the parties' positions toward accurately measuring NMGC's gas class cost of

[263] *Id.*
[264] *Id.*
[265] *Id.* at 3.
[266] NEE Ex. 1 (Dr. Jacobson's Stipulation Testimony) at 23.
[267] NM Area Ex. 1 at 4.
[268] *Id.*
[269] *Id.* At the hearing, Mr. Gorman testified that these comparisons are important because they show a relative distribution of the increase in revenue requirement across rate classes that reflects a gradual movement towards cost of service, while also considering the potential rate consequences on certain customers that need a larger increase than other classes of customers. Tr. 6/30/22 at 881.

service.[270] Because the parties could not reach a consensus on a class cost of service study, they negotiated a reasonable and balanced spread of the increase across rate classes that reasonably aligned with the range of cost of service findings, reflecting each party's assessment of NMGC's class cost of service.[271]

Mr. Gorman testified that the rates to produce the increased revenue requirement are developed on Stipulation Exhibit No. 3, pages 1-5.[272] Those rates were adjusted to gradually move each rate class toward its cost of service and reflect a reasonable and balanced resolution of the issues in this proceeding.[273]

Staff Witness Leyba-Tercero testified that Staff supported the stipulated allocation of the revenue increase and rate design because the stipulated increase represents a significant reduction from the approximately $40.7 million or 20.80% increase originally proposed by the Company in its initial Application in this case.[274] Second, Staff believes the stipulated allocation is reasonable and generally reflects the results of NMGC's Fully Allocated Cost of Service ("FACOS") study.[275] Consistent with the result of NMGC's FACOS study, under the stipulated allocation, Rate Nos. 30 and 31 would receive the lowest percentage increases at 6.40% and 5.00%, respectively.[276] This adjustment helps to further mitigate the impacts to rate classes that would otherwise yield higher percentage revenue increases, while still providing a lower increase to these two rate classes, which is generally reflective of cost of service.[277]

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[270] NM Area Ex. 1 at 4-5.
[271] *Id*. at 5.
[272] *Id*.
[273] *Id*. at 5-6.
[274] Staff Ex. 5 (Leyba-Tercero Stipulation Testimony) at 4.
[275] *Id*. at 5.
[276] *Id*.
[277] *Id*.

The stipulated allocation is the result of negotiation, compromise, settlement and accommodations made by each of the Signatories to the Stipulation, and Staff believes that the overall results of the Stipulation are reasonable and in the public interest.[278] Finally, the stipulated rates are consistent with the Commission's long-standing policy of gradualism with regard to increases in fixed monthly customer charges.[279]

6.2.5. IMP Regulatory Asset

Paragraphs 18-20 of the Stipulation provide for the Commission to approve NMGC's booking of a IMP Regulatory Asset related to certain costs associated with the new IMP Projects booked into service after December 31, 2023.[280] The IMP Regulatory Asset allows NMGC to seek future recovery of specified costs associated with certain IMP investments that occur after the conclusion of the test period.[281] Deferred costs booked to the IMP Regulatory Asset include return, depreciation expense, and property tax expense for eligible plant placed in service after December 31, 2023.[282]

NMGC Witness Bullard testified as to the eligible investments that NMGC would be permitted to book as a regulatory asset for specific IMP projects. Those projects are: 1) legacy plastic pipe, 2) legacy bare steel, and 3) X-Trube service replacements.[283] The projects are the same that were included in NMGC's IMP regulatory asset that was agreed to in NMGC's last rate case, 19-00317-UT.[284]

[278] *Id*. at 6.
[279] *Id*. at 6-9.
[280] NMGC Ex. 31 at 13.
[281] NMGC Ex. 36 at 5.
[282] *Id.*
[283] NMGC Ex. 10 at 9.
[284] *Id*. at 10.

The disposition of the IMP Regulatory Asset will occur in NMGC's next base rate case.[285] The IMP Regulatory Asset provides for recovery of a portion of the costs of non-revenue-producing integrity-management investments incurred between NMGC's current and its next base rate case. This is an important objective of the IMP Mechanism initially proposed by the Company. In contrast to the IMP Mechanism, the IMP Regulatory Asset does not provide for timely recovery of the costs incurred by NMGC because it depends on the filing of a future base rate case to reflect the costs in rates. In addition, the Stipulation does not provide certainty that prudently incurred costs are recoverable in the future. [286]

Mr. Yardley concluded that one of the most important benefits is that the IMP Regulatory Asset provides the opportunity for regular communication among NMGC and interested parties concerning the Company's integrity management efforts.[287]

Staff Witness Martinez testified that the continuation of the IMP Regulatory Asset which will provide for the deferral and possible recovery of certain costs associated with new IMP projects booked to plant-in service after December 31, 2023, is a quantifiable benefit to NMGC.[288]

6.2.6. <u>Accounting Positions and Amortizations</u>

Paragraph 28 of the Stipulation provides in its first sentence as follows: "[t]o provide NMGC with the guidance needed to record transactions in its books and records, the Signatories agree that historic accounting treatment by the Company can be carried forward and that NMGC may incorporate the accounting positions as filed in the Application and as detailed in Direct Testimony of NMGC Witness Jimmie L. Blotter and the Direct Testimony of NMGC Witness

[285] NMGC Ex. 36 at 6.
[286] *Id.*
[287] *Id*. at 7.
[288] Staff Ex. 6 (Martinez Stipulation Testimony) at 15.

Davicel Avellan."[289] The specific historic accounting treatments can be found in Mr. Buchanan's testimony at pages 9-10. The accounting positions, similar to other individual cost of service assumptions, have no impact on the agreed upon increase in base revenues.[290] The determination of the $19.3 million was based on arm's length negotiations rather than an assessment of individual components of the cost-of-service calculation.[291]

The second half of paragraph 28 refers to the parties' agreement that they will be free to propose or challenge in future proceedings, the amortization schedules, and their components. The significance of this provision is that while NMGC depreciates capital additions to plant based on accounting standards, some items that are included in plant do not depreciate.[292] These items include rights-of way, the regulatory asset for rate case expenses, the IMP regulatory assets, and the period for accumulated and excess deferred income taxes ("ADIT").[293] Because rights-of way are an interest in land, and land does not have a useful life for depreciation purposes, the Company amortizes these costs. The Company generally amortizes its rights-of-way over 20 years.[294] In the Stipulation COS, NMGC is amortizing the regulatory asset for rate case expenses over two years.[295] NMGC is proposing to amortize the ADIT amounts over 33 years.[296]

6.2.7. Operations and Maintenance (O&M) Labor Costs

NMGC Witness Wilcox testified that there were five primary labor O&M adjustment items included in this rate case.[297] The five adjustment items to be addressed are 1) the 5 percent merit

[289] NMGC Ex. 31 at 9.
[290] *Id.* at 10-11.
[291] *Id.* at 11.
[292] *Id.*
[293] *Id.*
[294] *Id.* at 12.
[295] *Id.*
[296] *Id.*
[297] NMGC Ex. 21 at 2.

pool in 2023, (2) the increased merit pool described in my Supplemental Testimony in support of the Company's Fourth Errata, 3) employee vacancy levels, 4) the 32 positions requested in the Application, and 5) the changes to short term incentive plan ("STIP") for certain employees as described in the Application.[298]

The Company has decided that it is critically important to retain the items outlined in the rate case that promote the retention of current employees and if current employees leave, filling those positions.[299] To ensure the Company can do this, it has retained two important items in its Stipulation Cost of Service – the 5 percent merit in 2023 and the increased merit pool described in the Supplemental Testimony of Mr. Wilcox in support of the Company's Fourth Errata to effectively retain and recruit necessary employees in light of the developing labor market in New Mexico.[300]

To help the Company reduce expenses sufficient to operate under the revenue provided in the Stipulation, the Company anticipates continuing to operate with higher vacancy levels for a relatively short period of time (except in the areas discussed below where employees critical to operations are being drawn away from the Company), to defer filling some or all of the 32 new positions the Company had intended to add before 2023, and to defer the STIP changes the Company had requested in its Application.[301] As a result of this current plan, these three items that were included in the Company's rate case were not included in the Stipulation Cost of Service.[302]

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[298] *Id*. at 2-3.
[299] *Id*. at 3.
[300] *Id*.
[301] *Id*. at 3-4.
[302] *Id*. at 4.

Ms. Wilcox also addressed five labor cost options the Company has available to it to help prioritize and control O&M expenses.[303] In March 2022 NMGC began experiencing a sudden change in the employment market in the north central region where NMGC employees were being recruited to work at Los Alamos National Labs ("LANL").[304] We learned that the contractors for LANL were offering wage and benefit packages significantly higher (as much as 30%-40%) than those offered by NMGC for comparable positions.[305] As described in the Fourth Errata as a result of these offers, multiple NMGC employees resigned in the north central region with little to no notice to NMGC.[306] In order to ensure that the Company was able to continue to provide customers with safe and reliable service, NMGC enacted a supplemental pay plan in the third week of March in the north central region, which includes Santa Fe, Española, and Taos.[307] The details of this supplemental pay plan were presented in Ms. Wilcox's Supplemental Testimony filed on May 23, 22 2022.[308]

In order to remain competitive and to be able to attract and retain employees in these rapidly changing market conditions, NMGC felt it needs to be in a position to offer competitive compensation.[309] To accomplish this, NMGC is finding it necessary to make more money available to address, on an as needed basis, salary increases, retention agreements, or bonuses to retain employees affected by this competitive employment market. Accordingly, the Company requested additional compensation expenses in its FTY. This addition to the Company's merit pool is

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303 *Id.*
304 *Id.* at 5.
305 *Id.*
306 *Id.*
307 *Id.*
308 NMGC Ex. 20.
309 NMGC Ex. 21 at 6.

necessary for NMGC to pay for the supplemental pay program enacted in the north central region, and to proactively provide supplemental pay and bonuses on an as needed, and directed basis, to prevent employees from being recruited away from the Company in other areas of the State.[310]

NMGC has increased its projected merit increase for 2023.[311] NMGC has determined it will be necessary for the Company to increase already proposed merit pay raises for certain employees throughout the Company and to enact supplemental and additional pay programs in order to retain certain employees or hire replacement employees. The amount that the Company needs to accomplish these efforts of employee retention throughout the State required an additional 4% on top of the merit request in its Application. This will cover the costs the Company is currently spending in the north central region, and the amount the Company anticipates it will need to attract and retain certain employees throughout the State. This is the highest priority for management at this time.[312]

NMGC is no longer planning to add the additional 32 employees it proposed hiring by 2023.[313] While we proposed hiring these employees to enhance and improve service, the Company anticipates deferring some or all of these 32 hirings. The Company will work to do more with less in this challenging labor environment.[314]

NMGC is proposing to defer increasing the STIP for employees in grades 5, 6 and 7 from 6% to 10% in 2023.[315] In the current labor market, employees are focused on increases to base pay

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[310] *Id.* Mr. Sanchez testified at the hearing that NMGC lost four service technicians (at least 2 years of work in the industry and a JGL-Journeyman's Gas Fitter's License) and an ops representative (senior ops representatives could do the work of a service tech if they got JGL) in North Central in one day who quit without notice. Tr. 6/28/22 at 431-437.
[311] NMGC Ex. 21 at 7.
[312] *Id.*
[313] *Id.* at 8.
[314] *Id.*
[315] *Id.* at 9.

which is better addressed through merit increases and supplemental pay, so the Company intends to defer these STIP changes.[316]

6.2.8. GHG Settlement Provisions

There are two aspects of the Company's GHG emission reduction initiatives addressed in this Stipulation: first, Paragraph 26 of the Stipulation deals with the Company's report of the results of the Company's GHG initiatives presented in the last rate case.[317] Second, in Paragraphs 21 - 25, and 27 of the Stipulation, the Stipulation deals with the Company's new GHG emission reduction initiatives proposed in this case.[318]

In Paragraph 21, the Parties stated that they agreed to settle the GHG emission reduction proposals made by the Company in this case in recognition of the Company's "commitment to the reduction of greenhouse gas ("GHG") emissions associated with its system and its customers to help New Mexico meet its declared goal of reducing GHG emissions in the State".[319] They also agreed that "NMGC remains committed to providing adequate and reliable service at fair, just and reasonable rates. NMGC also commits that any feasibility studies conducted pursuant to [the GHG reduction] paragraphs will include a rate impact analysis." This language was specifically negotiated by the Parties in an effort to reflect the commitment of the Company and to balance the interests of all the Parties.[320]

Referring to the two phase blending project set out previously in Section 6.1.9, in Paragraph 22 of the Stipulation, the Parties agreed that NMGC would proceed with Phase 1 of the Company's

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[316] *Id.*
[317] NMGC Ex. 13 (Weseen Stipulation Testimony) at 2-3. This compliance reporting issue was previously discussed in this document's Section 6.1.9.
[318] *Id.* at 3.
[319] *Id.* at 4.
[320] *Id.*

hydrogen blending project to be paid for out of the research and development fund supplied by NMGC's shareholder, would withdraw Phase 2 of its hydrogen blending pilot project, including all costs associated with the proposed Phase 2 pilot project, and would work with the intervenors as further set forth in detail in Paragraph 22.[321]

NEE witness Dr. Jacobson, a Professor of Civil and Environmental Engineering at Standford University, has a 33-year career as an atmospheric scientist, and as an energy scientist and engineer.[322] His career has focused on better understanding air pollution and global warming problems, evaluating proposed solutions to these problems, and developing clean and efficient solutions to them.[323] NEE was initially opposed to NMGC's GHG Reduction Initiatives in its Application.[324]

NEE's number one priority was NMGC's agreement to withdraw its investment in blue or gray hydrogen and the associated $2.9 million in charges to ratepayers.[325] NEE supports the Stipulation because Paragraph 22 of the Stipulation contains NMGC's agreement to withdraw Phase 2 of its hydrogen blending pilot project, including all costs associated with the proposed Phase 2 pilot project.[326]

CCAE Witness Mr. Sullivan, a Senior Scientist on the Policy Analysis team at the Natural Resources Defense Council testified as to CCAE's support of the Stipulation provisions regarding ratepayer benefits related to hydrogen research projects, the Company's vehicle fleet and

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[321] *Id.* at 5.
[322] NEE Ex. 1 at 1.
[323] *Id.* Dr. Jacobson's specific work regarding modeling, plans, projects, publications, and studies are set out in pages 2-5.
[324] *Id*. at 11-21.
[325] *Id*. at 22.
[326] *Id.*

compressed natural gas ("CNG") fueling stations and customer sited CNG fueling stations.[327] The agreements delay, and potentially avoid, a Phase 2 pilot project that would have increased system-wide GHG emissions and used ratepayer money on a dead-end GHG emissions reduction strategy.[328] By delaying or avoiding the Phase 2 pilot, the agreements also lower risks related to the air pollution, leakage, and safety.[329]

One of the Company's GHG initiatives in this case was for the continued development of the Company's CNG vehicle programs.[330] There are three provisions in the Stipulation dealing with these issues: Paragraphs 23, 24 and 27. In Paragraph 23 of the Stipulation, NMGC agreed to include electric and hybrid vehicles in its annual comparative analysis of proposed passenger vehicle and truck purchases and to perform the analysis spelled out in the remainder of that paragraph.[331] The Company suggested and it was agreed that when feasible, based on the analysis described above, the Company shall show a preference for electric passenger vehicles and trucks.[332]

In Paragraph 24, NMGC agreed to demonstrate that any future expansion or construction of any CNG station for use with Company vehicles for which recovery is sought is the most reliable, cost-effective option for the Company and its ratepayers.[333] NMGC agreed to conduct an analysis and provide notification as called for in the remainder of that paragraph. Importantly, the Company preserved its right to continue to use CNG and CNG facilities for operational needs. The

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[327] CCAE Ex. 1 (Sullivan Testimony Supporting Stipulation) at 3.
[328] *Id.* at 4-5.
[329] *Id.* at 5.
[330] NMGC Ex. 13 at 6.
[331] *Id.*
[332] *Id.*
[333] *Id.*

Company relies on CNG (which is nothing more than what it says it is, compressed natural gas) for emergency and temporary use to supply customers in events of construction or isolated interruptions of service.[334]

NEE supports Stipulation paragraphs 23 and 24 because those agreements require comparative analyses before investment which NEE believes will protect ratepayers from wasteful expenditures in the future.[335]

CCAE also supports Stipulation paragraph 23 because if the Company fairly analyzes alternative fuel technologies, especially electric vehicles, for its fleet purchases, customers will benefit from lower utility vehicle ownership costs.[336] If electric vehicles are chosen for purchase, customers will benefit from lower emissions than they would have experienced from either CNG vehicles or gasoline or diesel-powered vehicles.[337]

WRA witness Mr. O'Connell, WRA's Deputy Director of WRA's Clean Energy Program, testified that WRA's analysis of the issues in this case emphasized the Company's revenue requirement requests associated with leak repairs, gas capture devices, rooftop solar panel installations, vehicle purchases, compressed natural gas stations and the hydrogen blending pilot project.[338] WRA analyzed each of these activities by exploring the short term and long term climate impacts associated with each proposal. The provisions of the Stipulation contained in paragraphs 21-25 reflect a fair resolution of the elements of NMGC's rate case Application that have the greatest impact on climate change.[339] These paragraphs recognize NMGC's commitment to

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[334] *Id.*
[335] NEE Ex. 1 at 22-23.
[336] CCAE Ex. 1 at 15.
[337] *Id.* at 15-16.
[338] WRA Ex. 1 (O'Connell Stipulation Testimony) at 3.
[339] *Id.*

reducing GHG emissions associated with NMGC's system and with the Company's customers use of NMGC's service.[340]

In paragraph 27 of the Stipulation, NMGC agreed to modify the language of its current Rate No. 39 to remove the provisions relating to Optional Station Construction and Operation of CNG vehicle stations for possible development of customer associated CNG stations.[341] At present there are no pending requests from new customers for such facilities, and the since this paragraph does not affect any existing customers operating under Rate No. 39 the Company believed it could continue to serve customers with this provision.[342] See, Stipulation Exhibit 5.

CCAE was supportive of this Stipulation provision because removing the provisions in Rate 39 relating to Optional Station Construction and Operation protects ratepayers from stranded asset risk.[343]

WRA is also supportive of the paragraph 27 limits on future Company investment in compressed natural gas ("CNG") stations to what is described in Paragraph 24.[344] WRA concludes that the Company's climate commitment is rooted in New Mexico's policy goals, and the Company agrees that these commitments are consistent with its provision of adequate and reliable service at fair, just and reasonable rates.[345]

Staff also supported approval of the stipulated changes to rate No. 39.[346] It is Staff's understanding that the proposed changes to the language of its current Rate No. 39 to remove

[340] *Id*. at 4.
[341] NMGC Ex. 13 at 6-7.
[342] *Id*. at 7.
[343] CCAE Ex 1. at 21.
[344] WRA Ex. 1 at 4.
[345] *Id*.
[346] Staff Ex. 5 at 13.

provisions relating to Optional Station Construction and Operation address the concerns of certain intervenors in this case.[347] Staff is not opposed to these changes because they do not affect any existing customers operating under Rate No. 39.[348]

Electrification of the Company's compressors had not been proposed by the Company in this case, but in negotiations this issue came up, and in Paragraph 25 of the Stipulation, NMGC agrees to conduct a new analysis of the feasibility of electrifying some or all Company-owned compressor stations, including a cost benefit analysis, and to make this analysis available to stakeholders for review prior to seeking the recovery of such costs.[349] A high-level review of this concept had previously been done as part of an internal analysis of options for reducing the Company's GHG emissions, but the Company agreed to revisit this issue as described.[350]

6.2.9. Other Stipulation Agreements

Paragraph 26 sets forth the Signatories agreement that NMGC's testimony regarding the results of GHG emission reduction incentives complied with paragraph 26 of the Stipulation in Case No. 19-00317-UT.

Paragraph 29 contains the Signatories agree that the discounted transportation rates identified in the Direct Testimony of NMGC Witness Tom C. Bullard and his supporting exhibits, and listed in Stipulation Exhibit No. 6, are fair, just, and reasonable and no changes to these rates are necessary, other than cancellation of Rate No. 819 as discussed in Paragraph 8 above.

[347] *Id.*
[348] *Id.*
[349] NMGC Ex. 13 at 7.
[350] *Id.*

Paragraph 30 sets forth the Signatories agreement that NMGC's proposed change to Rate No. 72 to provide separate service to third-party owned compressors, as shown in Stipulation Exhibit No. 7, is fair, just, and reasonable and should be approved by the Commission.[351]

Paragraph 31 contains the Signatories agreement that NMGC's proposed change to its Weather Normalization Adjustment Mechanism, codified in Second Revised Rule No. 29 – Rate Design, as shown in Stipulation Exhibit No. 8, is fair, just, and reasonable and should be approved by the Commission.[352]

Paragraph 32 relates the Signatories agreement that it is appropriate to extend the term of NMGC's pilot program for a Weather Normalization Adjustment Mechanism, and that NMGC shall include in its next general base rate case filing a request to implement the Weather Normalization Adjustment Mechanism on a permanent basis.[353]

Paragraph 33 sets out the Signatories agreement that is reasonable to cancel the discounted transportation First Revised Rate No. 819 – Ciniza Refinery.

Paragraph 36 sets forth the Signatories agreement that this Stipulation: 1) provides benefits to NMGC and its customers, 2) is in the public interest; and 3) results in fair, just, and reasonable rates.

[351] Staff provided testimony supporting Paragraph 30 of the Stipulation regarding Rate No. 72 Compressor Fuel Service. Staff Ex. 5 at 13-15.
[352] Staff provided testimony supporting Paragraph 31 of the Stipulation regarding the WNA Mechanism Rule 29-Rate Rider No. 8 Details. Staff Ex. 5 at 15-16.
[353] Staff provided testimony supporting Paragraph 32 of the Stipulation regarding the WNA Mechanism Extension. Staff Ex. 5 at 16-18.

