

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF NEW MEXICO GAS COMPANY, INC. )  
FOR REVISIONS TO ITS RATES, RULES, )  
AND CHARGES PURSUANT TO ADVICE )  
NOTICE NOS. 70 AND 71 )  
 )  
NEW MEXICO GAS COMPANY, INC. )  
 )  
Applicant. )**

**Case No. 18-00038-UT**

**NOTICE TO NEW MEXICO GAS COMPANY, INC. CUSTOMERS**

New Mexico Gas Company, Inc. (“NMGC”) is providing the following information to you, as required by the New Mexico Public Regulation Commission (“NMPRC” or the “Commission”). This notice is being given to you for your information, and no immediate action is required on your part.

The information below outlines rate changes that could take place for delivering natural gas to your homes and businesses. You are welcome to review documents related to the filing or attend the hearing on the filing itself. See items (11) through (19) below for details on those options.

Please keep in mind the cost of natural gas will continue to be billed to you with no mark-up. NMGC passes the actual cost it pays for gas on to you, as required by the Commission. This portion of your bill is shown separately under “Cost of Gas.”

(1) On February 26, 2018, NMGC filed a request with the Commission to amend its rate schedules and adjust its rates for delivering natural gas services to your homes and businesses. NMGC is requesting total additional base rate revenues of \$8 million, which would be an increase of approximately 7.65% above its operating revenue for the twelve-month period ending September 30, 2017.

(2) NMGC also seeks an increase in miscellaneous fees and charges in the amount of \$453,031.

(