Paragraph 44 set forth that the Federal Executive Agencies, and the City of Albuquerque do not oppose the terms of this Stipulation and may subsequently file a joinder to this Stipulation if they so wish.

Paragraph 46 set forth the Signatories agreement to toll the running of the applicable suspension period for a period of time beginning with the commencement of the parties' settlement negotiations and ending with the final Commission action on this Stipulation. The parties agree that the date settlement negotiations commenced was April 28, 2022.

6.2.10. Stipulation General Provisions

Paragraphs 34-35, 37-43, and 45 contain "general provisions" regularly included in stipulations in New Mexico and some of which constitute an important part of the consideration for the agreement of the Signatories to settle this case. Other provisions in this group are procedural agreements for processing the Stipulation that are typically accepted by the Commission. An example of the former is paragraph 40 where the understanding of the Signatories is that "by approving this Stipulation, the Commission is neither granting any approval nor creating any precedent regarding any specific precedent or issue in future proceedings, except as specifically provided in the final order.' An example of the latter is paragraph 45 regarding execution of multiple counterparts to execute the Stipulation.

6.2.11. Stipulation Attachments and Schedules

The Stipulation contained the following exhibits:

The Stipulation COS Schedules provided in Stipulation Exhibit No. 1 include:

• The Stipulation COS Reconciliation, which provides NMGC's Application Adjusted Future Test Period cost of service and all adjustments needed to arrive at the Stipulation COS; and

• Exhibit A

Stipulation Schedule A-1, which summarizes the Adjusted Test Period As Filed, the adjustments, and the Stipulation COS and related changes on a single page;

Stipulation Schedule A-3, which summarizes the impact of the adjustments on the Stipulation COS;

Stipulation Schedule A-4, which summarizes rate base for the Adjusted Test Period As Filed, the adjustments, and the Stipulation COS on a single page; and

Stipulation Schedule A-5, which summarizes NMGC's WACC in its Application and the WACC under the Stipulation.[354]

The Stipulation Exhibit 2 is the Allocation of Proposed Revenue Increase to Base Rates

Stipulation Exhibit 3 contains the Base Rates and Revenues Past and Present at Present and Proposed Rates.

Stipulation Exhibit 4 contains the Typical Bill Impacts for Residential and Small Volume General Service Rates.

Stipulation Exhibit 5 is the Second Revised Rate No. 39 Compressed Natural Gas Vehicle Fuel.

Stipulation Exhibit 6 contains the Discounted Transportation Rates.

Stipulation Exhibit 7 is Original Rate No. 72 Compressor Fuel Service

Stipulation Exhibit 8 is Second Revised Rule No. 29 Cancelling First Revised Rule No.29 Rater Rider No. 8 Details.

[354] NMGC Ex. 31 at 3-4.

Staff Witness Ramie testified that Stipulation Exhibit 1, Stipulation Cost of Service Reconciliation is comprised of a few 630 Schedules that shows the resulting changes made to the Cost-of-Service models using the agreed upon input values for the components as described below.[355] The information ensures the accuracy and understanding of the impacts to the revenue requirement to all the parties in a transparent way to achieve the $19.3 million base rate increase.[356]

6.2.12. Agreements Outside of the Stipulation

NMGC and several of the intervenors entered into a Memorandum of Understanding ("MOU") (which was not made part of the Stipulation) to work together to draft reasonable and appropriate New Mexico legislation to introduce in the 2023 New Mexico legislative session that ameliorates the energy burden on low-income customers, and which includes language authorizing the Commission to review and approve low-income utility rates. The signatories to the MOU also agree to discuss strategies intended to reduce the energy burden of NMGC's low-income customers, including through Mortgage Finance Authority's Energy$mart program, federal weatherization programs, and Community Energy Efficiency Development Block Grant projects.[357]

NEE Witness Dr. Jacobson attributed NMGC's agreement to enter into the MOU with NEE, CCAE, and WRA as being one of the compelling reasons that NEE supported the Stipulation.[358]

WRA Witness O'Connell testified that working constructively to find opportunities through legislation that provides the NMPRC more tools to address the issue and to reduce energy

[355] Staff Ex. 4 (Ramie Stipulation Testimony) at 6-7.
[356] *Id*. at 7.
[357] NMGC Ex. 36 at 9.
[358] NEE Ex.1 at 23-24.

burden by efficiently accessing financial assistance available to low-income customers as required by the MOU is beneficial to all customers.[359]

The MOU cites examples of programs that NMGC (and other utilities in New Mexico) can leverage with the money they will spend on energy efficiency measures.[360] Statewide funding for the Community Energy Efficiency Development ('CEED") block grants and money available through the Mortgage Finance Authority ("MFA") totals $16 million. Federal funds available through Energy$mart total about $30 million. Any improvement in energy efficiency program design that more effectively converts these available funds to energy burden reduction will benefit NMGC's customers.[361] Working together to leverage this money while drafting legislation to ensure the NMPRC has the legal tools to approve these optimized energy efficiency programs is necessary to ensure the potential benefits are delivered to NMGC's customers.[362]

7. ANALYSIS OF THE STIPULATION

7.1 Was the Stipulation the product of serious bargaining among capable knowledgeable persons?

The public was provided notice of the case by publication. NMGC ratepayers were provided notice of this proceeding by individual notice. Prior intervenors in NMGC's rate case were also provided e-mail notice of this case. All parties in this case were provided notice of the Stipulation, opportunity to participate in the negotiation or development of stipulated terms and agreements, or opportunity to present objections.

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[359] WRA Ex. 1 at 9.
[360] *Id*. at 10.
[361] *Id.*
[362] *Id.*

NMGC Witness Shell, NMAG witness Crane, and Staff Witness Ramie each describe the serious bargaining that led to the Stipulation.[363] NMGC, Staff, and other parties in this case have significant experience litigating cases before the Commission and represent interests of the public, government, industry, energy efficiency, renewable, and environmental interests.

There is a preponderance of uncontroverted evidence that the Stipulation is unquestionably the result of arms-length negotiations among the parties with diverse interests. The Stipulation is the product of serious bargaining by experienced knowledgeable individuals who are conversant with rate and revenue issues, and energy efficiency and environmental issues.

7.2 Does the Stipulation, as a whole, benefit customers and the public interest?

The Parties negotiated and agreed on the revenue deficiency of $19.3 million, the ROE of 9.375%, the debt/equity structure of 52%/48%, and the increase in the Residential Rate No. 10 access fee from $12.00 to $12.40.[364]

NMAG Witness Crane testified that the Stipulation results in a revenue increase for New Mexico ratepayers that is significantly less than the $40.7 million originally requested by NMGC in its Application and provides for a relatively modest increase in the residential customer charge.[365] In addition, it provides an incentive for the Company to delay its next base rate case for two years. The Stipulation also provides guidance to the Company on several areas regarding greenhouse gas emission reduction programs and removes one contentious issue from its next base rate case. For all these reasons, the NMAG concludes that the Stipulation is in the public interest.[366]

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[363] NMGC Ex. 2 at 12, NMAG Ex. 1 at 12-13, Staff Ex. 4 at 4-7.
[364] NMAG Ex. 2 at 8.
[365] NMAG Ex. 1 at 17.
[366] *Id.*

NMGC Witness Shell testified that negotiated increase in rates benefits the company and is achieved at a significantly lower cost that would have been incurred in a fully litigated case.[367] The agreements reached with the Parties regarding the Company's proposed GHG emission reduction initiatives are reasonable and the regulatory asset for certain IMP costs will facilitate the Company's ongoing investment in federally mandated IMP programs.[368] The Stipulation balances the interest of the Company in achieving greater financial stability to enable it to attract capital at reasonable rates and the interest of our customers in having gas service at fair, just and reasonable rates.[369]

Staff considers and views the revenue requirement agreed upon by the parties as reasonable. Specifically, the Stipulation fully addresses concerns that Staff had regarding NMGC's proposed rate of return on equity, capital structure, plant additions, operation and maintenance expenses, and income taxes.[370] Staff was pleased with the process and with the reasonableness of the outcome of the settlement.[371]

Further, the allocation of the revenue increase among the Company's various customer classes is reasonable. With the ultimate goal of designing rates based on the costs the company incur to serve each customer class, NMGC witness Yardley testified that the revenue allocation among classes was reasonable because all increases fall within 5% of the average increase and under this methodology all rate classes share a proportion of the increase and no rate class receives an unduly burdensome proportion of the agreed upon increase.[372] The impact of the base rate

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[367] NMGC Ex. 2 at 10.
[368] *Id.* at 13.
[369] *Id.*
[370] Staff Ex. 4 at 6-7.
[371] *Id.* at 7.
[372] NMGC Ex. 36 (Yardley Stipulation Testimony) at 4.

change to an average residential customer monthly bill using 53 therms is $2.67 or 4.30%.[373] The impact of the base rate change to an average small general service customer monthly bill using 316 therms is $7.74 or 2.69%.[374]

Also significant is the revenue increase helps fund the significant increase in the Company's capital and O&M expenses. This is not only a benefit to NMGC but also can been seen as a benefit to its ratepayers to the extent that it facilitates the continuation of reliable gas service.

An additional benefit to NMGC is the continuation of the ability to record capital expenditures for the most important types of IMP Projects as regulatory assets.

Additional Stipulation benefits for ratepayers include withdrawal of NMGC's IMP Mechanism request from this case and NMGC's agreement not to request an IMP Mechanism in its next rate case. This withdrawal avoids potential litigation over piecemeal ratemaking claims.

Further, the Stipulation agreements regarding GHG emissions and NMGC programs and projects, as well as future cooperative efforts among the parties, benefit NMGC, ratepayers, and the public interest.

For these enumerated benefits as well as the other benefits set forth in the Stipulation, the Hearing Examiners find that there is a preponderance of evidence to find that the Stipulation as a whole contains substantial benefits for NMGC's New Mexico customers and is in the public interest.

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[373] *Id*. at 5.
[374] *Id*.

7.3 Does the Stipulation as a whole, violate any important regulatory principle or practice?

The Hearing Examiners find that the Stipulation does not violate any regulatory principles or practice, nor does it depart from any Commission rule or precedent. To the contrary, the Stipulation is consistent with sound regulatory policy and Commission practice in approving reasonable settlements in past cases initiated by this and other utilities.

7.4. Determination on the Merits

The Hearing Examiners find that a preponderance of uncontroverted evidence in the record establishes that the Stipulation meets each of the criteria tor Commission approval of stipulations. The Stipulation is unquestionably the result of arms-length negotiations among the parties with diverse interests. There is nothing in the record to suggest that the Stipulation violates any important regulatory principle or practice. To the contrary, the Stipulation is consistent with sound regulatory policy.

Finally, and most significantly, as set forth above, the Stipulation, taken as a whole, is in the public interest and will result in fair, just and reasonable rates. The end result of the Stipulation is a base revenue requirement increase of 19.3 million (9.68% increase) versus the requested increase of 40.7 million (20.8% increase) in NMGC's original proposal, produces rates that fall within the zone of reasonableness, and, with the gradualism standard used, will prevent rate shock, and mitigate the risk of other unintended consequences.

In sum, the Hearing Examiners find that a preponderance of evidence in the record supports the Signatories' request for approval of the Stipulation and their request that the Commission grant the relief requested in NMGC's Application, as modified by the Stipulation. These approvals will establish, among other things, reasonable and fairly apportioned rates. Further, since the

Stipulation resolves all issues in the case, the Commission, NMGC, Staff, and the other Signatories will avoid having to engage in further expensive and time-consuming litigation, and the interests of administrative efficiency will be advanced. In addition, the Stipulation places no restriction on the Commission's authority and is consistent with Commission policy and accepted ratemaking and regulatory principles. For these and other reasons stated, the Hearing Examiners conclude that the Stipulation provides the Commission a sound basis for approval of NMGC's Application as modified by the Stipulation and this Certification.

8. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Hearing Examiners recommend that the Commission **FIND** and **CONCLUDE**:

1. The Statement of the Case, Discussion, and all rulings, determinations, and findings and conclusions contained therein, whether separately stated, numbered, or designated as such, are hereby incorporated by reference as findings of fact and conclusions of law of the Commission.

2. The Commission has jurisdiction over the parties to and the subject matter of this case.

3. NMGC is a public utility as defined by Section 62-3-3(G) of the PUA and is subject to the jurisdiction and authority of the Commission.

4. Due and proper notice of this case has been given as required by law.

5. The stipulation signatories joined the stipulation to resolve all the issues.

6. No participant in the case opposes Commission approval of the stipulation. No statement of opposition to the stipulation was filed.

7. NMGC's present rates are not fair, just, or reasonable.

8. The tariffs filed under Advice Notice No. 87 should not be approved.

9. The Signatories have satisfied their burden of proof. The Stipulation is a product of serious bargaining among capable and knowledgeable parties. It results in fair, just, and reasonable rates. It benefits NMGC, its customers, the public interest, and it does not violate any important regulatory principle or practice. The Stipulation should be approved.

10. A copy of the Stipulation with its attachments is attached to this Certification as **Attachment A**.

11. NMGC and the Signatories shall comply with all requirements placed on them by this order.

12. As set forth in paragraph 8 of the Stipulation, the proposed rate schedules filed by NMGC under Notice No. 87 shall be withdrawn and NMGC will file a new advice notice within 5 business days of this Order containing the revised rate schedules to: A) increase its annualized base revenues by $19.3 million; B) implement Rate No. 72 for compressor fuel rates; C) reflect changes to Rate No. 39 for CNG stations; D) cancel First Revised Rate No. 819 – Ciniza Refinery; and E) making applicable changes to Second Revised Rule No. 29 – Rate Rider No. 8 – Details to reflect the proposed updates to the Degree Day Consumption Factor, the Margin Revenue Factor, the Normal Calendar Month Heating Degree Days, and the Weighted Average Heating Degree Days.

13. After NMGC has filed its compliance filing as set forth above under a new advice notice, Staff shall review the filing within 5 business days of the filing of the Advice Notice, as to form and compliance.

14. Pursuant to the Final Order that adopted the Stipulation in Case No. 19-00317-UT, the new rates and tariffs should become effective for service beginning on January 1, 2023.

15. NMGC's post-hearing responses to the Hearing Examiner's Bench Requests made during the hearing shall be considered evidence of record pursuant to 1.2.2.35(K) NMAC.

16. NMGC's suggested corrections to the transcripts for its witnesses filed pursuant to 1.2.2.34(C)2 NMAC as reflected in **Attachment D** are accepted**.**

9. DECRETAL PARAGRAPHS

Based upon the record, the findings of fact and conclusions of law set forth above and in the body of this order, the Hearing Examiners recommend that the Commission **ORDER** as follows:

A. The findings, conclusions, decisions, rulings and determinations made and contained in the Certification of Stipulation shall be carried out and complied with.

B. NMGC's rates and tariffs filed pursuant to Advice Notice No. 87 are disapproved.

C. The Stipulation is **APPROVED.**

D. The relief requested by NMGC in its Application, as modified by the Stipulation. is approved and adopted and shall govern the resolution of all issues in this case.

E. NMGC shall file a new advice notice as a compliance filing within 5 business days of this order containing the rates and tariffs as set forth in the Stipulation, and this Order, under a new advice notice. Staff shall review the compliance filings within 5 business days of the filing of the Advice Notice, as to form and compliance.

F. Pursuant to the Final Order that adopted the Stipulation in Case No. 19-00317-UT, the new rates and tariffs shall become effective for service beginning January 1, 2023.

G. NMGC and the Signatories shall comply with all requirements placed on it in this case.

H. Any matter not specifically ruled on prior to or during the hearing or in this Order is disposed of consistent with this Order and Commission rules.

I. The evidentiary record is closed.

J. A copy of this Order will be served on all parties listed on the official service list via e-mail.

K. This docket shall close on the date that the Rate Schedules and the Revised Tariffs to be filed in accordance with the Stipulation become effective as provided in this Final Order.

ISSUED at Santa Fe, New Mexico this 10th day of November 2022.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Elizabeth C. Hurst
Elizabeth C. Hurst
Hearing Examiner
elizabeth.hurst@prc.nm.gov

/s/ Christopher P. Ryan
Christopher P. Ryan
Hearing Examiner
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ATTACHMENT A

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC. FOR APPROVAL OF REVISIONS TO ITS RATES, RULES, AND CHARGES PURSUANT TO ADVICE NOTICE NO. 87	)	**Case No. 21-00267-UT**
NEW MEXICO GAS COMPANY, INC.	)	
Applicant.	)	

UNOPPOSED STIPULATION

New Mexico Gas Company, Inc. ("NMGC" or the "Company"), the New Mexico Public Regulation Commission's ("NMPRC" or "Commission") Utility Division Staff, the Office of New Mexico Attorney General, the New Mexico Affordable Reliable Energy Alliance, Western Resource Advocates, Coalition for Clean Affordable Energy, New Energy Economy, and Incorporated County of Los Alamos (collectively, the "Signatories"), through their undersigned authorized representatives agree and stipulate as follows**:**

BACKGROUND

1. On December 13, 2021, pursuant to NMSA 1978, Section 62-3-3, and 17.1.210.11 NMAC, 17.1.3 NMAC, and 17.10.630 NMAC, NMGC filed its Application for Revisions to its Rates, Rules and Charges ("Application") based on a twelve-month Future Test Year period ending December 31, 2023.

2. NMGC, through its Application, requested, among other things, the following:

A. an increase in revenues of approximately $40.7 million to be recovered through base rates;

B. an overall post-tax weighted average cost of capital of 6.89%, including a requested return on equity of 10.1% and a capital structure comprised of 53% equity and 47% debt;

C. an increase in access fees for Rate 10 customers from $12.00 to $14.25;

D. a change to NMGC Rule No. 39 to facilitate the development of compressed natural gas ("CNG") stations and the use of CNG by municipal or truck fleets in New Mexico;

E. approval of a compressor fuel rate for third-party owners of compressors and compressor facilities;

F. various greenhouse gas (GHG) emission reduction initiatives and funding obligations; and

G. approval to implement an integrity management program ("IMP") cost recovery mechanism.

3. In support of its Application, NMGC filed the schedules required by 17.10.630 NMAC, the information required by 17.1.3 NMAC, the direct testimonies of thirteen witnesses.

4. The base rates proposed by NMGC would have produced an estimated increase in the average residential customer's total bill of approximately 9.1%.

5. The terms of this Unopposed Stipulation ("Stipulation") reflect good faith arms-length negotiations by the Signatories, and properly balance the interests of the customers and investors.

6. The Signatories agree that the Stipulation is in the public interest, and results in fair, just, and reasonable rates.

7. The Signatories agree that this Stipulation resolves all issues between the Signatories in relation to NMGC's Application, and more specifically agree as follows:

STIPULATION

Base Revenue Increase and Stipulated Rates

8. The proposed rate schedules filed by NMGC under Notice No. 87 shall be withdrawn and NMGC will file revised rate schedules to: A) increase its annualized base revenues by $19.3 million; B) implement Rate No. 72 for compressor fuel rates; C) reflect changes to Rate No. 39 for CNG stations; D) cancel First Revised Rate No. 819 – Ciniza Refinery; and E) making applicable changes to Second Revised Rule No. 29 – Rate Rider No. 8 – Details to reflect the proposed updates to the Degree Day Consumption Factor, the Margin Revenue Factor, the Normal Calendar Month Heating Degree Days, and the Weighted Average Heating Degree Days.

9. The stipulated base rate increase of $19.3 million will result in an estimated increase in the average residential customer's total bill of approximately 4.3%.

10. Attached as **Stipulation Exhibit No. 1** is the reconciliation required by 1.2.2.20 NMAC, containing the information listed in 1.2.2.36(F) NMAC. The Signatories agree that **Stipulation Exhibit No. 1** represents an agreed upon cost of service for NMGC in compliance with the Procedural Order issued on January 24, 2022.

11. **Stipulation Exhibit No. 1** includes the following cost of service components:

A. Depreciation and amortization rates - NMGC shall use the depreciation and amortization rates reflected in **Stipulation Exhibit No. 1**;

B. Return on equity of 9.375%;

C. Cost of debt of 3.27%;

D. Capital structure of 52% equity and 48% debt;

E. Post-tax weighted average cost of capital of 6.44%;

F. Base revenue increase of $19.3 million;

G. An increase in access fees for Rate 10 customers from $12.00 to $12.40;

H. Annual amortization periods will be the same as reflected in NMGC's Application; if rates, resulting from a future rate case, are effective prior to the full amortization of the current rate case costs any party may recommend disallowance of the unamortized amount of the current rate case costs in such future rate case, and

I. Withdrawal of the proposed IMP cost recovery mechanism and approval of an IMP Regulatory Asset consistent with the one agreed to in the last rate case, Case No. 19-00317-UT;

12. The Signatories agree that the rates reflected in **Stipulation Exhibit No. 1** are fair, just, and reasonable.

13. Attached as **Stipulation Exhibit No. 2** is a schedule showing increases in the cost of service revenue for all rate classes for recovery of the $19.3 million base revenue increase. The Signatories stipulate and agree that the allocation of these base rate increases by rate class is fair, just, and reasonable.

14. Attached as **Stipulation Exhibit No. 3** is a schedule showing the present and proposed rate for each affected rate class. The Signatories agree that the revised base rates reflected in **Stipulation Exhibit No. 3** are fair, just, and reasonable.

15. Attached to this Stipulation as **Stipulation Exhibit No. 4** is a schedule showing percentage changes in residential bills in 5 therm increments. The rate design for residential customers in Rate No. 10, as well as other heat sensitive customers, used a ten-year normal weather standard.

16. The rates set forth in this Stipulation and Stipulation Exhibits shall be implemented January 1, 2023 or within seven days following the Commission's Final Order approving the

Stipulation in this case (whichever is later). NMGC shall file appropriate advice notices to implement the revised rates at least five days prior to their effective dates.

IMP Regulatory Asset

17. The Company agrees to withdraw without prejudice its request for the implementation of Rate Rider No. 1-9 Integrity Management Program Cost Recovery Mechanism, and the implementation of Original Rule No. 30 Rate Rider No. 9 – Details.

18. The Signatories support Commission approval of an IMP Regulatory Asset ("IMP Regulatory Asset") in this case consistent with the provisions for the IMP Regulatory Asset approved in the last case, with recording of certain costs associated with new IMP projects booked to plant-in-service after December 31, 2023 as follows:

A. The IMP Regulatory Asset will provide for the deferral and possible recovery of certain costs associated with new IMP projects booked to plant-in-service after December 31, 2023. IMP projects for this purpose are limited to the following: 1) Replacement of Legacy Plastic Pipe; 2) Replacement of Legacy Bare Steel Pipe; and 3) Replacement of X-Trube Services (together "Specified IMP Infrastructure") all as described in the Direct Testimony of NMGC Witness Tom C. Bullard (pp. 34-38).

B. The IMP Regulatory Asset will take into account Specified IMP Infrastructure booked to Gross Plant–In–Service after December 31, 2023, less the roll forward of the associated accumulated depreciation reserve during the same period ("Net Plant-in-Service" or "NPIS") less any associated accumulated deferred income taxes.

C. Costs deferred to the IMP Regulatory Asset until consideration in the next general rate case are as follows (together "Deferred IMP Costs"):

1) Carrying charge on the NPIS amount for the Specified IMP Infrastructure at NMGC's after-tax weighted average cost of capital as specified in Paragraph 11;

2) Depreciation expense on the Specified IMP Infrastructure; and

3) Property tax expense on the Specified IMP Infrastructure.

D. NMGC agrees to file quarterly IMP Regulatory Asset reports within 60 days of the quarter-end, beginning with the quarter ending March 31, 2024. These reports will detail the itemized calculations related to Deferred IMP Costs, the balance of the IMP Regulatory Asset and the progress the Company is making on the projects that are accounted for through the IMP Regulatory Asset.

E. Review and disposition of the IMP Regulatory Asset will occur in the Company's next general rate case. The Specified IMP Infrastructure will be subject to the same review as other Plant-in-Service that the Company may seek to include in rate base in the Company's next general rate case.

F. The IMP Regulatory Asset will take into account Specified IMP Infrastructure placed in service after December 31, 2023 and before December 31, 2025. The Company may seek recovery for any and all capex for its IMP investments made after 2025 but will need to reapply for IMP Regulatory Asset treatment of those costs beyond that date. The Signatories will be free to take any position on a requested extension of the IMP Regulatory Asset, including opposition or modification.

19. Notwithstanding the language in Paragraph 18 above, if the Company files a general rate case for new rates to be implemented before January 1, 2025, the Company agrees that it shall not seek recovery in that case of the IMP Regulatory Asset agreed to in this case.

20. The Company further agrees that it shall not seek approval of an IMP Cost Recovery Mechanism in its next rate case but retains the ability to seek recovery of IMP Regulatory Asset in that case. The limitation contained in this paragraph only applies to the Company's next general rate case.

Greenhouse Gas Emission Reduction Initiatives In this Case

21. The Signatories agree that NMGC's agreements in paragraphs 22 through 25 inclusive are made in recognition of its commitment to the reduction of greenhouse gas ("GHG") emissions associated with its system and its customers to help New Mexico meet its declared goal of reducing GHG emissions in the State. In fulfilling the commitments made in these paragraphs, NMGC remains committed to providing adequate and reliable service at fair, just and reasonable rates. NMGC also commits that any feasibility studies conducted pursuant to those paragraphs will include a rate impact analysis.

22. NMGC agrees to withdraw Phase 2 of its hydrogen blending pilot project, including all costs associated with the proposed Phase 2 pilot project. Phase 1 of the Company's hydrogen blending project will proceed and be paid for out of the research and development fund supplied by NMGC's shareholder. Within 30 days of Gas Technology Institute completing or terminating work on the scope of work in the contract between NMGC and Gas Technology Institute dated November 22, 2021, NMGC will notify the parties to this proceeding that Phase 1 is complete and hold an informal meeting to discuss the results of Phase 1 with interested stakeholders. NMGC agrees to make all data, reports and presentations from its Phase 1 project available upon request. If NMGC determines that its Phase 1 results prove promising, and wishes to pursue any further project utilizing hydrogen, then NMGC agrees to perform a comprehensive analysis including the cost of retrofitting infrastructure, investigating safety concerns especially

flammability and the costs of ensuring against fire hazards, indoor air quality impacts, and the cost of increased methane leakage prevention, to determine if any further development is prudent, reasonable, and cost effective and share that information with Signatories before it applies to the NMPRC for approval of any project utilizing hydrogen. Any determination by NMGC that its Phase 1 results prove promising, and any decision by NMGC to pursue any further project utilizing hydrogen, and the costs for recovery of any analysis conducted by NMGC to support any further project utilizing hydrogen, shall be subject to challenge and a review for prudence in any future ratemaking proceeding. NMGC agrees to obtain NMPRC approval, including notice and hearing, before providing hydrogen blended gas to any homes or businesses in any future project, including Phase 2. The application will be accompanied by supporting testimony. The Signatories agree to confer and exchange information on the viability of hydrogen blending technology.

23. NMGC agrees to include electric and hybrid vehicles in its annual comparative analysis of proposed passenger vehicle and truck purchases and agrees that the Company's analysis shall include at a minimum a life-of-vehicle comparison of cost, range, availability, and emission data for all passenger vehicles and trucks to be purchased. This comparative analysis shall be made available to stakeholders for review as the Company seeks recovery of the cost of passenger vehicles and trucks purchased. When feasible, based on the duty-cycle and daily mileage the particular vehicle will endure, the Company shall show a preference for electric passenger vehicles and trucks. NMGC commits that it is not currently including in this case the cost of any passenger vehicles operating on CNG.

24. In any future ratemaking proceeding, NMGC will have the burden of demonstrating that any future expansion or construction of any CNG station for use with Company vehicles for

which recovery is sought was the most reliable, cost-effective option for the Company and its ratepayers. NMGC agrees to conduct an analysis of the need for the station and the feasibility of the investment, including but not limited to an analysis of alternative development. NMGC will notify the parties to this proceeding within 30 days of its decision to expand or construct such a CNG station. NMGC agrees to make this analysis available to stakeholders upon request and prior to seeking recovery of the cost of any expansion or construction of CNG facilities. NMGC agrees to limit the use of these Company-owned CNG stations to Company-owned vehicles or seek prior approval by the Commission of any mixed use of such facilities. This paragraph does not limit the Company's usage of CNG and CNG facilities for operational needs.

25. NMGC agrees to conduct an analysis of the feasibility of electrifying some or all Company-owned compressor stations and agrees to make this analysis available to stakeholders for review prior to seeking the recovery of such costs.

Additional Provisions

26. The Signatories agree that NMGC submitted testimony in this case regarding results of the Company's GHG emission reduction initiatives that had been identified in NMGC's last rate case, Case No. 19-00317-UT, as was called for in paragraph 26 of the Stipulation in that case.

27. NMGC agrees to modify the language of its current Rate 39 to remove the provisions relating to Optional Station Construction and Operation. This paragraph does not affect any existing customers operating under Rate 39. See, **Stipulation Exhibit 5.**

28. To provide NMGC with the guidance needed to record transactions in its books and records, the Signatories agree that historic accounting treatment by the Company can be carried forward and that NMGC may incorporate the accounting positions as filed in the Application and

as detailed in Direct Testimony of NMGC Witness Jimmie L. Blotter and the Direct Testimony of NMGC Witness Davicel Avellan. Notwithstanding this provision, it is understood that the Company is free in future proceedings to propose amortization schedules as it deems appropriate for any expense, and that any Signatory is free to take any position on the Company's proposed amortization schedule or can challenge the inclusion of unamortized rate case costs relating to this case in future revenue requirement.

29. The Signatories agree that the discounted transportation rates identified in the Direct Testimony of NMGC Witness Tom C. Bullard and his supporting exhibits, and listed in **Stipulation Exhibit No. 6,** are fair, just, and reasonable and no changes to these rates are necessary, other than cancellation of Rate No. 819 as discussed in Paragraph 8 above.

30. The Signatories agree that NMGC's proposed change to Rate No. 72 to provide separate service to third-party owned compressors, as shown in **Stipulation Exhibit No. 7**, is fair, just, and reasonable and should be approved by the Commission.

31. The Signatories agree that NMGC's proposed change to its Weather Normalization Adjustment Mechanism, codified in Second Revised Rule No. 29 – Rate Design, as shown in **Stipulation Exhibit No. 8**, is fair, just, and reasonable and should be approved by the Commission.

32. The Signatories agree that it is appropriate to extend the term of NMGC's pilot program for a Weather Normalization Adjustment Mechanism, and that NMGC shall include in its next general base rate case filing a request to implement the Weather Normalization Adjustment Mechanism on a permanent basis. This provision expressly does not bind any Signatory or party in this case from taking any position on NMGC's application on this issue in NMGC's next general base rate case, nor does this provision bind the Commission in any way in

determining the outcome of any future NMGC request in relation to the Weather Normalization Adjustment Mechanism.

33. The Signatories agree that is reasonable to cancel the discounted transportation rate - First Revised Rate No. 819 – Ciniza Refinery.

General Provisions

34. The Signatories stipulate to the admission into the evidentiary record of this case the following documents: 1) this Stipulation and the Stipulation Exhibits; 2) the pre-filed direct testimonies, exhibits, and schedules of NMGC; and 3) all testimonies, exhibits, and schedules that NMGC and the Signatories file in support of this Stipulation.

35. The Signatories agree that this Stipulation has been drafted by all of the Signatories and is the result of negotiation, compromise, settlement, and accommodations by each of the Signatories.

36. The Signatories agree that this Stipulation: 1) provides benefits to NMGC and its customers, 2) is in the public interest; and 3) results in fair, just, and reasonable rates.

37. This Stipulation contains the full intent and understanding of the Signatories and constitutes the entire agreement of the Signatories. There are no representations, warranties, or agreements other than those specifically set forth in this Stipulation. No implication should be drawn on any matter not specifically addressed in this Stipulation.

38. The Signatories agree that the substantive terms and conditions set forth in this Stipulation are interdependent, and that the various provisions of this Stipulation are not severable. Any modification of the substantive terms and conditions of this Stipulation require the written agreement of all the Signatories. If the Stipulation is not adopted in its entirety by the Commission, without modification, the Stipulation will be voidable by any Signatory, each

Signatory will have the right to withdraw from this Stipulation, to obtain a hearing on NMGC's application, and to advocate any position it deems appropriate with respect to any issue regarding this Stipulation.

39. The Signatories agree to support the approval of this Stipulation in this case and shall support the Stipulation and its terms in any related proceeding before the Commission. Signatories agree to make reasonable and good faith efforts to obtain the Commission's approval of this Stipulation.

40. The Signatories agree that by approving this Stipulation, the Commission is neither granting any approval nor creating any precedent regarding any specific principle or issue in future proceedings, except as specifically provided in the final order.

41. Except as explicitly stated herein, this Stipulation is binding on each of the Signatories only for the purpose of settling the issues set forth in this Stipulation and for no other purposes, and this Stipulation shall not be binding or precedential on a Signatory outside of this proceeding. It is acknowledged that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in other cases before the Commission or in other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other cases or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other cases or jurisdictions, regardless of whether other cases present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Stipulation. The provisions of this Stipulation are intended to relate to only the specific matters referenced to in this Stipulation. By agreeing to this Stipulation, no Signatory waives any rights it may have in other pending or future proceedings, and it will not be deemed to have approved, accepted, agreed

to, or consented to the application of any concept, principle, theory, or method that may support or underlie any of the dollar amounts, rates in tariffs, depreciation rates, dollar balances, or other monetary or numerical values set out in, or attached to, this Stipulation in any future proceeding other than as expressly provided in this Stipulation.

42. Signatories agree to refrain from introducing in any regulatory or court proceeding any statement made or position taken by any of the Signatories during the course of negotiations.

43. The Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Signatories.

44. The Federal Executive Agencies, and the City of Albuquerque do not oppose the terms of this Stipulation and may subsequently file a joinder to this Stipulation if they so wish.

45. This Stipulation may be executed in any number of counterparts, including by electronic, telefax, or PDF signature, each of which shall be deemed to be an original and all of which will constitute one and the same agreement. This Stipulation shall be deemed fully executed upon the signature upon the same and separate or individual copies of the signature page(s) by all Signatories.

46. The Signatories agree to toll the running of the applicable suspension period for a period of time beginning with the commencement of the parties' settlement negotiations and ending with the final Commission action on this Stipulation. The parties agree that the date settlement negotiations commenced was April 28, 2022.

Dated as of May 20, 2022

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NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	D	E	G	H	I	K	L	M	O	P	Q
1				As Filed			Settlement Stipulation*			Delta Stipulated Adjustments*	
2			Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23
4											
5	**Rate Base**										
6											
7	**Net Plant**										
8											
9	Net Transmission Plant										
10											
11	Land And Land Rights	101/106 - 365.1	$ 4,846,952	$ -	$ 4,846,952	$ 4,900,936	$ -	$ 4,900,936	$ 53,983	$ -	$ 53,983
12	Right Of Way	101/106 - 365.2	$ 3,543,959	$ 38,988	$ 3,582,947	$ 3,544,064	$ 38,988	$ 3,583,052	$ 105	$ -	$ 105
13	Compressor Station Structure	101/106 - 366.1	$ 717,827	$ 13,364	$ 731,191	$ 717,828	$ 13,364	$ 731,192	$ 1	$ 0	$ 1
14	Measuring Station Structure	101/106 - 366.2	$ 11,972	$ 318	$ 12,290	$ 11,972	$ 318	$ 12,290	$ 0	$ (0)	$ 0
15	Other Structures	101/106 - 366.3	$ 233,578	$ 5,426	$ 239,004	$ 233,593	$ 5,426	$ 239,018	$ 15	$ 0	$ 15
16	Mains-Bare Steel Pipe	101/106 - 367.0	$ (18,879)	$ -	$ (18,879)	$ (18,879)	$ -	$ (18,879)	$ 0	$ -	$ 0
17	Mains-Wrapped Steel Pipe	101/106 - 367.1	$ 175,101,839	$ (13,916,959)	$ 161,184,880	$ 195,227,320	$ (4,423,859)	$ 190,803,461	$ 20,125,481	$ 9,493,100	$ 29,618,581
18	Mains-Other Equipment	101/106 - 367.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19	Mains-Other Equipment	101/106 - 367.3	$ 76,756,776	$ 1,614,870	$ 78,371,646	$ 27,790,044	$ 751,513	$ 28,541,558	$ (48,966,732)	$ (863,356)	$ (49,830,088)
20	Mains - Anodes	101/106 - 367.4	$ 1,185,727	$ 48,307	$ 1,234,033	$ 1,087,976	$ 45,466	$ 1,133,442	$ (97,750)	$ (2,841)	$ (100,591)
21	Compressor Station Equipment	101/106 - 368.0	$ 37,931,330	$ (2,211,870)	$ 35,719,460	$ 32,266,356	$ (544,847)	$ 31,721,509	$ (5,664,974)	$ 1,667,023	$ (3,997,951)
22	Field Measuring & Regulation	101/106 - 369.0	$ 62,097,677	$ (4,192,865)	$ 57,904,811	$ 52,248,543	$ (1,139,029)	$ 51,109,515	$ (9,849,133)	$ 3,053,837	$ (6,795,297)
23	Other Equipment	101/106 - 371.0	$ 52,268	$ 3,314	$ 55,582	$ 52,272	$ 3,314	$ 55,586	$ 4	$ (0)	$ 4
24											
25	Total Net Transmission Plant		$ 362,461,026	$ (18,597,109)	$ 343,863,917	$ 318,062,026	$ (5,249,346)	$ 312,812,679	$ (44,399,000)	$ 13,347,762	$ (31,051,238)
26											
27	Net Distribution Plant										
28											
29	Land	101/106 - 374.1	$ 788,921	$ -	$ 788,921	$ 788,921	$ -	$ 788,921	$ -	$ -	$ -
30	Land Rights	101/106 - 374.2	$ 225,345	$ 2,663	$ 228,008	$ 225,353	$ 2,663	$ 228,016	$ 8	$ (0)	$ 8
31	Structures & Improvement	101/106 - 375	$ 436,108	$ 6,269	$ 442,377	$ 515,749	$ 7,088	$ 522,837	$ 79,641	$ 820	$ 80,460
32	Mains-Bare Steel Pipe	101/106 - 376	$ (192,808)	$ -	$ (192,808)	$ (236,024)	$ -	$ (236,024)	$ (43,216)	$ -	$ (43,216)
33	Mains-Wrapped Steel Pipe	101/106 - 376.1	$ 79,719,403	$ (7,015,425)	$ 72,703,978	$ 67,660,691	$ (4,135,386)	$ 63,525,305	$ (12,058,712)	$ 2,880,038	$ (9,178,674)
34	Mains-Plastic Pipe	101/106 - 376.2	$ 204,406,716	$ (13,333,342)	$ 191,073,374	$ 191,895,993	$ (8,817,094)	$ 183,078,899	$ (12,510,724)	$ 4,516,248	$ (7,994,475)
35	Mains-Cathodic Protection	101/106 - 376.3	$ 18,481	$ 2,778	$ 21,258	$ 88,715	$ 3,011	$ 91,726	$ 70,234	$ 233	$ 70,467
36	Mains-Other Equipment	101/106 - 376.4	$ 17,170,527	$ (3,275,442)	$ 13,895,085	$ 11,995,908	$ (2,033,177)	$ 9,962,731	$ (5,174,619)	$ 1,242,265	$ (3,932,354)
37	Mains - Anodes	101/106 - 376.5	$ 13,811,049	$ (605,835)	$ 13,205,214	$ 14,320,143	$ (591,424)	$ 13,728,719	$ 509,094	$ 14,411	$ 523,505
38	Compressor Station Equipment	101/106 - 377	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
39	Field Measuring & Regulation	101/106 - 378	$ 9,583,895	$ (4,221)	$ 9,579,674	$ 10,028,173	$ 1,268	$ 10,029,441	$ 444,278	$ 5,490	$ 449,768
40	Field Measuring & Regulation	101/106 - 379	$ 1,922,867	$ 48,167	$ 1,971,033	$ 1,923,201	$ 48,082	$ 1,971,283	$ 335	$ (84)	$ 250
41	Services-Plastic Pipe	101/106 - 380	$ 46,659,181	$ (3,225,852)	$ 43,433,329	$ 44,154,874	$ (2,457,182)	$ 41,697,692	$ (2,504,307)	$ 768,670	$ (1,735,637)
42	Services-Bare Steel Pipe An	101/106 - 380.1	$ 13,149,798	$ (712,054)	$ 12,437,744	$ 13,717,528	$ (703,378)	$ 13,014,150	$ 567,730	$ 8,676	$ 576,406
43	Meters	101/106 - 381	$ 71,535,517	$ (1,782,890)	$ 69,752,627	$ 68,207,206	$ (1,868,330)	$ 66,338,875	$ (3,328,311)	$ (85,440)	$ (3,413,751)
44	ERTS - AMR Meters	101/106 - 381.1	$ 11,977,479	$ 456,248	$ 12,433,727	$ 14,493,263	$ 547,633	$ 15,040,896	$ 2,515,783	$ 91,385	$ 2,607,168
45	House Regulators	101/106 - 383	$ 3,312,686	$ 56,252	$ 3,368,938	$ 3,722,235	$ 59,606	$ 3,781,841	$ 409,550	$ 3,354	$ 412,903
46	Industrial Measuring & Regulation	101/106 - 385	$ 15,114,001	$ (80,840)	$ 15,033,160	$ 14,875,954	$ (88,002)	$ 14,787,951	$ (238,047)	$ (7,162)	$ (245,209)
47											
48	Total Net Distribution Plant		$ 489,639,165	$ (29,463,526)	$ 460,175,639	$ 458,377,883	$ (20,024,623)	$ 438,353,261	$ (31,261,282)	$ 9,438,903	$ (21,822,379)
49											
50	Net General and Intangible Plant										
51											
52	Intangible Plt - Software	101/106 - 303.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
53	Intangible Plt - Software	101/106 - 303.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
54	Intangible Plt - Software	101/106 - 303.3	$ 33,778,625	$ (5,608,947)	$ 28,169,678	$ 22,524,784	$ (1,680,903)	$ 20,843,881	$ (11,253,841)	$ 3,928,044	$ (7,325,797)
55	Land	101/106 - 389	$ 5,251,377	$ -	$ 5,251,377	$ 5,251,377	$ -	$ 5,251,377	$ 0	$ -	$ 0
56	Structures & Improvement	101/106 - 390	$ 43,452,555	$ (4,615,178)	$ 38,837,377	$ 37,450,078	$ (3,072,752)	$ 34,377,326	$ (6,002,476)	$ 1,542,426	$ (4,460,051)
57	Structures & Improvement	101/106 - 390.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
58	Structures & Improvement	101/106 - 390.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
59	Struct & Imprv Business Ctr	101/106 - 390.3	$ 666,014	$ 46,001	$ 712,015	$ 658,198	$ 46,001	$ 704,198	$ (7,816)	$ 0	$ (7,816)
60	Struct & Imprv Los Lunas Bldg	101/106 - 390.4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61	Struct & Imprv Rio Bravo	101/106 - 390.5	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62	Struct & Imprv Rio Rancho	101/106 - 390.6	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63	Struct & Imprv Santa Fe	101/106 - 390.7	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64	Struc & Imprv SF Pymt Ctr	101/106 - 390.8	$ 5,170	$ 1,901	$ 7,071	$ 6,305	$ 1,901	$ 8,206	$ 1,135	$ -	$ 1,135
65	Office Furniture & Equip	101/106 - 391	$ 579,875	$ 35,448	$ 615,323	$ 869,930	$ 46,397	$ 916,327	$ 290,056	$ 10,949	$ 301,004
66	Off Furn & Equip, PC Systems	101/106 - 391.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67	Off Furn & Equip, PCs	101/106 - 391.2	$ 11,626,794	$ 392,131	$ 12,018,925	$ 7,025,707	$ (1,293,480)	$ 5,732,227	$ (4,601,086)	$ (1,685,611)	$ (6,286,697)
68	Transportation Equip-Light	101/106 - 392	$ 10,242,032	$ (911,517)	$ 9,330,515	$ 9,135,960	$ (930,134)	$ 8,205,826	$ (1,106,071)	$ (18,617)	$ (1,124,689)
69	Transportation Equip-Heavy	101/106 - 392.1	$ 2,225,295	$ 33,082	$ 2,258,377	$ 2,064,869	$ 27,077	$ 2,091,946	$ (160,426)	$ (6,005)	$ (166,431)
70	Transportation Equip-Trailer	101/106 - 392.2	$ 2,140,605	$ 7,094	$ 2,147,700	$ 2,159,284	$ 7,796	$ 2,167,080	$ 18,678	$ 702	$ 19,381
71	Transportation Equip - Medium	101/106 - 392.3	$ 6,324,137	$ (406,402)	$ 5,917,735	$ 5,797,902	$ (418,550)	$ 5,379,352	$ (526,235)	$ (12,148)	$ (538,383)
72	Transp Equip - Special Purpos	101/106 - 392.4	$ 131,194	$ 8,085	$ 139,279	$ 131,199	$ 8,085	$ 139,284	$ 4	$ 0	$ 4
73	Stores Equip	101/106 - 393	$ 426,449	$ (11,996)	$ 414,453	$ 443,061	$ (11,361)	$ 431,700	$ 16,612	$ 635	$ 17,247
74	Tools,Shop & Garage Equip	101/106 - 394	$ 14,537,446	$ (275,236)	$ 14,262,210	$ 12,764,796	$ (376,170)	$ 12,388,626	$ (1,772,650)	$ (100,934)	$ (1,873,584)
75	Power Operated Equipment	101/106 - 396	$ 4,792,778	$ (115,675)	$ 4,677,103	$ 4,586,784	$ (121,417)	$ 4,465,368	$ (205,993)	$ (5,742)	$ (211,735)
76	Communication Equip	101/106 - 397	$ 2,161,588	$ 126,730	$ 2,288,319	$ 2,034,386	$ 64,457	$ 2,098,843	$ (127,202)	$ (62,274)	$ (189,476)
77	Miscellaneous Equipment	101/106 - 398	$ 1,300,875	$ (62,105)	$ 1,238,770	$ 768,911	$ (176,516)	$ 592,395	$ (531,963)	$ (114,411)	$ (646,374)
78	ARO Asset	101/106 - 399.1	$ 3,612	$ 150	$ 3,762	$ 3,612	$ 150	$ 3,762	$ (0)	$ 0	$ (0)
79											
80	Total Net General and Intangible Plant		$ 139,646,419	$ (11,356,434)	$ 128,289,984	$ 113,677,144	$ (7,879,420)	$ 105,797,723	$ (25,969,275)	$ 3,477,014	$ (22,492,261)
81											

Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A B C D	E	G	H	I	K	L	M	O	P	Q
1				As Filed			Settlement Stipulation*			Delta Stipulated Adjustments*	
2			Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23
82	Total Net Plant		$ 991,746,609	$ (59,417,069)	$ 932,329,541	$ 890,117,053	$ (33,153,389)	$ 856,963,663	$ (101,629,557)	$ 26,263,679	$ (75,365,878)
83											
84											
85	**Accumulated Deferred Income Taxes**										
86											
87											
88	Deferred Tax Assets	190	$ 58,942,817	$ (1,158,550)	$ 57,784,266	$ 58,677,072	$ (922,130)	$ 57,754,941	$ (265,745)	$ 236,420	$ (29,325)
89	Deferred Tax Liabilities - Other Property	282	$ (131,765,410)	$ 1,864,759	$ (129,900,652)	$ (128,355,724)	$ 1,337,362	$ (127,018,362)	$ 3,409,687	$ (527,396)	$ 2,882,290
90	Deferred Tax Liabilities - Other	283	$ (21,203,122)	$ 18,987,474	$ (2,215,648)	$ (21,321,950)	$ 18,996,674	$ (2,325,276)	$ (118,828)	$ 9,200	$ (109,628)
91											
92											
93	Total Accumulated Deferred Income Taxes		$ (94,025,716)	$ 19,693,683	$ (74,332,033)	$ (91,000,602)	$ 19,411,906	$ (71,588,696)	$ 3,025,113	$ (281,776)	$ 2,743,337
94											
95											
96	**Regulatory Assets and Liabilities**										
97											
98	2018 & 2019 Rate Case Expenses	186	$ 494,561	$ 247,281	$ 741,842	$ 494,561	$ 247,281	$ 741,842	$ -	$ -	$ -
99	Income Tax Regulatory Liability	254	$ (28,248,093)	$ (145,575)	$ (28,393,669)	$ (27,515,490)	$ (93,320)	$ (27,608,810)	$ 732,603	$ 52,255	$ 784,858
100											
101	Total Regulatory Assets and Liabilities		$ (27,753,532)	$ 101,705	$ (27,651,826)	$ (27,020,929)	$ 153,960	$ (26,866,968)	$ 732,603	$ 52,255	$ 784,858
102											
103											
104	**Other Rate Base Items**										
105											
106	Customer Deposits	235	$ (9,880,319)	$ -	$ (9,880,319)	$ (9,880,319)	$ -	$ (9,880,319)	$ -	$ -	$ -
107	Injuries and Damages Reserve	228	$ (2,152,169)	$ -	$ (2,152,169)	$ (2,152,169)	$ -	$ (2,152,169)	$ -	$ -	$ -
108	Non-Refundable CIAC	108.03	$ (2,397,330)	$ (334,511)	$ (2,731,841)	$ (2,397,330)	$ (334,511)	$ (2,731,841)	$ -	$ -	$ -
109	RWIP	108	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
110	IMP Regulatory Asset	182.3	$ 132,253	$ 66,127	$ 198,380	$ 104,897	$ 52,449	$ 157,346	$ (27,356)	$ (13,678)	$ (41,034)
111	CWIP - Transmission	107	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
112	CWIP - Distribution	107	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
113	CWIP - General	107	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
114	ARO - General	230	$ (675,145)	$ 26,773	$ (648,372)	$ (675,145)	$ 26,773	$ (648,372)	$ -	$ -	$ -
115	Right-of-Way - Transmission	186	$ 44,931,788	$ 1,529,868	$ 46,461,655	$ 44,931,788	$ 1,529,868	$ 46,461,655	$ -	$ -	$ -
116	Right-of-Way - Distribution	186	$ 3,061,936	$ 189,434	$ 3,251,369	$ 3,061,936	$ 189,434	$ 3,251,369	$ -	$ -	$ -
117	Right-of-Way - Transmission	242	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
118	Right-of-Way - Distribution	242	$ (317,515)	$ 15,512	$ (302,003)	$ (317,515)	$ 15,512	$ (302,003)	$ -	$ -	$ -
119	2021 Rate Case Expense	186	$ 816,000	$ 408,000	$ 1,224,000	$ 816,000	$ 408,000	$ 1,224,000	$ -	$ -	$ -
120											
121											
122	Total Other Rate Base Items		$ 33,519,498	$ 1,901,202	$ 35,420,700	$ 33,492,143	$ 1,887,524	$ 35,379,667	$ (27,356)	$ (13,678)	$ (41,034)
123											
124											
125	**Working Capital**										
126											
127	Natural Gas Storage	164	$ 7,212,170	$ (835,202)	$ 6,376,968	$ 7,212,170	$ (835,202)	$ 6,376,968	$ -	$ -	$ -
128	Materials and Supplies	154	$ 3,983,739	$ -	$ 3,983,739	$ 3,983,739	$ -	$ 3,983,739	$ -	$ -	$ -
129	Prepayments	165	$ 3,442,795	$ -	$ 3,442,795	$ 3,442,795	$ -	$ 3,442,795	$ -	$ -	$ -
130	Cash Working Capital		$ 621,681	$ 44,300	$ 665,981	$ 1,411,815	$ 49,877	$ 1,461,692	$ 790,134	$ 5,577	$ 795,711
131											
132	Total Working Capital		$ 15,260,385	$ (790,902)	$ 14,469,483	$ 16,050,519	$ (785,325)	$ 15,265,194	$ 790,134	$ 5,577	$ 795,711
133											
134											
135	Total Net Original Cost Rate Base		$ 918,747,245	$ (38,511,381)	$ 880,235,864	$ 821,638,183	$ (12,485,324)	$ 809,152,859	$ (97,109,062)	$ 26,026,057	$ (71,083,005)
136											
137											
138	**Operations and Maintenance Expense**										
139											
140	Fuel Related Expenses										
141											
142	Natural Gas Wellhead Purchases	800	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
143	Natural Gas Field Line Purchases	801	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
144	Natural Gas Gasoline Plant Outlet Purchases	802	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
145	Natural Gas Transmission Line Purchases	803	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
146	Natural Gas City Gate Purchases	804	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
147	Other Gas Purchases	805	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
148	Exchange Gas	806	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
149	Gas Withdrawn From Storage - Debit	808	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
150	Gas Delivered to Storage - Credit	808	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
151	Gas Used for Compressor Station Fuel	810	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
152	Gas Used For Products Extraction	811	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
153	Gas Used For Other Utility Operations	812	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
154	Other Gas Supply Expenses (1)	813	$ 1,476,207	$ -	$ 1,476,207	$ 1,357,776	$ -	$ 1,357,776	$ (118,431)	$ -	$ (118,431)
155	Rents - Underground Storage	826	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
156											
157	Total Fuel Related Expenses		$ 1,476,207	$ -	$ 1,476,207	$ 1,357,776	$ -	$ 1,357,776	$ (118,431)	$ -	$ (118,431)
158											
159											

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A B C D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1					As Filed				Settlement Stipulation*				Delta Stipulated Adjustments*	
2				Future Test Year	Test Period Adjustments	Adjusted Future Test Year		Future Test Year	Test Period Adjustments	Adjusted Future Test Year		Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account		Ending 12/31/23		Ending 12/31/23		Ending 12/31/23		Ending 12/31/23		Ending 12/31/23		Ending 12/31/23
160	O&M													
161														
162	Transmission O&M													
163														
164	Operation Supervision and Engineering	850		$ 693,384	$ -	$ 693,384		$ 719,859	$ -	$ 719,859		$ 26,475	$ -	$ 26,475
165	System Control and Load Dispatching	851		$ 1,543,352	$ -	$ 1,543,352		$ 1,589,352	$ -	$ 1,589,352		$ 46,000	$ -	$ 46,000
166	Communication System Expenses	852		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
167	Compressor Station Labor and Expenses	853		$ 384,588	$ -	$ 384,588		$ 197,591	$ -	$ 197,591		$ (186,996)	$ -	$ (186,996)
168	Gas for Compressor Station Fuel	854		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
169	Other Fuel and Power for Compressor Stations	855		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
170	Mains Expenses	856		$ 3,510,423	$ -	$ 3,510,423		$ 3,519,747	$ -	$ 3,519,747		$ 9,324	$ -	$ 9,324
171	Measuring and Regulating Station Expenses	857		$ 315,823	$ -	$ 315,823		$ 320,045	$ -	$ 320,045		$ 4,222	$ -	$ 4,222
172	Transmission and Compression of Gas by Others	858		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
173	Other Expenses	859		$ 264,730	$ -	$ 264,730		$ 271,502	$ -	$ 271,502		$ 6,772	$ -	$ 6,772
174	Rents	860		$ 178,009	$ -	$ 178,009		$ 178,058	$ -	$ 178,058		$ 49	$ -	$ 49
175	Maintenance Supervision and Engineering	861		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
176	Maintenance of Structures and Improvements	862		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
177	Maintenance of Mains	863		$ 248,931	$ -	$ 248,931		$ 255,963	$ -	$ 255,963		$ 7,032	$ -	$ 7,032
178	Maintenance of Compressor Station Equipment	864		$ 938,547	$ -	$ 938,547		$ 950,933	$ -	$ 950,933		$ 12,386	$ -	$ 12,386
179	Maintenance of Measuring and Regulating Station Equipment	865		$ 385,674	$ -	$ 385,674		$ 392,270	$ -	$ 392,270		$ 6,596	$ -	$ 6,596
180	Maintenance of Communication Equipment	866		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
181	Maintenance of Other Equipment	867		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
182														
183	Total Transmission O&M			$ 8,463,460	$ -	$ 8,463,460		$ 8,395,320	$ -	$ 8,395,320		$ (68,139)	$ -	$ (68,139)
184														
185	Distribution O&M													
186														
187	Operation Supervision and Engineering	870		$ 5,155,504	$ -	$ 5,155,504		$ 4,977,449	$ -	$ 4,977,449		$ (178,055)	$ -	$ (178,055)
188	Distribution Load Dispatching	871		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
189	Compressor Station Labor and Expenses	872		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
190	Compressor Station Fuel and Power	873		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
191	Mains and Services Expenses	874		$ 3,659,421	$ -	$ 3,659,421		$ 3,780,293	$ -	$ 3,780,293		$ 120,871	$ -	$ 120,871
192	Measuring and Regulating Station Expenses	875		$ 1,137,746	$ -	$ 1,137,746		$ 1,151,079	$ -	$ 1,151,079		$ 13,333	$ -	$ 13,333
193	Measuring and Regulating Station Expenses	876		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
194	Measuring and Regulating Station Expenses	877		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
195	Meter and House Regulator Expenses	878		$ 8,232,449	$ -	$ 8,232,449		$ 8,561,946	$ -	$ 8,561,946		$ 329,497	$ -	$ 329,497
196	Meter and House Regulator Capitalized	878.4		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
197	Customer Installations Expenses	879		$ 289,053	$ -	$ 289,053		$ 299,453	$ -	$ 299,453		$ 10,401	$ -	$ 10,401
198	Other Expenses	880		$ 3,680,447	$ -	$ 3,680,447		$ 3,307,321	$ -	$ 3,307,321		$ (373,125)	$ -	$ (373,125)
199	Rents	881		$ 1,960,069	$ -	$ 1,960,069		$ 1,960,069	$ -	$ 1,960,069		$ -	$ -	$ -
200	Maintenance Supervision and Engineering	885		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
201	Maintenance of Structures and Improvements	886		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
202	Maintenance of Mains	887		$ 2,914,750	$ -	$ 2,914,750		$ 2,963,847	$ -	$ 2,963,847		$ 49,096	$ -	$ 49,096
203	Maintenance of Compressor Station Equipment	888		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
204	Maintenance of Measuring and Regulating Station Equipment	889		$ 1,941,792	$ -	$ 1,941,792		$ 1,998,313	$ -	$ 1,998,313		$ 56,520	$ -	$ 56,520
205	Maintenance of Measuring and Regulating Station Equipment	890		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
206	Maintenance of Measuring and Regulating Station Equipment	891		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
207	Maintenance of Services	892		$ 2,076,037	$ -	$ 2,076,037		$ 1,912,008	$ -	$ 1,912,008		$ (164,029)	$ -	$ (164,029)
208	Maintenance of Meters and House Regulators	893		$ 19	$ -	$ 19		$ 19	$ -	$ 19		$ -	$ -	$ -
209	Maintenance of Other Equipment	894		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
210														
211	Total Distribution O&M			$ 31,047,288	$ -	$ 31,047,288		$ 30,911,797	$ -	$ 30,911,797		$ (135,491)	$ -	$ (135,491)
212														
213	Customer Related O&M													
214														
215	Supervision	901		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
216	Meter Reading Expenses	902		$ 1,139,828	$ -	$ 1,139,828		$ 1,113,553	$ -	$ 1,113,553		$ (26,274)	$ -	$ (26,274)
217	Customer Records and Collection Expenses	903		$ 14,175,481	$ -	$ 14,175,481		$ 14,062,646	$ -	$ 14,062,646		$ (112,835)	$ -	$ (112,835)
218	Uncollectible Accounts	904		$ 1,271,692	$ -	$ 1,271,692		$ 1,271,692	$ -	$ 1,271,692		$ -	$ -	$ -
219	Misc. Customer Accounts Expenses	905		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
220	Supervision	907		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
221	Customer Assistance Expenses	908		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
222	Informational & Instructional Advertising Exp	909		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
223	Misc. Customer Service & Informational Exp	910		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
224	Supervision	911		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
225	Demonstrating and Selling Expenses	912		$ 586,794	$ -	$ 586,794		$ 610,038	$ -	$ 610,038		$ 23,244	$ -	$ 23,244
226	Advertising Expenses	913		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
227	Misc. Sales Expenses	916		$ 633,350	$ -	$ 633,350		$ 655,701	$ -	$ 655,701		$ 22,350	$ -	$ 22,350
228														
229														
230	Total Customer Related O&M			$ 17,807,145	$ -	$ 17,807,145		$ 17,713,629	$ -	$ 17,713,629		$ (93,515)	$ -	$ (93,515)
231														
232	Administrative and General (A&G) Expense													
233														
234	Administrative & General Salaries	920		$ 16,719,104	$ -	$ 16,719,104		$ 15,248,169	$ -	$ 15,248,169		$ (1,470,935)	$ -	$ (1,470,935)
235	Administrative & General Salaries-Litigation	920		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
236	Office Supplies and Expenses	921		$ 1,459,957	$ -	$ 1,459,957		$ 1,459,957	$ -	$ 1,459,957		$ -	$ -	$ -
237	Administrative Expenses Transferred--Credit	922		$ (11,595,535)	$ -	$ (11,595,535)		$ (11,092,626)	$ -	$ (11,092,626)		$ 502,910	$ -	$ 502,910

Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A B C D	E	F G	H	I	J K	L	M	N O	P	Q
1				As Filed			Settlement Stipulation*			Delta Stipulated Adjustments*	
2			Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23
238	Outside Services Employed	923	$ 2,017,343	$ -	$ 2,017,343	$ 2,017,343	$ -	$ 2,017,343	$ -	$ -	$ -
239	Outside Services Employed - Litigation	923	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
240	Property Insurance	924	$ 491,046	$ -	$ 491,046	$ 491,046	$ -	$ 491,046	$ -	$ -	$ -
241	Injuries and Damages	925	$ 6,280,768	$ -	$ 6,280,768	$ 6,280,768	$ -	$ 6,280,768	$ -	$ -	$ -
242	Employee Pensions and Benefits	926	$ 11,921,222	$ -	$ 11,921,222	$ 11,891,415	$ -	$ 11,891,415	$ (29,808)	$ -	$ (29,808)
243	Franchise Requirements	927	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
244	Regulatory Commission Expenses(4)	928	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
245	Duplicate Charges--Credit	929	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
246	General Advertising/Misc. General Expenses	930.1	$ 8,750	$ -	$ 8,750	$ 8,750	$ -	$ 8,750	$ -	$ -	$ -
247	General Advertising/Misc. General Expenses	930.2	$ 17,006,097	$ -	$ 17,006,097	$ 16,939,694	$ -	$ 16,939,694	$ (66,403)	$ -	$ (66,403)
248	Rents	931	$ 994,194	$ -	$ 994,194	$ 994,194	$ -	$ 994,194	$ -	$ -	$ -
249	Maintenance of General Plant	932	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
250											
251	Total A&G Expense		$ 45,302,947	$ -	$ 45,302,947	$ 44,238,711	$ -	$ 44,238,711	$ (1,064,236)	$ -	$ (1,064,236)
252											
253	Total Operations and Maintenance Expense		$ 104,097,046	$ -	$ 104,097,046	$ 102,617,234	$ -	$ 102,617,234	$ (1,479,812)	$ -	$ (1,479,812)
254											
255											
256	**Depreciation and Amortization Expense**										
257											
258	Transmission Depreciation and Amortization										
259											
260	Land And Land Rights	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
261	Right Of Way	403	$ 77,975	$ -	$ 77,975	$ 77,975	$ -	$ 77,975	$ -	$ -	$ -
262	Compressor Station Structure	403	$ 26,727	$ -	$ 26,727	$ 26,727	$ -	$ 26,727	$ -	$ -	$ -
263	Measuring Station Structure	403	$ 635	$ -	$ 635	$ 635	$ -	$ 635	$ -	$ -	$ -
264	Other Structures	403	$ 10,851	$ -	$ 10,851	$ 10,851	$ -	$ 10,851	$ -	$ -	$ -
265	Mains-Bare Steel Pipe	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
266	Mains-Wrapped Steel Pipe	403	$ 4,235,768	$ -	$ 4,235,768	$ 4,735,976	$ -	$ 4,735,976	$ 500,209	$ -	$ 500,209
267	Mains-Other Equipment	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
268	Mains-Other Equipment	403	$ 3,229,740	$ -	$ 3,229,740	$ 1,503,027	$ -	$ 1,503,027	$ (1,726,713)	$ -	$ (1,726,713)
269	Mains - Anodes	403	$ 96,613	$ -	$ 96,613	$ 90,932	$ -	$ 90,932	$ (5,682)	$ -	$ (5,682)
270	Compressor Station Equipment	403	$ 855,874	$ -	$ 855,874	$ 783,949	$ -	$ 783,949	$ (71,925)	$ -	$ (71,925)
271	Field Measuring & Regulation	403	$ 1,351,172	$ -	$ 1,351,172	$ 1,220,862	$ -	$ 1,220,862	$ (130,310)	$ -	$ (130,310)
272	Other Equipment	403	$ 6,629	$ -	$ 6,629	$ 6,629	$ -	$ 6,629	$ -	$ -	$ -
273											
274											
275	Total Transmission Depreciation and Amortization		$ 9,891,985	$ -	$ 9,891,985	$ 8,457,564	$ -	$ 8,457,564	$ (1,434,421)	$ -	$ (1,434,421)
276											
277	Distribution Depreciation and Amortization										
278											
279	Land Rights	403	$ 5,326	$ -	$ 5,326	$ 5,326	$ -	$ 5,326	$ -	$ -	$ -
280	Structures & Improvement	403	$ 12,538	$ -	$ 12,538	$ 14,177	$ -	$ 14,177	$ 1,639	$ -	$ 1,639
281	Mains-Bare Steel Pipe	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
282	Mains-Wrapped Steel Pipe	403	$ 3,038,239	$ -	$ 3,038,239	$ 2,852,312	$ -	$ 2,852,312	$ (185,927)	$ -	$ (185,927)
283	Mains-Plastic Pipe	403	$ 5,003,514	$ -	$ 5,003,514	$ 4,853,316	$ -	$ 4,853,316	$ (150,198)	$ -	$ (150,198)
284	Mains-Cathodic Protection	403	$ 5,555	$ -	$ 5,555	$ 6,021	$ -	$ 6,021	$ 466	$ -	$ 466
285	Mains-Other Equipment	403	$ 508,095	$ -	$ 508,095	$ 383,132	$ -	$ 383,132	$ (124,963)	$ -	$ (124,963)
286	Mains - Anodes	403	$ 931,715	$ -	$ 931,715	$ 960,536	$ -	$ 960,536	$ 28,822	$ -	$ 28,822
287	Field Measuring & Regulation	403	$ 484,862	$ -	$ 484,862	$ 495,842	$ -	$ 495,842	$ 10,979	$ -	$ 10,979
288	Field Measuring & Regulation	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
289	Services-Plastic Pipe	403	$ 7,233,190	$ -	$ 7,233,190	$ 7,162,169	$ -	$ 7,162,169	$ (71,021)	$ -	$ (71,021)
290	Services-Bare Steel Pipe An	403	$ 458,950	$ -	$ 458,950	$ 476,301	$ -	$ 476,301	$ 17,351	$ -	$ 17,351
291	Meters	403	$ 3,164,705	$ -	$ 3,164,705	$ 2,993,825	$ -	$ 2,993,825	$ (170,880)	$ -	$ (170,880)
292	ERTS - AMR Meters	403	$ 1,495,688	$ -	$ 1,495,688	$ 1,678,458	$ -	$ 1,678,458	$ 182,770	$ -	$ 182,770
293	House Regulators	403	$ 112,504	$ -	$ 112,504	$ 119,211	$ -	$ 119,211	$ 6,707	$ -	$ 6,707
294	Industrial Measuring & Regulation	403	$ 924,313	$ -	$ 924,313	$ 909,988	$ -	$ 909,988	$ (14,324)	$ -	$ (14,324)
295											
296	Total Distribution Depreciation and Amortization		$ 23,379,191	$ -	$ 23,379,191	$ 22,910,613	$ -	$ 22,910,613	$ (468,578)	$ -	$ (468,578)
297											
298	General and Intangible Depreciation and Amortization										
299											
300	Intangible Plt - Software	404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
301	Intangible Plt - Software	404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
302	Intangible Plt - Software	404	$ 2,890,847	$ -	$ 2,890,847	$ 2,371,164	$ -	$ 2,371,164	$ (519,683)	$ -	$ (519,683)
303	Land	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
304	Structures & Improvement	403	$ 1,013,884	$ -	$ 1,013,884	$ 917,605	$ -	$ 917,605	$ (96,279)	$ -	$ (96,279)
305	Structures & Improvement	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
306	Struct & Imprv Business Ctr	403	$ 92,001	$ -	$ 92,001	$ 92,001	$ -	$ 92,001	$ 0	$ -	$ 0
307	Struct & Imprv Los Lunas Bldg	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
308	Struct & Imprv Rio Bravo	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
309	Struct & Imprv Rio Rancho	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
310	Struct & Imprv Santa Fe	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
311	Struc & Imprv SF Pymt Ctr	403	$ 3,801	$ -	$ 3,801	$ 3,801	$ -	$ 3,801	$ -	$ -	$ -
312	Office Furniture & Equip	403	$ 70,896	$ -	$ 70,896	$ 92,794	$ -	$ 92,794	$ 21,898	$ -	$ 21,898
313	Off Furn & Equip, PC Systems	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
314	Off Furn & Equip, PCs	403	$ 3,319,517	$ -	$ 3,319,517	$ 1,996,422	$ -	$ 1,996,422	$ (1,323,095)	$ -	$ (1,323,095)
315	Transportation Equip-Light	403	$ 512,721	$ -	$ 512,721	$ 475,486	$ -	$ 475,486	$ (37,235)	$ -	$ (37,235)

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A–D	E	G	H	I	K	L	M	O	P	Q
1			As Filed			Settlement Stipulation*			Delta Stipulated Adjustments*		
2			Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23
316	Transportation Equip-Heavy	403	$ 439,894	$ -	$ 439,894	$ 427,885	$ -	$ 427,885	$ (12,009)	$ -	$ (12,009)
317	Transportation Equip-Trailer	403	$ 304,709	$ -	$ 304,709	$ 306,113	$ -	$ 306,113	$ 1,404	$ -	$ 1,404
318	Transportation Equip - Medium	403	$ 354,146	$ -	$ 354,146	$ 329,850	$ -	$ 329,850	$ (24,296)	$ -	$ (24,296)
319	Transp Equip - Special Purpos	403	$ 16,170	$ -	$ 16,170	$ 16,170	$ -	$ 16,170	$ -	$ -	$ -
320	Stores Equip	403	$ 55,310	$ -	$ 55,310	$ 56,580	$ -	$ 56,580	$ 1,270	$ -	$ 1,270
321	Tools,Shop & Garage Equip	403	$ 1,310,164	$ -	$ 1,310,164	$ 1,108,296	$ -	$ 1,108,296	$ (201,868)	$ -	$ (201,868)
322	Power Operated Equipment	403	$ 411,430	$ -	$ 411,430	$ 399,946	$ -	$ 399,946	$ (11,484)	$ -	$ (11,484)
323	Communication Equip	403	$ 339,785	$ -	$ 339,785	$ 283,632	$ -	$ 283,632	$ (56,153)	$ -	$ (56,153)
324	Miscellaneous Equipment	403	$ 107,141	$ -	$ 107,141	$ 59,849	$ -	$ 59,849	$ (47,292)	$ -	$ (47,292)
325	ARO Asset	403	$ 301	$ -	$ 301	$ 301	$ -	$ 301	$ -	$ -	$ -
326	Transportation Equipment Depreciation Expense Capitalized	403	$ (486,133)	$ -	$ (486,133)	$ (467,019)	$ -	$ (467,019)	$ 19,114	$ -	$ 19,114
327											
328	Total General and Intangible Depreciation and Amortization		$ 10,756,584	$ -	$ 10,756,584	$ 8,470,877	$ -	$ 8,470,877	$ (2,285,707)	$ -	$ (2,285,707)
329											
330	Total Depreciation and Amortization		$ 44,027,760	$ -	$ 44,027,760	$ 39,839,054	$ -	$ 39,839,054	$ (4,188,706)	$ -	$ (4,188,706)
331											
332	Other Depreciation and Amortization Items										
333	Accretion Expense and Regulatory Credits	411.1	$ 52,887	$ -	$ 52,887	$ 52,887	$ -	$ 52,887	$ -	$ -	$ -
334	Right-of-Way - Transmission (186)	404	$ 3,083,505	$ -	$ 3,083,505	$ 3,083,505	$ -	$ 3,083,505	$ -	$ -	$ -
335	Right-of-Way - Distribution (186)	404	$ 402,320	$ -	$ 402,320	$ 402,320	$ -	$ 402,320	$ -	$ -	$ -
336	CIAC Amortization	403	$ (669,022)	$ -	$ (669,022)	$ (669,022)	$ -	$ (669,022)	$ -	$ -	$ -
337	Total Other Depreciation Items		$ 2,869,689	$ -	$ 2,869,689	$ 2,869,689	$ -	$ 2,869,689	$ -	$ -	$ -
338											
339	Total Depreciation and Amortization and Other		$ 46,897,449	$ -	$ 46,897,449	$ 42,708,743	$ -	$ 42,708,743	$ (4,188,706)	$ -	$ (4,188,706)
340											
341	**General Taxes**										
342											
343	New Mexico Property Taxes										
344											
345	Transmission Property Taxes										
346											
347	Transmission Property Taxes	408	$ 3,712,429	$ -	$ 3,712,429	$ 3,436,939	$ -	$ 3,436,939	$ (275,490)	$ -	$ (275,490)
348											
349	Total Transmission Property Taxes		$ 3,712,429	$ -	$ 3,712,429	$ 3,436,939	$ -	$ 3,436,939	$ (275,490)	$ -	$ (275,490)
350											
351	Distribution Property Taxes										
352											
353	Distribution Property Taxes	408	$ 4,915,954	$ -	$ 4,915,954	$ 4,738,076	$ -	$ 4,738,076	$ (177,878)	$ -	$ (177,878)
354											
355	Total Distribution Property Taxes		$ 4,915,954	$ -	$ 4,915,954	$ 4,738,076	$ -	$ 4,738,076	$ (177,878)	$ -	$ (177,878)
356											
357	General Property Taxes										
358											
359	General Plant Property Taxes	408	$ 849,050	$ -	$ 849,050	$ 714,148	$ -	$ 714,148	$ (134,901)	$ -	$ (134,901)
360											
361	Total General Property Taxes		$ 849,050	$ -	$ 849,050	$ 714,148	$ -	$ 714,148	$ (134,901)	$ -	$ (134,901)
362											
363	Total New Mexico Property Taxes		$ 9,477,432	$ -	$ 9,477,432	$ 8,889,163	$ -	$ 8,889,163	$ (588,270)	$ -	$ (588,270)
364											
365											
366											

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A B C D	E	G	H	I	K	L	M	O	P	Q
1				As Filed			Settlement Stipulation*			Delta Stipulated Adjustments*	
2			Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23
367											
368	**Payroll Taxes**										
369	Total Payroll Taxes		$ 4,128,252	$ -	$ 4,128,252	$ 4,044,900	$ -	$ 4,044,900	$ (83,352)	$ -	$ (83,352)
370											
371	Other Taxes										
372											
373	Native American Property Taxes	408	$ 2,893,980	$ -	$ 2,893,980	$ 2,714,349	$ -	$ 2,714,349	$ (179,631)	$ -	$ (179,631)
374	Native American Rights-of-Way Taxes	408	$ 34,609	$ -	$ 34,609	$ 34,609	$ -	$ 34,609	$ -	$ -	$ -
375	Federal Pipeline Taxes	408	$ 546,454	$ -	$ 546,454	$ 546,454	$ -	$ 546,454	$ -	$ -	$ -
376	Federal Excise Taxes	408	$ 2,163	$ -	$ 2,163	$ 2,163	$ -	$ 2,163	$ -	$ -	$ -
377	Other General Taxes	408	$ 1,542	$ -	$ 1,542	$ 1,542	$ -	$ 1,542	$ -	$ -	$ -
378	Regulatory Commission Fees (I&S)	408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
379											
380	Total Other Taxes		$ 3,478,749	$ -	$ 3,478,749	$ 3,299,118	$ -	$ 3,299,118	$ (179,631)	$ -	$ (179,631)
381											
382	Total General Taxes		$ 17,084,433	$ -	$ 17,084,433	$ 16,233,180	$ -	$ 16,233,180	$ (851,253)	$ -	$ (851,253)
383											
384											
385	**Other Allowable Expenses**										
386											
387	Interest on Customer Deposits	431	$ 95,180	$ -	$ 95,180	$ 95,180	$ -	$ 95,180	$ -	$ -	$ -
388	Amortization of Loss on Reacquired Debt	407	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
389	IMP Regulatory Asset Amortization	411	$ 132,253	$ -	$ 132,253	$ 104,897	$ -	$ 104,897	$ (27,356)	$ -	$ (27,356)
390	Rights-of-Way - Transmission (242)	404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
391	Rights-of-Way - Distribution (242)	404	$ 31,023	$ -	$ 31,023	$ 31,023	$ -	$ 31,023	$ -	$ -	$ -
392	Amortization of 2018 Rate Case Expenses	928	$ 87,892	$ -	$ 87,892	$ 87,892	$ -	$ 87,892	$ -	$ -	$ -
393	Amortization of 2019 Rate Case Expenses	928	$ 406,669	$ -	$ 406,669	$ 406,669	$ -	$ 406,669	$ -	$ -	$ -
394	Amortization of 2021 Rate Case Expenses	928	$ 816,000	$ -	$ 816,000	$ 816,000	$ -	$ 816,000	$ -	$ -	$ -
395	Total Other Allowable Expenses		$ 1,569,018	$ -	$ 1,569,018	$ 1,541,662	$ -	$ 1,541,662	$ (27,356)	$ -	$ (27,356)
396											
397											
398	Total Operating Expenses (Excl Income and Revenue Related Taxes)		$ 169,647,946	$ -	$ 169,647,946	$ 163,100,820	$ -	$ 163,100,820	$ (6,547,127)	$ -	$ (6,547,127)
399											
400											
401	Total Net Original Cost Rate Base		$ 918,747,245	$ (38,511,381)	$ 880,235,864	$ 821,638,183	$ (12,485,324)	$ 809,152,859	$ (97,109,062)	$ 26,026,057	$ (71,083,005)
402	Weighted Average Cost of Capital		6.89%	6.89%	6.89%	6.44%	6.44%	6.44%	-0.45%	-0.45%	-0.45%
403	Return on Rate Base		$ 63,294,123	$ (2,653,117)	$ 60,641,006	$ 52,945,227	$ (804,537)	$ 52,140,690	$ (10,348,896)	$ 1,848,580	$ (8,500,316)
404											
405	Debt Only Return Adjustment (Case 12-00264-UT)		$ (55,182)	$ (603)	$ (55,786)	$ (48,396)	$ (529)	$ (48,925)	$ 6,786	$ 74	$ 6,860
406	Net Return on Rate Base		$ 63,238,941	$ (2,653,720)	$ 60,585,220	$ 52,896,831	$ (805,066)	$ 52,091,765	$ (10,342,110)	$ 1,848,654	$ (8,493,456)
407											
408	**Federal Income Tax**										
409	Return Adjustments										
410	Interest on Long Term Debt		$ (14,257,000)	$ -	$ (14,257,000)	$ (14,257,000)	$ -	$ (14,257,000)	$ -	$ -	$ -
411											
412	Tax/Book Adjustments										
413											
414	Non-Deductible Meals & Entertainment		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
415	Non-Deductible Club Dues		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
416	Non-Deductible Political Contributions		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
417	Non-Deductible Lobbying Expense		$ 35,000	$ (35,000)	$ -	$ 35,000	$ (35,000)	$ -	$ -	$ -	$ -
418	Wage Retention Credit (COVID-19)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
419	Non-Deductible Fines and Penalties		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
420	Solar Investment Tax Credit Depreciation & Amortization		$ 146,090	$ -	$ 146,090	$ 146,090	$ -	$ 146,090	$ -	$ -	$ -
421	AFUDC Equity/ AFUDC Equity-Depreciation		$ (18,809)	$ 95,845	$ 77,036	$ (16,339)	$ 95,845	$ 79,506	$ 2,470	$ -	$ 2,470
422	Total Tax/Book Adjustments		$ 162,281	$ 60,845	$ 223,126	$ 164,751	$ 60,845	$ 225,596	$ 2,470	$ -	$ 2,470
423											
424	Total Return Adjustments		$ (14,094,719)	$ 60,845	$ (14,033,874)	$ (14,092,249)	$ 60,845	$ (14,031,404)	$ 2,470	$ -	$ 2,470
425											
426	Net Taxable Income		$ 49,144,222	$ (2,592,875)	$ 46,551,347	$ 38,804,582	$ (744,221)	$ 38,060,361	$ (10,339,640)	$ 1,848,654	$ (8,490,986)
427	Federal Tax Factor (21%/(1-21%))		26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	0.0%	0.0%	0.0%
428	Federal Income Tax		$ 13,063,654	$ (689,245)	$ 12,374,409	$ 10,315,142	$ (197,831)	$ 10,117,311	$ (2,748,512)	$ 491,414	$ (2,257,098)
429	Add: Amortization of Excess Deferred Federal Income Taxes		$ (220,316)	$ -	$ (220,316)	$ (315,341)	$ -	$ (315,341)	$ (95,024)	$ -	$ (95,024)
430	Amortization of Investment Tax Credits		$ (32,510)	$ -	$ (32,510)	$ (32,510)	$ -	$ (32,510)	$ -	$ -	$ -
431	Net Allowable Federal Income Tax		$ 12,810,828	$ (689,245)	$ 12,121,582	$ 9,967,291	$ (197,831)	$ 9,769,460	$ (2,843,536)	$ 491,414	$ (2,352,122)
432											

Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A–D	E	G	H	I	K	L	M	O	P	Q
1				As Filed			Settlement Stipulation*			Delta Stipulated Adjustments*	
2			Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23	Ending 12/31/23		Ending 12/31/23
433											
434	**State Income Tax**										
435											
436	Return on Rate Base		$ 63,238,941	$ (2,653,720)	$ 60,585,220	$ 52,896,831	$ (805,066)	$ 52,091,765	$ (10,342,110)	$ 1,848,654	$ (8,493,456)
437	Total Return Adjustments		$ (14,094,719)	$ 60,845	$ (14,033,874)	$ (14,092,249)	$ 60,845	$ (14,031,404)	$ 2,470	$ -	$ 2,470
438	Net Allowable Federal Income Tax		$ 12,810,828	$ (689,245)	$ 12,121,582	$ 9,967,291	$ (197,831)	$ 9,769,460	$ (2,843,536)	$ 491,414	$ (2,352,122)
439	State Taxable Income		$ 61,955,050	$ (3,282,121)	$ 58,672,929	$ 48,771,873	$ (942,052)	$ 47,829,821	$ (13,183,177)	$ 2,340,069	$ (10,843,108)
440	State Tax Factor (5.57%/(1-5.57%))		5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	0.00%	0.00%	0.00%
441	State Income Tax		$ 3,654,449	$ (193,598)	$ 3,460,852	$ 2,876,833	$ (55,567)	$ 2,821,266	$ (777,616)	$ 138,030	$ (639,586)
442	Add: Amortization of Excess Deferred State Income Taxes		$ (39,981)	$ -	$ (39,981)	$ (39,981)	$ -	$ (39,981)	$ 0	$ -	$ 0
443											
444	Net Allowable State Income Tax		$ 3,614,468	$ (193,598)	$ 3,420,871	$ 2,836,852	$ (55,567)	$ 2,781,285	$ (777,616)	$ 138,030	$ (639,586)
445											
446	**Revenue Credits**										
447											
448	Discounted On-System Transportation	489	$ (3,143,080)	$ -	$ (3,143,080)	$ (3,143,080)	$ -	$ (3,143,080)	$ -	$ -	$ -
449	Miscellaneous Transportation Revenue	489	$ (4,300)	$ -	$ (4,300)	$ (4,300)	$ -	$ (4,300)	$ -	$ -	$ -
450	Late Payment Charges	488	$ (330,013)	$ -	$ (330,013)	$ (330,013)	$ -	$ (330,013)	$ -	$ -	$ -
451	Miscellaneous Service Revenues	488	$ (5,498,869)	$ -	$ (5,498,869)	$ (5,498,869)	$ -	$ (5,498,869)	$ -	$ -	$ -
452	Other Operating Revenues	493	$ (887,370)	$ -	$ (887,370)	$ (887,370)	$ -	$ (887,370)	$ -	$ -	$ -
453											
454	Total Revenue Credits		$ (9,863,632)	$ -	$ (9,863,632)	$ (9,863,632)	$ -	$ (9,863,632)	$ -	$ -	$ -
455											
456											
457	**Summary**										
458											
459	Return on Rate Base		$ 63,238,941	$ (2,653,720)	$ 60,585,220	$ 52,896,831	$ (805,066)	$ 52,091,765	$ (10,342,110)	$ 1,848,654	$ (8,493,456)
460	Total Operating Expenses (Excl Income and Revenue Related Taxes)		$ 169,647,946	$ -	$ 169,647,946	$ 163,100,820	$ -	$ 163,100,820	$ (6,547,127)	$ -	$ (6,547,127)
461	Net Allowable Federal Income Tax		$ 12,810,828	$ (689,245)	$ 12,121,582	$ 9,967,291	$ (197,831)	$ 9,769,460	$ (2,843,536)	$ 491,414	$ (2,352,122)
462	Net Allowable State Income Tax		$ 3,614,468	$ (193,598)	$ 3,420,871	$ 2,836,852	$ (55,567)	$ 2,781,285	$ (777,616)	$ 138,030	$ (639,586)
463	Revenue Credits		$ (9,863,632)	$ -	$ (9,863,632)	$ (9,863,632)	$ -	$ (9,863,632)	$ -	$ -	$ -
464	Total Revenue Requirement Before Revenue Tax		$ 239,448,551	$ (3,536,563)	$ 235,911,987	$ 218,938,161	$ (1,058,464)	$ 217,879,697	$ (20,510,389)	$ 2,478,099	$ (18,032,290)
465											
466	Revenue Tax Factor (I&S Fee) (0.506%/(1-0.506%))		0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.00%	0.00%	0.00%
467	Revenue Tax		$ 1,217,772	$ (17,986)	$ 1,199,786	$ 1,113,461	$ (5,383)	$ 1,108,078	$ (104,310)	$ 12,603	$ (91,707)
468											
469	**Cost of Service Revenue Requirement**		**$ 240,666,322**	**$ (3,554,549)**	**$ 237,111,773**	**$ 220,051,623**	**$ (1,063,847)**	**$ 218,987,775**	**$ (20,614,699)**	**$ 2,490,702**	**$ (18,123,998)**
470											
471											
472	Expected YE 2023 Revenue				$ 196,369,926			$ 199,687,776			$ 3,317,850
473	Revenue Deficiency				$ (40,741,847)			$ (19,300,000)			$ 21,441,848
474											
475											
476											

477 * The Settlement Stipulation includes the following: Net plant in service using December 31, 2021 balances and adjustments to forecasted capital expenditures thereafter and anticipated revenues under a new transportation agreement as discussed by NMGC Witness Bullard, ROE of 9.375%, Capital Structure of 52% equity / 48% debt, as well as other adjustments to O&M as discussed by NMGC Witness Wilcox, and associated income and revenue taxes to arrive at the agreed upon increase in base revenues of $19.3 million. NMGC Witness Buchanan testifies to these adjustments in his support of the Stipulation.

Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

630 Schedule A-1

Test Period

	A	B	C	D	E
1	**Description**		**Adjusted Test Period As Filed**	**Stipulated Adjustments***	**Stipulated Test Period***
2					(K = I + J)
3					
4	Other Gas Supply Expenses		1,476,207	(118,431)	1,357,776
5	Other Operations & Maintenance		102,620,839	(1,361,381)	101,259,458
6	Depreciation & Amortization		46,897,449	(4,188,706)	42,708,743
7	Miscellaneous Interest & Amortization		1,569,018	(27,356)	1,541,662
8	Taxes Other Than Income		17,084,433	(851,253)	16,233,180
9	Income Taxes		15,542,453	(2,991,708)	12,550,745
10	Return on Rate Base		60,585,220	(8,493,456)	52,091,765
11	Revenue Credits		(9,863,632)	-	(9,863,632)
12	Revenue Tax		1,199,786	(91,707)	1,108,078
13	**Total Cost of Service**		**237,111,773**	**(18,123,998)**	**218,987,775**
14					
15	Base Period Total Cost of Service Revenue		196,369,926	3,317,850	199,687,776
16					
17	**Revenue Deficiency**		**(40,741,847)**	**21,441,847**	**(19,300,000)**
18					
19	* The Settlement Stipulation includes the following: Net plant in service using December 31, 2021 balances and adjustments to forecasted capital expenditures thereafter and anticipated revenues under a new transportation agreement as discussed by NMGC Witness Bullard, ROE of 9.375%, Capital Structure of 52% equity / 48% debt, as well as other adjustments to O&M as discussed by NMGC Witness Wilcox, and associated income and revenue taxes to arrive at the agreed upon increase in base revenues of $19.3 million. NMGC Witness Buchanan testifies to these adjustments in his support of the Stipulation.				
20					

Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

630 Schedule A-3

Test Period

	A	B
1	**Description**	**Stipulated Adjustments***
2		
3	Fuel Related	-
4	Other Gas Supply Expenses	(118,431)
5	Transmission	(68,139)
6	Distribution	(135,491)
7	Customer-Related	(93,515)
8	Administrative & General	(1,064,236)
9	Depreciation & Amortization	(4,188,706)
10	General Taxes	(851,253)
11	Other Allowable Expenses	(27,356)
12	Income Taxes	(2,991,708)
13	Return on Rate Base	(8,493,456)
14	Revenue Credits	-
15	Revenue Tax	(91,707)
16		
17	Less: Expected 2023 YE Revenue	3,317,850
18		
19	**Total Cost of Service Adjustments**	**(21,441,848)**

Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

630 Schedule A-4

Test Period

	A	B	C	D
1	**Description**	**Test Period As Filed**	**Stipulated Adjustments***	**Stipulated Test Period***
2				
3	**Net Plant in Service:**			
4	Transmission	343,863,917	(31,051,238)	312,812,679
5	Distribution	460,175,639	(21,822,379)	438,353,261
6	General and Intangible	128,289,984	(22,492,261)	105,797,723
7	**Total Net Plant**	**932,329,541**	**(75,365,878)**	**856,963,663**
8				
9	Accumulated Deferred Income Taxes	(74,332,033)	2,743,337	(71,588,696)
10				
11	Regulatory Assets and Liabilities	(27,651,826)	784,858	(26,866,968)
12				
13	Other Rate Base Items	35,420,700	(41,034)	35,379,667
14				
15	**Working Capital:**			
16	Natural Gas Storage	6,376,968	-	6,376,968
17	Materials and Supplies	3,983,739	-	3,983,739
18	Prepayments	3,442,795	-	3,442,795
19	Cash Working Capital	665,981	795,711	1,461,692
20	**Total Working Capital**	**14,469,483**	**795,711**	**15,265,194**
21				
22	**Total Rate Base**	**880,235,864**	**(71,083,005)**	**809,152,859**
23				
24				
25	* The Settlement Stipulation includes the following: Net plant in service using December 31, 2021 balances and adjustments to forecasted capital expenditures thereafter and anticipated revenues under a new transportation agreement as discussed by NMGC Witness Bullard, ROE of 9.375%, Capital Structure of 52% equity / 48% debt, as well as other adjustments to O&M as discussed by NMGC Witness Wilcox, and associated income and revenue taxes to arrive at the agreed upon increase in base revenues of $19.3 million. NMGC Witness Buchanan testifies to these adjustments in his support of the Stipulation.			
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Sponsored by NMGC Witness Buchanan

NEW MEXICO GAS COMPANY, INC.

630 Schedule A-5

Test Period

	A	B	C	D
1	**Class of Capital**	**Capital Ratio**	**Effective Rate**	**Weighted Average Cost of Capital**
2	**TEST PERIOD**			
3				
4	Long Term Debt	47%	3.268%	1.54%
5				
6	Common Equity	53%	10.100%	5.35%
7				
8	**Total**	**100.00%**		**6.89%**
9				
10	**STIPULATED TEST PERIOD**			
11				
12	Long Term Debt	48%	3.268%	1.57%
13				
14	Common Equity	52%	9.375%	4.88%
15				
16	**Total**	**100.00%**		**6.44%**
17				

Sponsored by NMGC Witness Buchanan

New Mexico Gas Company
Allocation of Proposed Revenue Increase to Base Rates

Line No.	Rate Class	Current Base Revenue	Revenue Requirement at Equalized Return	Proposed Increase	Proposed Base Revenues	Percent Change Base Revenues
	(A)	(B)	(C)	(C)	(D)	(E)
1	**Rate Class Revenues**					
2	Rate 10 - Residential	$ 148,647,999	$ 160,802,446	$ 14,344,532	$ 162,992,531	9.65%
3	Rate 30 - Irrigation Service	$ 591,059	$ 558,494	$ 37,828	$ 628,887	6.40%
4	Rate 31 - Water and Sewer Pumping Service	$ 33,648	$ 29,153	$ 1,682	$ 35,330	5.00%
5	Rate 35 - Cogeneration Service	$ -	$ -	$ -	$ -	0.00%
6	Rate 37 - Gas Air Conditioning Service	$ 2,359	$ 3,954	$ 307	$ 2,666	13.01%
7	Rate 39 - Compressed Natural Gas Vehicle Fuel	$ 133,586	$ 187,252	$ 13,359	$ 146,945	10.00%
8	Rate 54 - Small General Service	$ 35,438,459	$ 37,749,719	$ 3,430,443	$ 38,868,902	9.68%
9	Rate 56 - Medium General Service	$ 5,333,529	$ 5,955,537	$ 517,352	$ 5,850,881	9.70%
10	Rate 58 - Large General Service	$ 3,870,198	$ 4,527,157	$ 375,409	$ 4,245,607	9.70%
11	Rate 61 - Sales for Resale Service	$ 385,334	$ 859,076	$ 37,377	$ 422,711	9.70%
12	Rate 70 - Off-System Transportation	$ 3,653,373	$ 6,308,532	$ 394,564	$ 4,047,937	10.80%
13	Rate 72 - Compressor Fuel	$ 499,999	$ 815,050	$ 57,500	$ 557,499	11.50%
14	Rate 114 - District Energy System Service	$ 780,346	$ 873,518	$ 89,740	$ 870,086	11.50%
15	**TOTAL**	**$ 199,369,889**	**$ 218,669,889**	**$ 19,300,093**	**$ 218,669,982**	**9.68%**

New Mexico Gas Company
Base Rates and Revenues at Present and Proposed Rates

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase 1/ (G)
1	**Rate 10 - Residential**						
2	Access Charge	6,120,254	$ 12.00	$ 73,443,047	$ 12.40	$ 75,891,149	3.33%
3	Transmission	314,793,223	$ 0.0675	$ 21,248,543	$ 0.1053	$ 33,147,726	56.00%
4	Distribution	324,842,922	$ 0.1661	$ 53,956,409	$ 0.1661	$ 53,956,409	0.00%
5	**TOTAL Rate 10 BASE REVENUE**			$ 148,647,999		$ 162,995,284	9.65%
6	**Rate 30 - Irrigation Service**						
7	Access Charge	5,407	$ 34.80	$ 188,176	$ 36.40	$ 196,828	4.60%
8	Transmission	3,202,679	$ 0.0381	$ 122,022	$ 0.0472	$ 151,166	23.88%
9	Distribution	7,469,707	$ 0.0376	$ 280,861	$ 0.0376	$ 280,861	0.00%
10	**TOTAL Rate 30 BASE REVENUE**			$ 591,059		$ 628,855	6.39%
11	**Rate 31 - Water and Sewage Pumping**						
12	Access Charge - < 200,000 Therms	180	$ 101.90	$ 18,346	$ 107.00	$ 19,264	5.00%
13	Access Charge - > 200,000 Therms	-	$ 175.00	$ -	$ 175.00	$ -	0.00%
14	Transmission	169,838	$ 0.0439	$ 7,456	$ 0.0452	$ 7,677	2.96%
15	Distribution	169,838	$ 0.0462	$ 7,847	$ 0.0494	$ 8,390	6.93%
16	**TOTAL Rate 31 BASE REVENUE**			$ 33,648		$ 35,330	5.00%

New Mexico Gas Company
Base Rates and Revenues at Present and Proposed Rates

Line No.	Current Rate	Test Year Billing Units	Current Charge	Current Revenue	Proposed Charge	Proposed Revenue	Base Revenue Increase 1/
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	**Rate 35 - Cogeneration**						
2	Access Charge - < 45.0,000 Therms	-	$ 55.00	$ -	$ 55.00	$ -	0.00%
3	Access Charge - > 450,000 Therms	-	$ 350.00	$ -	$ 350.00	$ -	0.00%
4	Transmission	-	$ 0.0337	$ -	$ 0.0342	$ -	0.00%
5	Distribution	-	$ 0.0786	$ -	$ 0.0454	$ -	0.00%
6	**TOTAL Rate 35 BASE REVENUE**			$ -		$ -	0.00%
7	**Rate 37 -Gas Air Conditioning**						
8	Access Charge	12	$ 19.40	$ 233	$ 23.00	$ 276	18.56%
9	Transmission	-	$ 0.0259	$ -	$ 0.0259	$ -	0.00%
10	Distribution	62,533	$ 0.0340	$ 2,126	$ 0.0382	$ 2,389	12.35%
11	**TOTAL Rate 37 BASE REVENUE**			$ 2,359		$ 2,665	12.97%
12	**Rate 39 - Compressed Natural Gas Vehicle Fuel Service**						
13	Access Charge	-	$ -	$ -	$ -	$ -	0.00%
14	Transmission	-	$ -	$ -	$ -	$ -	0.00%
15	Distribution	2,598,949	$ 0.0514	$ 133,586	$ 0.0565	$ 146,841	9.92%
16	**TOTAL Rate 39 BASE REVENUE**			$ 133,586		$ 146,841	9.92%

New Mexico Gas Company
Base Rates and Revenues at Present and Proposed Rates

Line No.	Current Rate	Test Year Billing Units	Current Charge		Current Revenue		Proposed Charge		Proposed Revenue		Base Revenue Increase 1/
	(A)	(B)	(C)		(D)		(E)		(F)		(G)
1	**Rate 54 - Small Volume General Service**										
2	Access Charge	498,675	$	23.50	$	11,718,868	$	27.75	$	13,838,238	18.09%
3	Transmission	153,209,837	$	0.0737	$	11,291,565	$	0.0823	$	12,609,170	11.67%
4	Distribution	157,716,072	$	0.0788	$	12,428,027	$	0.0788	$	12,428,027	0.00%
5	**TOTAL Rate 54 BASE REVENUE**				$	35,438,459			$	38,875,434	9.70%
6	**Rate 56 - Medium Volume General Service**										
7	Access Charge	1,284	$	109.00	$	139,960	$	130.00	$	166,925	19.27%
8	Transmission	50,716,617	$	0.0564	$	2,860,417	$	0.0651	$	3,301,652	15.43%
9	Distribution	44,782,179	$	0.0521	$	2,333,152	$	0.0532	$	2,382,412	2.11%
10	**TOTAL Rate 56 BASE REVENUE**				$	5,333,529			$	5,850,989	9.70%
11	**Rate 58 - Large Volume General Service**										
12	Access Charge	132	$	1,240.00	$	163,088	$	1,475.00	$	193,996	18.95%
13	Transmission	55,078,049	$	0.0492	$	2,709,840	$	0.0492	$	2,709,840	0.00%
14	Distribution	24,684,892	$	0.0404	$	997,270	$	0.0544	$	1,342,858	34.65%
15	**TOTAL Rate 58 BASE REVENUE**				$	3,870,198			$	4,246,694	9.73%

New Mexico Gas Company
Base Rates and Revenues at Present and Proposed Rates

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase 1/ (G)
1	**Rate 61 - Sales for Resale**						
2	Access Charge	72	$ 2,000.00	$ 144,028	$ 2,260.00	$ 162,751	13.00%
3	Transmission	8,937,271	$ 0.0270	$ 241,306	$ 0.0291	$ 260,075	7.78%
4	Distribution	-	$ -	$ -	$ -	$ -	0.00%
5	**TOTAL Rate 61 BASE REVENUE**			$ 385,334		$ 422,826	9.73%
6	**Rate 70 - Offsystem Transportation**						
7	Access Charge	-	$ -	$ -	$ -	$ -	0.00%
8	Transmission	180,860,031	$ 0.0202	$ 3,653,373	$ 0.0224	$ 4,051,265	10.89%
9	Distribution	-	$ -	$ -	$ -	$ -	0.00%
10	**TOTAL Rate 70 BASE REVENUE**			$ 3,653,373		$ 4,051,265	10.89%
11	**Rate 72 - Compressor Fuel**						
12	Access Charge	36	$ -	$ -	$ 250.00	$ 9,000	N/A
13	Transmission	24,752,414	$ 0.0202	$ 499,999	$ 0.0222	$ 549,504	9.90%
14	Distribution	-		$ -	$ -	$ -	0.00%
15	**TOTAL Rate 70 BASE REVENUE**			$ 499,999		$ 558,504	11.70%

New Mexico Gas Company
Base Rates and Revenues at Present and Proposed Rates

Line No.	Current Rate	Test Year Billing Units	Current Charge	Current Revenue	Proposed Charge	Proposed Revenue	Base Revenue Increase 1/
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	**Rate 114 - District Energy System Service**						
2	Access Charge	12	$ 1,250.00	$ 15,003	$ 1,475.00	$ 17,704	18.00%
3	Transmission	10,964,805	$ 0.0356	$ 390,347	$ 0.0435	$ 476,969	22.19%
4	Distribution	10,964,805	$ 0.0342	$ 374,996	$ 0.0342	$ 374,996	0.00%
5	**TOTAL Rate 114 BASE REVENUE**			$ 780,346		$ 869,669	11.45%
1	**TOTAL REVENUE**			**$ 199,369,889**		**$ 218,684,355**	

1/ Base revenue increase percentage excludes gas costs, other riders and fees applicable to customer bills.
See Stipulation Exhibit 4 for typical bill impacts.

New Mexico Gas Company
Typical Bill Impacts for Residential and Small Volume General Service Rates

Line No.	Monthly Therms	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)	(B)	(C)	(D)	(E)
1	**Residential Bill Impacts**				
2	0	$ 13.42	$ 13.87	$ 0.44	3.31%
3	25	$ 36.41	$ 37.90	$ 1.49	4.10%
4	50	$ 59.39	$ 61.94	$ 2.54	4.28%
5	53	$ 62.15	$ 64.82	$ 2.67	4.30%
6	75	$ 82.38	$ 85.98	$ 3.59	4.36%
7	100	$ 105.37	$ 110.01	$ 4.64	4.41%
8	150	$ 151.34	$ 158.08	$ 6.74	4.46%
9	200	$ 197.31	$ 206.16	$ 8.84	4.48%
10	250	$ 243.28	$ 254.23	$ 10.94	4.50%
11	300	$ 289.26	$ 302.30	$ 13.04	4.51%

Line No.		Present	Proposed	
12		**Present**	**Proposed**	
13	**Rates:**			
14	Monthly Access Fee	$ 12.00	$ 12.40	per month
15	Residential Transmission	$ 0.0675	$ 0.1053	per therm
16	Residential Distribution	$ 0.1661	$ 0.1661	per therm
17	Rate Rider 14	$ -	$ -	per therm
18	Rate Rider 15	$ 0.0117	$ 0.0117	per therm
19	Cost of Gas	$ 0.5822	$ 0.5822	per therm
20	Pipeline Safety Fee	$ 0.0800	$ 0.0800	per month
21	Franchise Fee	3.00%	3.00%	percent
22	Gross Receipts	7.875%	7.875%	percent

New Mexico Gas Company
Typical Bill Impacts for Residential and Small Volume General Service Rates

Line No.	Monthly Therms	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)	(B)	(C)	(D)	(E)
1	**Small Volume General Service Bill Impacts**				
2	0	$ 26.20	$ 30.92	$ 4.72	18.02%
3	50	$ 67.67	$ 72.87	$ 5.20	7.68%
4	100	$ 109.13	$ 114.81	$ 5.68	5.20%
5	200	$ 192.07	$ 198.70	$ 6.63	3.45%
6	300	$ 275.00	$ 282.59	$ 7.59	2.76%
7	316	$ 288.27	$ 296.01	$ 7.74	2.69%
8	400	$ 357.93	$ 366.48	$ 8.54	2.39%
9	500	$ 440.87	$ 450.37	$ 9.50	2.15%
10	600	$ 523.80	$ 534.26	$ 10.46	2.00%
11	700	$ 606.73	$ 618.15	$ 11.41	1.88%

12		**Present**	**Proposed**	
13	**Rates:**			
14	Monthly Access Fee	$ 23.50	$ 27.75	per month
15	Residential Transmission	$ 0.0737	$ 0.0823	per therm
16	Residential Distribution	$ 0.0788	$ 0.0788	per therm
17	Rate Rider 14	$ -	$ -	per therm
18	Rate Rider 15	$ 0.0117	$ 0.0117	per therm
19	Cost of Gas	$ 0.5822	$ 0.5822	per therm
20	Pipeline Safety Fee	$ 0.0800	$ 0.0800	per month
21	Franchise Fee	3.00%	3.00%	percent
22	Gross Receipts	7.875%	7.875%	percent

NEW MEXICO GAS COMPANY

SECOND REVISED RATE NO. 39
CANCELING FIRST REVISED RATE NO. 39

COMPRESSED NATURAL GAS VEHICLE FUEL

AVAILABILITY

Service under the Rate is available to any person who requests compressed natural gas ("CNG") vehicle fuel services provided hereunder.

TERRITORY

All of the Company's service areas.

RATES

1. Compressed Natural Gas Vehicle Fuel Rates:

   a. Basic Cost of Service Rate: During each monthly billing period, the rate for all gas delivered is $0.0648 per therm. x

   b. Cost of Gas Component: The basic charges for cost of service shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Rider No. 4.

   c. Special Rate Adjustment: The basic charges shall be increased or reduced by the amounts indicated, as applicable to each particular area of service in the Special Rate Riders approved by the New Mexico Public Regulation Commission or its predecessor.

2. Tax Adjustment Clause: The charges may be increased by an amount equal to the sum of the taxes payable under the Gross Receipts and Compensating Tax Act and of all other taxes, fees or charges (exclusive of ad valorem, state and Federal income taxes) payable by the Company and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or any object or event incidental to the rendition of service.

3. Terms of Payment: All bills under this Rate are due and payable when rendered and become delinquent twenty (20) working days thereafter. Any amount left unpaid 30 days after the bill date is subject to a six hundred sixty-seven one thousandths percent (0.667%) late payment charge.

Advice Notice No. xx

Gerald C. Weseen
Vice President
Regulatory, Strategy and External Affairs

NEW MEXICO GAS COMPANY

SECOND REVISED RATE NO. 39
CANCELING FIRST REVISED RATE NO. 39

COMPRESSED NATURAL GAS VEHICLE FUEL

<u>CURTAILABILITY</u>

Service under the "Compressed Natural Gas Vehicles Fuel Rates" in section Rates 1. above, may be curtailed to protect service to higher priority customers in accordance with the Company's Rule No. 21.

<u>OTHER CONDITIONS</u>

Service under this Rate is subject to applicable laws and orders, and to the Company's Rules and Regulations on file with the New Mexico Public Regulation Commission.

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Gerald C. Weseen
Vice President
Regulatory, Strategy and External Affairs

NEW MEXICO GAS COMPANY, INC.

Discounted Transportation Rates

Name	Discount Rate No.	Circumstance of Discount	Discount Rate, Other Charges and Commitments	Prior Discount Rate
Frontier Field Services Maljamar Plant	First Revised 701	Increase Throughput	$ 0.202/MMBtu; 1% Fuel and Losses; 3 Year Annual Volume Commitment of 317,550 MMBtu/Year	$ 0.10/MMBtu; 1% Fuel and Losses; 3 Year Annual Volume Commitment of 1,825,000 MMBtu/Year
Compania de Autobastecedores de Gas Natural de San Jeromino, S.A. de C.V.	First Revised 702	Border Crossing	$2,000/monthly Access Fee waived until average monthly volumes exceed 15,000 MMBtu for 6 consecutive months; $0.0270/therm	$2,000/monthly Access Fee waived until average monthly volumes exceed 15,000 MMBtu for 6 consecutive months; $0.0241/therm
Kolb Meyer Bioenergy NM 1, LLC	First Revised 703	Increase Throughput; Bypass Potential	$0.192/MMBtu; 0.45% Fuel; Pipeline Grade Quality Biogas	$0.202/MMBtu; 0 .45% Fuel; Pipeline Grade Quality Biogas
HollyFrontier Refinery and Marketing, LLC	Second Revised 706	Prevent Bypass and Increase Throughput	May 01, 2016 $0.11/MMBtu 1st year; with $0.005/MMBtu increase per year for Yr. 2, 3 & 4; ending @ $0.125/MMBtu for remainder of term; $0.07/MMBtu over monthly average 20,000 MMBtu/day minimum obligation; 1% Fuel	6,205,000 MMBtu or 17,000 MMBtu per day minumun take obligation under the contract $0.105/MMBtu; 1% Fuel for all gas transported
Western Bloomfield Refining Company (formerly Giant Industries)	First Revised 708	Prevent Bypass	$ 0.12/MMBtu; 1% Fuel; $1,000 Monthly Access Fee	$ 0.12/MMBtu; 1% Fuel; $1,000 Monthly Access Fee

NEW MEXICO GAS COMPANY, INC.

Discounted Transportation Rates

Name	Discount Rate No.	Circumstance of Discount	Discount Rate, Other Charges and Commitments	Prior Discount Rate
City of Farmington - Animas and Bluffview Power Plants	Second Revised 741	Prevent Bypass and Increase Throughput	$0.25/MMBtu charged for all volumes transported Firm Volume Commitment: 10,500 MMBtu/day or 3,832,500 MMBtu/year 3,843,000 MMBtu/leap year) Annual Reservation (Demand) Charge: $958,125/year ($960,750/leap year) 0.45% Fuel	$ 0.10/MMBtu charge for all volumes transported Firm Volume Commitment: 15,000 MMBtu/day or 5,475,000 MMBtu/year (5,490,000 MMBtu/leap year) Annual Reservation (Demand) Charge: $547,500/year($549,000/leap year) 0.15% Fuel
Mosaic Potash (formerly IMC Potash)	First Revised 742	Prevent Bypass	$ 0.15/MMBtu; 1% Fuel; $1,000 Monthly Access Fee	$ 0.06/MMBtu; 1% Fuel
PNM - Reeves 1, 2, & 3; and Rio Bravo Generation Plants	Sixth Revised 817	Increase Throughput	$0.896/MMBtu - Loadside; $0.30/MMBtu - Market Rate	$0.851/MMBtu - Loadside; $0.25/MMBtu - Market Rate
Western Ciniza Refining Company (formerly Giant Industries)	First Revised 819	Prevent Bypass	$ 0.12/MMBtu; 1% Fuel	$ 0.12/MMBtu; 1% Fuel

NEW MEXICO GAS COMPANY, INC.

ORIGINAL RATE NO. 72

COMPRESSOR FUEL SERVICE

AVAILABILITY
Service under this Rate is available for compressor station service.

TERRITORY
All the Company's service areas.

RATES
Basic Cost of Service Functional Rates: During each monthly billing period, the rate for all gas delivered shall be:

$0.0222 per therm for transmission service

Cost of Gas Component: The basic charges for cost of service set forth above shall be increased or reduced, as appropriate, by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Rider No. 4.

Access Fee: In addition to the rates for gas delivered, each Customer served under this Rate shall pay an Access Fee of $250.00 per monthly billing period.

Special Rate Adjustment: The charges shall be increased or reduced by the amounts indicated, as applicable to each particular area of service in the Special Rate Riders approved by the New Mexico Public Regulation Commission.

Tax Adjustment Clause: The charges may be increased by an amount equal to the sum of the taxes payable under the Gross Receipts and Compensating Tax Act and of all other taxes, fees or charges (exclusive of ad valorem, state and Federal income taxes) payable by the Company and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or any object or event incidental to the rendition of service.

Terms of Payment: All bills under this Rate are due and payable when rendered and become delinquent twenty (20) calendar days thereafter. Any amount left unpaid thirty (30) days after the bill date is subject to a six hundred sixty-seven one thousandths percent (0.667%) late payment charge.

INTERRUPTION, CURTAILMENT AND CAPACITY ALLOCATION OF SERVICE
In accordance with the Company's Rule No. 21, service under this Rate shall be designated as a Priority 1 – Human Needs.

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Gerald C. Weseen
Vice President
Regulatory, Strategy and External Affairs

NEW MEXICO GAS COMPANY, INC.

ORIGINAL RATE NO. 72

COMPRESSOR FUEL SERVICE

<u>OTHER CONDITIONS</u>

1. Service under this Rate is subject to applicable laws and orders, and to the Company's Rules and Regulations on file with the New Mexico Public Regulation Commission.

2. Certain Customers belonging in the "Compressor Fuel Service" classification have executed special contracts. These Customers are to be designated as special contract Customers for the purpose of this Rate and all rules of service.

3. Any minimum bill provisions of contracts under which special contract Customers are served shall continue in effect. In computing any amount due thereunder, the amount of the Access Fee shall not be included.

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NEW MEXICO GAS COMPANY

SECOND REVISED RULE NO. 29
CANCELING FIRST REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

1. Definitions:
The following words and terms shall have the indicated meaning when used in the Company's Rate Rider No. 8 and this Rule:

Actual Calendar Month Heating Degree Days: The cumulative monthly Weighted Average Heating Degree Days for the current Heating Season.

Adjustment Period: The annual period beginning with cycle 1, October.

Annual Reconciliation Report: The annual report filed with the Commission which provides the weather-related revenue excesses and deficiencies and the revenues or revenue credits for the Company's Weather Normalization Adjustment for a Reconciliation Period.

Balancing Account: Contains the cumulative monthly differences between the weather-related revenue excesses or revenue deficiencies as they are recorded on the books and records of the Company, and the revenues resulting from billings or credits to customers for the recovery or crediting of weather-related revenue excesses or revenue deficiencies as they are recorded on the books and records of the Company.

Balancing Account Adjustment Factor: A component of the Weather Normalization Adjustment Factor designed to allow the Company to continuously manage the Balancing Account.

Commission: The New Mexico Public Regulation Commission.

Company: New Mexico Gas Company.

Degree Day Consumption Factor: The aggregate heating use per degree day by rate class for the calendar month stated in therms as set forth in the following table:

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Vice President
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SECOND REVISED RULE NO. 29
CANCELING FIRST REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

Month	Rate 10 Residential	Rate 54 Small General Service	
October	39,878	18,504	x
November	51,788	21,237	x
December	57,205	23,623	x
January	59,199	25,069	x
February	58,373	25,031	x
March	58,588	24,989	x
April	49,805	23,301	x

Heating Degree Day: The difference between 65° and the mean daily temperature for the calendar day for days when the mean daily temperature is below 65°. Heating Degree Days equal zero for calendar days when the mean daily temperature is 65° or greater.

Heating Season: The seven consecutive calendar months beginning October and ending April.

Margin Revenue Factor: The revenue per therm net of applicable taxes and fees established in the Company's most recent base rate case for the applicable rate class as set forth in the following table:

Rate Class	Margin Revenue Factor	
Rate 10 - Residential		
Transmission	$0.1053	x
Distribution	$0.1661	
Transmission & Distribution	$0.2868	
Rate 54 - Small General Service		
Transmission	$0.0823	x
Distribution	$0.0788	
Transmission & Distribution	$0.1862	

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RATE RIDER NO. 8 DETAILS

Normal Calendar Month Heating Degree Days: The cumulative ten-year Weighted Average Heating Degree Days for each calendar month from October through April as established in the Company's most recent base rate proceeding. Normal Calendar Month Degree Days are set forth in the following table:

Month	Normal Degree Days	
October	230	x
November	570	x
December	884	x
January	877	x
February	660	x
March	466	x
April	260	x

Reconciliation Period: The twelve consecutive months ended September 30 of each year.

Weather Normalization Adjustment Component: The amount included in each customer's bill to recover or credit the net weather-related revenue excess or deficiency as determined in Rate Rider No. 8 and this Rule.

Weather Normalization Adjustment Factor: The rate to be multiplied by the customer's billing units to determine the Weather Normalization Adjustment Component.

Weather Normalization Adjustment Factor Statement: The report establishing the Weather Normalization Adjustment Factor. The Weather Normalization Adjustment Factor Statement is filed with the Commission prior to changing the previously used Weather Normalization Adjustment Factor.

Weighted Average Heating Degree Days: The average daily Heating Degree Days reported by the National Oceanographic and Atmospheric Administration for the weather stations representative of the Company's service area computed on the basis of the weightings specified in the following table:

Station	**Percentage Weighting**	
Albuquerque	56.97%	x
Deming	4.82%	x
Farmington	11.89%	x
Roswell	8.06%	x
Santa Fe	18.26%	x

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SECOND REVISED RULE NO. 29
CANCELING FIRST REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

2. Records

The Company shall maintain records which identify the weather-related revenue excesses or revenue deficiencies and the revenues or revenue credits attributable to the operation of Rate Rider No. 8. The difference between the weather-related revenue excesses or revenue deficiencies and the revenues or revenue credits described in this section shall be entered into the Balancing Account. Entries shall be made in this account at the end of the month in which the Rate Rider No. 8 weather-related revenue excesses or revenue deficiencies and revenues or revenue credits are recorded on the Company's books. The Balancing Account entry shall consist of the following:

A. Rate Rider No. 8 weather-related revenue excesses or revenue deficiencies shall be taken from the Company's books and records. Rate Rider No. 8 revenue excesses or revenue deficiencies shall include:

(1) The amount, if any, by which weather-related revenue excesses occur due to colder-than-normal weather, as determined in accordance with the provisions of Rider No. 8;

(2) The amount, if any, by which weather-related revenue deficiencies occur due to warmer-than-normal weather as determined in accordance with the provisions of Rider No. 8.

B. Rate Rider No. 8 revenues or revenue credits shall be taken from the Company's books and records. Rate Rider No. 8 revenues shall include, but not be limited to:

(1) The amount of weather normalization adjustment revenues recorded through the customers’ Weather Normalization Adjustment Component;

(2) The amount of weather normalization adjustment revenue credits recorded through the customers’ Weather Normalization Adjustment Component.

C. The Company shall separately maintain records attributable to the operation of Rate Rider No. 8 for service provided to Rate 10 Residential Service customers and Rate 54 Small General Service customers.

D, If Rate Rider No. 8 is discontinued or replaced, the amount recorded in the Balancing Account, positive or negative, as of the effective date that Rate Rider No. 8 is discontinued or replaced shall be credited to customers or charged to customers in a future period.

3. Calculation of the Weather Normalization Adjustment Factor

A. The Weather Normalization Adjustment Factor shall be determined as follows:

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RATE RIDER NO. 8 DETAILS

(1) A calculation of the revenue impact of colder-than-normal or warmer-than-normal weather shall be performed for each month of the Heating Season. A revenue excess shall result for the month when the Actual Calendar Month Heating Degree Days for the month exceed the Normal Calendar Month Heating Degree Days for the month. A revenue deficiency shall result for the month when the Actual Calendar Month Heating Degree Days for the month fall below the corresponding Normal Calendar Month Heating Degree Days for the month.

(2) The weather-related revenue impact shall be determined by first calculating the difference between Actual Calendar Month Heating Degree Days and Normal Calendar Month Heating Degree Days and multiplying this difference by the Degree Day Consumption Factor for the month and by the Margin Revenue Factor.

(3) The monthly weather-related revenue excess or revenue deficiency shall be determined separately for each rate class subject to Rider No. 8.

(4) The monthly revenue excesses and revenue deficiencies shall be summed together for the seven-month period of October through April to determine the net revenue excess or deficiency for the current Heating Season for each rate class subject to Rider No. 8.

(5) A calculation of the net prior period over or under-recovery of the Weather Normalization Adjustment Factor shall be performed by comparing the cumulative difference between the net revenue excess or revenue deficiency to the cumulative net revenues and revenue credits for prior periods for each rate class subject to Rider No. 8.

(6) The sum of the net revenue excess or deficiency for the current Heating Season and the net prior period over or under-recovery of the Weather Normalization Adjustment Factor for prior periods shall represent the total net revenue impact to be recovered through the Weather Normalization Adjustment Factor for each rate class subject to Rider No. 8.

(7) The Weather Normalization Adjustment Factor for the Adjustment Period shall be the total net revenue impact to be recovered through the Weather Normalization Adjustment Factor divided by the projected billing units for each rate class subject to Rider No. 8.

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SECOND REVISED RULE NO. 29
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RATE RIDER NO. 8 DETAILS

4. Reports and Statements

A. A Weather Normalization Adjustment Factor Statement must be filed annually with the Commission no later than June 30 before adjustment of the Weather Normalization Adjustment Factor. Each Statement shall consist of a cover letter identifying the items impacting the Weather Normalization Adjustment Factor, a projection of the final reconciliation balance for the twelve-month period ending on September 30 and any matters which may be of interest to the Commission. The Weather Normalization Adjustment Factor Statement consists of the following sections:

Section 1 - Summary of the Weather Normalization Adjustment Factors

Section 2 - Determination of the Weather Normalization Adjustment Factor

(A) Actual Monthly Heating Degree Days

(B) Monthly Weather-Related Revenue Excesses and Deficiencies

Section 3 - Determination of the Balancing Account Adjustment Factor.

B. An Annual Certified Reconciliation Report shall be filed with the Commission as soon after the completion of the September accounting month as permitted by record availability, and shall be filed annually no later than December 31. This report shall consist of the following sections:

(1) a summary of weather-related revenue excesses or deficiencies and revenues or revenue credits which were recorded in the Balancing Account;

(2) a summary of reconciling items including items adjusting the Balancing Account; and

(3) any additional reporting requirements as specified by the Commission.

The Weather Normalization Adjustment mechanism is continuous and therefore, the Balancing Account is also continuous. Any under or over-collection of weather-related revenue excesses or deficiencies that resulted in the prior Reconciliation Period will immediately carry over into the subsequent Reconciliation Period. All adjustments resulting from the Annual Reconciliation will be recorded into the Balancing Account as they become certified in the Annual Reconciliation process.

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Vice President
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ATTACHMENT B

		18-00038-UT	19-00317-UT	21-00267-UT
Revenue Increase Application		7.65% / approx. $8 mil[1]	6.9% / $13.23 mil[2]	20.8% / $40.7 mil[3]
Revenue Increase Stipulation		1.4% / $2.5 mil[4]	2.369% / $4.5 mil[5]	9.68% / $19.3mil[6]
ROE Application		10.2%[7]	10.2%[8]	10.1%[9]
ROE Stipulation		9.10%[10]	9.375%[11]	9.375%[12]
Cost of Debt Application		4.65%[13]	4.02%[14]	3.27%[15]
Cost of Debt Stipulation		4.65%[16]	3.70%[17]	3.27%[18]
WACC Application		7.65%[19]	7.36%[20]	6.89%[21]
WACC Stipulation		6.96%[22]	6.65%[23]	6.44%[24]
Capital Structure Application (eq/ltd)		54/46[25]	54/46[26]	53/47[27]
Capital Structure Stipulation (eq/ltd)		52/48[28]	52/48[29]	52/48[30]
Base Revenue Increase Application		4.5%[31]	6.9%[32]	20.8%[33]
Base Revenue Increase Stipulation		0.3%[34]	2.369%[35]	9.68%[36]
Residential Class Base Revenue Increase Application		1.4%[37]	6.5%[38]	20.5%[39]

Residential Class Base Revenue Increase Stipulation		0.65%[40]	2.355%[41]	9.65%[42]
Increase to Avg. Res. Mo. Bill App.		1.4%[43]	4.2% for 50 therm/mo user[44]	9.0%[45]
Increase to Avg. Res. Mo. Bill Stip.		Approx. 0.36%[46]	1.5% for 50 therm/mo user [47]	4.30%[48]
Increase in Residential Access Fee Application		$11.50 to $14.50[49]	$11.65 to 12.70[50]	$12.00 to $14.25[51]
Increase in Residential access Fee Stipulation		$11.50 to 11.57 and then to $11.65[52]	$11.65 to $12.00[53]	$12.00 to $12.40[54]

"The commission or presiding officer may take administrative notice of the following matters if otherwise admissible under Subsection A of 1.2.2.35 NMAC: (a) . . . administrative rulings . . . and orders of the commission . . ." as well as "(d) decisions, records, and transcripts in other commission proceedings[.]" 1.2.2.35(D) NMAC. It is hard to imagine how an administrative agency cannot take administrative notice of facts in other proceedings involving the same utility and same set of issues. To do otherwise would be demand the Commission close its eyes as to all it already knows. *Accord Allen v. Public Utilities Comm'n of Ohio*, 40 Ohio St. 3d 184, 532 N.E.2d 1307 (1988) (determining that a public utilities commission correctly takes administrative notice of facts which it found in another proceeding only three months before, where the party objecting to such notice was a party to the previous proceeding and made no objection to the findings of fact).

The documents below are the sources of the information in the preceding table. All are subject to administrative notice. The documents were all either admitted at a former hearing where the fact-proponent was subject to cross examination, are part of pleading submitted by NMGC to the Commission in a former rate case, or are facts taken from Commission orders.

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1 – Case No. 18-00038-UT, NMGC's Application for Revisions to Rates, Rules, and Charges, Proposed Form of Notice at 1 ¶ 1 (02/26/2018); Case No. 18-00038-UT, Third Amended Stipulation, at 1 (09/24/2018); Case No. 18-00038-UT, Phase I Certification of Stipulation, at 2 (04/08/2019).
2 – Case No. 19-00317-UT, Certification of Stipulation, at 6 (11/24/2020); Case No. 19-00317-UT, Direct Testimony of Ryan A. Shell, at 18 li.19 & p.19 li.1-2 (12/23/2019).
3 – Case No. 21-00267-UT, NMGC's Application for Revisions to Its Rates, Rules, and Charging with Supporting Testimonies, at pdf p.2 of 5771 (12/13/2021).
4 – Case No. 18-00038-UT, Phase I Certification of Stipulation, at 6 (04/08/2019); Case No. 18-00038-UT, Prepared Direct Testimony of Charles W. Gunter, at 5 li.5-9 (09/19/2018); Case No. 18-00038-UT, Testimony in Support of Stipulation of Elisha C. Leyba-Tercero, at 4 li.10-11 (09/19/2018).
5 – Case No. 19-00317-UT, Certification of Stipulation, at 6 (11/24/20)
6 – Case No. 21-00267-UT, Unopposed Stipulation, at 3 and at Stipulation Exhibit No. 2 at p. 1 of 1 li. 15 (05/20/2022).
7 – Case No. 18-00038-UT, NMGC's Application for Revisions to Rates, Rules, and Charges, at 3 (02/26/2018).
8 – Case No. 19-00317-UT, Application for Revisions to Retail Natural Gas Rates, Rules & Charges - Proposed Form Notice to Customers - Advice Notice No. 78, at 3 (12/23/2019).
9 – NMGC Ex. 25 at 7 li.3.
10 – Case No. 18-00038-UT, Phase I Certification of Stipulation, at 7 (04/08/2019) (pointing out that the ROE was "illustrative").
11 – Case No. 19-00317-UT, Certification of Stipulation, at 54 (11/24/2020).
12 – NMGC Ex. 2 at exhibit RAS-1 Stipulation at 3 ¶ 11(B).
13 – Case No. 18-00038-UT, Direct Testimony and Exhibits of Scott A. Hastings, at 15 li. 3 (02/26/2018).
14 – Case No. 19-00317-UT, Certification of Stipulation, at 12 (11/24/2020).
15 – NMGC Ex. 27 at 22 li. 17.
16 – Case No. 18-00038-UT, Phase I Certification of Stipulation, at 7 (04/08/2019) (pointing out that the debt cost was "illustrative").
17 – Case No. 19-00317-UT, Notice of Filing of Unopposed Stipulation, at 3 ¶ 11(C) (08/25/2020).
18 – NMGC Ex. 2 at exhibit RAS-1 Stipulation at 3 ¶ 11(C).
19 – Case No. 18-00038-UT, Direct Testimony and Exhibit of Ryan A. Shell, at 8 li.13 (02/26/2018)
20 – Case No. 19-00317-UT, Application for Revisions to Retail Natural Gas Rates, Rules & Charges - Proposed Form Notice to Customers - Advice Notice No. 78, at 3 ¶ 6 9 (12/23/2019); Case No. 19-00317-UT, Direct Testimony and Exhibits of Ryan A. Shell, at 18 li.20 (12/23/2019).
21 – NMGC Ex. 2 at exhibit RAS-1 Stipulation at 2 ¶ 2(B).
22 – Case No. 18-00038-UT, Phase I Certification of Stipulation, at 13 ¶ l (pointing out that the WACC was "illustrative").
23 – Case No. 19-00317-UT, Certification of Stipulation, at 54 (11/24/2020)

24 – NMGC Ex. 2 at exhibit RAS-1 Stipulation at 3 ¶ 11(E).
25 – Case No. 18-00038-UT, Phase I Certification of Stipulation at 2 ¶ b (04/08/2019).
26 – Case No. 19-00317-UT, Certification of Stipulation, at 12 (11/24/2020).
27 – Case No. 21-00267-UT, NMGC's Application for Revisions to Its Rates, Rules, and Charging with Supporting Testimonies, at 3-4 (pdf 65 of 5771) ¶ 8 (12/13/2021).
28 – Case No. 18-00038-UT, Phase I Certification of Stipulation, at 7 (04/18/2019).
29 – Case No. 19-00317-UT, Certification of Stipulation, at 54 (11/24/2020).
30 – NMGC Ex. 2 at exhibit RAS-1 Stipulation at 3 ¶ 11(D).
31 – Case No. 18-00038-UT, Andrea C. Crane Testimony in Support of Third Amended Stipulation on Behalf of the New Mexico Attorney General, at 4 (10/04/2018); Case No. 18-00038-UT, Testimony in Support of Stipulation of Elisha C. Leyba-Tercero, at 4 li. 11-13 (09/19/2018); Case No. 18-00038-UT, Prepared Direct Testimony of Charles W. Gunter, at 4 li.21 (09/19/2018).
32 – Case No. 19-00317-UT, Certification of Stipulation, at 1 (11/24/2020).
33 – NMGC Ex. 35 at exhibit DPY-9 p.1 li.15 ("Total").
34 – Case No. 18-00038-UT, Third Amended Stipulation, at Stipulation Exhibit No.3 p.1 li.5 column G.
35 – Case No. 19-00317-UT, Certification of Stipulation, at 6 (11/24/2020).
36 – NMGC Ex. 36 at exhibit DPY-1 Stipulation p.1 of 1 li.15 ("Total").
37 – Case No. 18-00038-UT, Third Amended Stipulation, at 2 ¶ 5 (09/24/2018).
38 – Case No. 19-00317-UT, Certification of Stipulation, at 6 & 64 (11/24/2020).
39 – NMGC Ex. 35 at exhibit DPY-9 p.1 of 1 li.2.
40 – Case No. 18-00038-UT, Third Amended Stipulation, at Stipulation exhibit 2 p.1 of 1 li.1 column (G) (09/24/2018); Case No. 18-00038-UT, Andrea C. Crane Testimony in Support of Third Amended Stipulation on Behalf of the New Mexico Attorney General, at 9 (10/04/2018); Case No. 18-00038-UT, Testimony in Support of Stipulation of Elisha C. Leyba-Tercero, at 4 line 21 (09/19/2018).
41 – Case No. 19-00317-UT, Certification of Stipulation, at 64 (11/24/2020).
42 – NMGC Ex. 36 at exhibit DPY-1 Stipulation p.1 of 1 at line 2 column (E).
43 – Case No. 18-00038-UT, NMGC's Application for Revisions to Rates, Rules, and Charges, at "Proposed Form of Notice to Customers" at 2 (pdf 11 of 75) (02/26/2018); Case No. 18-00038-UT, Third Amended Stipulation, at 2 ¶ 5 (09/24/2018).
44 – Case No. 19-00317-UT, Application for Revisions to Retail Natural Gas Rates, Rules & Charges - Proposed Form Notice to Customers - Advice Notice No. 78, at "Rate Case Executive Summary" p. ES 1 of 3 (pdf 10 of 73) (12/23/2019); Case No. 19-00317-UT, Direct Testimony and Exhibits of Ryan A. Shell, at 19 li.2-4 (12/23/2019).
45 – NMGC Ex. 1 at 18.
46 – Case No. 18-00038-UT, Phase I Certification of Stipulation at Stipulation Exhibit 4 (04/08/2019).
47 – Case No. 19-00317-UT, Notice of Filing of Unopposed Stipulation, at 3 ¶ 9 (08/25/2020); Case No. 19-00317-UT, Certification of Stipulation, at 76 (11/24/2020).
48 – NMGC Ex. 2 at exhibit RAS-1 Stipulation, at 3 ¶ 9.
49 – Case No. 18-00038-UT, Direct Testimony and Exhibit of Ryan A. Shell, at 16 li.14-17 (02/26/2018); Case No. 18-00038-UT, Direct Testimony of Daniel P. Yardley, at 41 li.11-12 (02/26/2018); Case No. 18-00038-UT, Andrea C. Crane Testimony in Support of Third Amended Stipulation on Behalf of the New Mexico Attorney General, at 5 li.1 (01/04/2018).

50 – Case No. 19-00317-UT, Application for Revisions to Retail Natural Gas Rates, Rules & Charges - Proposed Form Notice to Customers - Advice Notice No. 78, at "Rate Case Executive Summary ES 1 of 3 6th bullet from top (pdf 10 of 73) (12/23/2019).

51 – Case No. 21-00267, NMGC's Application for Revisions to Its Rates, Rules, and Charging with Supporting Testimonies, at "Executive Summary – 2021 Rate Case" at 2 of 2 (pdf 5 of 5771) (12/13/2021).

52 – Case No. 18-00038-UT, Third Amended Stipulation at Stipulation Exhibit No. 1 Stipulated Schedule P-3 p.1 of 2, Stipulation Exhibit No. 3 p.1 (09/24/2018); Case No. 18-00038-UT, Andrea C. Crane Testimony in Support of Third Amended Stipulation on Behalf of the New Mexico Attorney General, at 7 li.12-14 (10/04/2018)

53 – Case No. 19-00317-UT, Notice of Filing of Unopposed Stipulation, Stipulation Exhibit No.3 p. 1 of 5, pdf p.37 of 67, (08/25/2020).

54 – NMGC Ex. 2 at exhibit RAS-1 Stipulation, at 4 ¶ 11(G).

ATTACHMENT C

Parties and Counsel

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Brian Haverly

NM AREA

Peter J. Gould

Kelly Gould

NMAG

Gideon Elliot

Keven Gedko

CCAE

Cara R. Lynch

Sara Gersen

NEE

Mariel Nanasi

Shannon Sweeney

WRA

Cydney Beadles

FEA

Peter Meier

Irene Norville

Saul Ramos

COA

Julie Park

LAC

Daniel A. Najjar

Exhibits & Testimony

NMGC

NMGC Ex. 1	Direct Testimony and Exhibits of Ryan A. Shell
NMGC Ex. 2	Direct Testimony and Exhibit of Ryan A. Shell
NMGC Ex. 3	Testimony of Ryan A. Shell in Response to the Hearing Examiners’
NMGC Ex. 4	NMGC’s Errata Notice to the Direct Testimony of Roger A. Morin
NMGC Ex. 5	NMGC’s Initial list of Errata Revisions Pursuant to 17.1.3.19(C) NMAC
NMGC Ex. 6	NMGC’s Third Errata Notice
NMGC Ex. 7	NMGC’s Fourth Errata
NMGC Ex. 8	Direct Testimony and Exhibits of Tom C. Bullard
NMGC Ex. 9	Supplemental Testimony of Tom C. Bullard in Response to Order Requiring NMGC to Submit Evidence
NMGC Ex. 10	Direct Testimony in Support of Stipulation of Tom C. Bullard
NMGC Ex. 11	Testimony and Exhibits of Tom C. Bullard Response to the Hearing Examiners’ June 6, 2022, Bench Requests.
NMGC Ex. 12	Direct Testimony and Exhibits of Gerald C. Weseen
NMGC Ex. 13	Direct Test in Support of Stipulation of Gerald C. Weseen
NMGC Ex. 14	Testimony of Gerald C. Weseen in Response to the Hearing Examiners’ June 6, 2022, Bench Request
NMGC Ex. 15	Direct Testimony and Exhibits of Michael K. Decourcey
NMGC Ex. 16	Testimony of Tommy H. Sanders in Response to the Hearing Examiners’ June 6, 2022, Bench Requests
NMGC Ex. 17	Direct Testimony and Exhibit of Raymond G. Sanchez
NMGC Ex. 18	Direct Testimony and Exhibit of Diana E. Jaramillo
NMGC Ex. 19	Direct Testimony and Exhibits of Denise E. Wilcox
NMGC Ex. 20	Supplemental Testimony of Denise E. Wilcox in Response to Order Requiring New Mexico Gas Company to Submit Evidence
NMGC Ex. 21	Direct Testimony in Support of Stipulation of Denise E. Wilcox

NMGC Ex. 22	Testimony of Denise E. Wilcox in Response to the Hearing Examiners' June 6, 2022, Bench Requests
NMGC Ex. 23	Direct Testimony of Lesley J. Nash
NMGC Ex. 24	Testimony of Matthew S. Jones in Response to the Hearing Examiners' June 6, 2022, Bench Requests
NMGC Ex. 25	Errata Direct Testimony of Roger A. Morin, Ph.D.
NMGC Ex. 26	Testimony of Roger A. Morin, Ph.D., in Response to the Hearing Examiners' June 6, 2022, Bench Requests
NMGC Ex. 27	Direct Testimony and Exhibits of Jimmie L. Blotter
NMGC Ex. 28	Direct Testimony and Exhibits of Davicel Avellan
NMGC Ex. 29	Direct Testimony and Exhibits of Erik C. Buchannan
NMGC Ex. 30	Supplemental Testimony of Erik C. Buchanan in Response to Order Requiring New Mexico Gas Company to Submit Evidence
NMGC Ex. 31	Direct Testimony and Exhibit in Support of Stipulation of Erik C. Buchanan
NMGC Ex. 32	Testimony of Erik C. Buchanan in Response to the Hearing Examiners' June 6, 2022, Bench Request
NMGC Ex. 33	Direct Testimony and Exhibits of Deirdre M. Kann, Ph.D.
NMGC Ex. 34	Direct Testimony of Deirdre M. Kann, Ph.D. in Response to the Hearing Examiners' Order Issued June 21, 2022.
NMGC Ex. 35	Direct Testimony and Exhibits of Daniel P. Yardley
NMGC Ex. 36	Direct Testimony and Exhibits in Support of Stipulation of Daniel P. Yardley
NMGC Ex. 37	Testimony of Daniel P. Yardley in Response to the Hearing Examiners' June 6, 2022, Bench Requests
NMGC Ex. 38	NMGC's December 13, 2021, Application for Increase in Rates
NMGC Ex. 39	New Mexico Gas Company, Inc.'s Response to Bench Request Issued January 27, 2022.

CCAE

CCAE Ex. 1	Testimony and Exhibits of Dylan Sullivan on Behalf of CCAE Supporting Unopposed Stipulation

FEA

FEA Ex. 1	Settlement Testimony of Kevin W. O'Donnell, CFA

FEA Ex. 2	Testimony of Kevin W. O'Donnell, CFA, in Response to Bench Requests Dated June 6, 2022, on Behalf of the Federal Executive Agencies
FEA Ex. 3	Federal Executive Agencies' Response to June 22, 2022, Additional Bench Request
LAC	
LAC Ex. 1	Direct Testimony of Jordan Garcia
LAC Ex. 2	Supplemental Testimony of Jordan Garcia
NEE	
NEE Ex. 1	Testimony and Exhibit in Support of the Unopposed Stipulation of Mark Z. Jacobson
NMAG	
NMAG Ex. 1	Testimony in Support of Unopposed Stipulation by Andrea C. Crane
NMAG Ex. 2	Testimony of Andrea C. Crane in Response to June 6, 2022, Bench Requests
NM AREA	
NM AREA Ex. 1	Testimony in Support of Unopposed Stipulation of Michael P. Gorman
NM AREA Ex. 2	Testimony in Response to June 6, 2022, Bench Requests by Hearing Examiner of Michael P. Gorman
Staff	
Staff Ex. 1	Testimony in Support of the Unopposed Stipulation Marc A. Tupler
Staff Ex. 2	Staff Response of Marc A. Tupler to the June 8, 2022, Bench Request
Staff Ex. 3	Staff's Combined Testimonies in Response to the June 6, 2022, Bench Requests by Hearing Examiner and to the June 8, 2022, Bench Requests by Hearing Examiner for Commission Staff
Staff Ex. 4	Testimony in Support of Stipulation Georgette O. Ramie
Staff Ex. 5	Testimony of Elisha C. Leyba-Tercero in Support of Unopposed Stipulation
Staff Ex. 6	Testimony of Timothy A. Martinez in Support of the Unopposed Stipulation
WRA	
WRA Ex. 1	Testimony in Support of Stipulation Patrick J. O'Connell

ATTACHMENT D

NMGC's proposed Transcript corrections without strikethroughs are accepted

SPEAKER	TRAN-SCRIPT PAGE	TRAN-SCRIPT LINE	TRANSCRIPT NOW READS	TRANSCRIPT SHOULD READ
Appearances	3	2	For New Mexico Gas Company (NMGC)	For New Mexico Gas Company, Inc. (NMGC)
Appearances	3	3	(add new lines)	Nicole Strauser, Vice President and General Counsel 7120 Wyoming Blvd, NE Suite 20 Albuquerque, NM 87109 nicole.strauser@nmgco.com
Tom Domme	51	17	Exhibit 59	Exhibit 39
~~Ryan A. Shell~~	~~117~~	~~4~~	~~expand~~	~~expansion of~~
Ryan A. Shell	117	25	is	are
Ryan A. Shell	118	2	Ratan	Raton
~~Ryan A. Shell~~	~~123~~	~~22~~	~~in~~	~~to~~
~~Ryan A. Shell~~	~~124~~	~~16~~	~~we begin~~	~~we've been doing~~
~~Ryan A. Shell~~	~~128~~	~~2~~	~~or~~	~~our~~
~~Ryan A. Shell~~	~~135~~	~~14~~	~~Agreement~~	~~treatment~~
~~Ryan A. Shell~~	~~139~~	~~24~~	~~cost of service, or revenues only, and not~~	~~cost of service revenues only, and not~~
Ryan A. Shell	141	17	they	they've
~~Ryan A. Shell~~	~~144~~	~~10~~	~~cases~~	~~hearings~~
~~Ryan A. Shell~~	~~144~~	~~10~~	~~Each time you~~	~~In litigation, you~~
~~Ryan A. Shell~~	~~144~~	~~21~~	~~I'm~~	~~we were~~
~~Ryan A. Shell~~	~~144~~	~~23~~	~~had~~	~~made~~
~~Ryan A. Shell~~	~~155~~	~~25~~	~~and~~	~~then~~
Daniel P. Yardley	171	6	My	may

Daniel P. Yardley	198	9	Prepare	prepared
Daniel P. Yardley	200	4	$16.61	$0.1661
~~Tom C. Bullard~~	~~265~~	~~8~~	~~(No audible response.)~~	~~No.~~
~~Tom C. Bullard~~	~~266~~	~~6-7~~	~~That remains true in~~	~~We made sure~~
Tom C. Bullard	266	20	We would	We would expect
~~Tom C. Bullard~~	~~268~~	~~13~~	~~into existence, required that they keep~~	~~into existence, and required that operators keep~~
~~Tom C. Bullard~~	~~268~~	~~14~~	~~records, and had records of the material and~~	~~records of the material and~~
~~Tom C. Bullard~~	~~268~~	~~15-16~~	~~Some of that pipes, and a large number of that pre-code pipe we do~~	~~A large number of that pre-code pipe we do~~
~~Tom C. Bullard~~	~~270~~	~~24~~	~~clean the pipeline.~~	~~clean the pipeline or inspect the pipeline.~~
Tom C. Bullard	273	21	Among a typical	A typical
~~Tom C. Bullard~~	~~274~~	~~12~~	~~That's not,~~	~~That's right,~~
~~Tom C. Bullard~~	~~276~~	~~23~~	~~couple of engineers,~~	~~couple of engineers that went to the labs,~~
Tom C. Bullard	287	10	outlet or the processing	outlet of the processing
Tom C. Bullard	305	11	Number 4, when we asses	When we assess
~~Tom C. Bullard~~	~~305~~	~~16~~	~~Number~~	~~Item~~
Tom C. Bullard	309	7	THMSA	PHMSA
~~Tom C. Bullard~~	~~309~~	~~20~~	~~We're~~	~~We were~~
~~Tom C. Bullard~~	~~317~~	~~2~~	~~was.~~	~~will.~~
Gerald C. Weseen	343	21	CMG	CNG
Gerald C. Weseen	345	4-5	"Calculated Avoided Emissions"	calculated avoided emissions
Gerald C. Weseen	345	5	CMG	CNG
~~Hearing Examiner Hurst~~	~~355~~	~~21~~	~~Sub-C~~	~~subsea~~

~~Hearing Examiner Hurst~~	~~355~~	~~23~~	~~fleet energy~~	~~clean energy~~
~~Hearing Examiner Hurst~~	~~356~~	~~10~~	~~Sub-C~~	~~subsea~~
~~Gerald C. Weseen~~	~~362~~	~~21~~	~~methane~~	~~methane;~~
~~Gerald C. Weseen~~	~~363~~	~~5-6~~	~~would prove~~	~~had proved~~
~~Gerald C. Weseen~~	~~363~~	~~12~~	~~companies proposing~~	~~companies that are proposing~~
Gerald C. Weseen	364	11	in that	and that
~~Gerald C. Weseen~~	~~364~~	~~14~~	~~having to have~~	~~you're going to have to have~~
~~Gerald C. Weseen~~	~~365~~	~~3~~	~~really started~~	~~really just started~~
Gerald C. Weseen	367	13	19-0031-UT	19-00317-UT
~~Gerald C. Weseen~~	~~373~~	~~19~~	~~there are~~	~~there were~~
~~Gerald C. Weseen~~	~~373~~	~~24~~	~~gas reduction~~	~~gas emissions reduction~~
~~Gerald C. Weseen~~	~~375~~	~~1~~	~~a question~~	~~the question~~
Gerald C. Weseen	375	21	the date	the State's
~~Gerald C. Weseen~~	~~377~~	~~7~~	~~Navigant that~~	~~Navigant for the company that~~
~~Gerald C. Weseen~~	~~380~~	~~12~~	~~In making~~	~~Making~~
~~Gerald C. Weseen~~	~~380~~	~~15-16~~	~~objectives. That~~	~~objectives, seems,~~
Diana E. Jaramillo	454	13	like-	LIHEAP
~~Diana E. Jaramillo~~	~~454~~	~~14~~	~~We hear~~	~~We have~~
Diana E. Jaramillo	455	8	at	to
~~Hearing Examiner Hurst~~	~~473~~	~~23~~	~~were~~	~~where~~
~~Denise E. Wilcox~~	~~478~~	~~25~~	~~ranges~~	~~is~~

~~Denise E. Wilcox~~	~~479~~	~~11~~	~~yeah~~	~~yes~~
~~Denise E. Wilcox~~	~~480~~	~~3~~	~~based on like performance~~	~~based on performance~~
~~Denise E. Wilcox~~	~~480~~	~~23~~	~~and the three-year tranche~~	~~and after the three-year~~
~~Denise E. Wilcox~~	~~483~~	~~23~~	~~hiring them, such that~~	~~hiring them, that~~
~~Denise E. Wilcox~~	~~488~~	~~5~~	~~yeah~~	~~Yes~~
Denise E. Wilcox	493	5	fares	fairs
~~Matthew S. Jones~~	~~506~~	~~20~~	~~legal counsel~~	~~Legal Counsel II~~
~~Brian J. Haverly~~	~~509~~	~~1~~	~~proviso~~	~~provision~~
Matthew S. Jones	511	22	matters,	matter,
Matthew S Jones	518	2	as if they this case	as if this case
Matthew S Jones	523	9	there was more	there were more
~~Hearing Examiner Hurst~~	~~526~~	~~13~~	~~Than you,~~	~~Thank you,~~
Brian Haverly	529	13	To cop to	To cost
~~Jimmie L. Blotter~~	~~539~~	~~23~~	~~capital. Then~~	~~capital, and then~~
Jimmie L. Blotter	541	2	collection	a collection
Jimmie L. Blotter	554	16	Supply if to	Supply to
~~Jimmie L. Blotter~~	~~562~~	~~7~~	~~Market with carefully~~	~~Market carefully~~
Erik C. Buchanan	647	19	on	of
~~Erik C. Buchanan~~	~~649~~	~~15~~	~~in~~	~~is~~
Erik C. Buchanan	653	24	or	our
Erik C. Buchanan	660	10	declassify	reclassify
Erik C. Buchanan	664	7	don’t	do

Erik C. Buchanan	666	16	conditions	additions
Erik C. Buchanan	671	25	is	in
Erik C. Buchanan	675	12	MR. HAVERLY:	MR. BUCHANAN:
Erik C. Buchanan	687	1	asked have asked	have asked

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC. FOR APPROVAL OF REVISIONS TO ITS RATES, RULES, AND CHARGES PURSUANT TO ADVICE NOTICE NO. 87	**))))**	**Case No. 21-00267-UT**

AMENDED CERTIFICATE OF SERVICE

I CERTIFY that on this date I sent, via email only, a true and correct copy of the **Certification of Stipulation** to the parties listed below.

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DATED this November 10, 2022.

NEW MEXICO PUBLIC REGULATION COMMISSION

Ana C. Kippenbrock

Ana C. Kippenbrock, Law Clerk

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF	)	
NEW MEXICO GAS COMPANY, INC. FOR	)	
APPROVAL OF REVISION OR REVISIONS TO ITS	)	**Case No. 21-00267--UT**
RATES, RULES AND CHARGES PURSUANT TO	)	
ADVICE NOTICE NO.87	)	
	)	
NEW MEXICO GAS COMPANY, INC.	)	
APPLICANT	)	
	)	

CERTIFICATE OF SERVICE

I CERTIFY that on this date I sent to the parties listed below, via email only, a true and correct copy of the foregoing ***Order Adopting and Approving Certification of Stipulation***.

Thomas Domme	tmd@jhkmlaw.com;
Brian Haverly	bjh@jhkmlaw.com;
Julianna T. Hopper	jth@jhkmlaw.com;
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DATED this 30th day of November 2022.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ LaurieAnn Santillanes, electronically signed
LaurieAnn Santillanes, Law Clerk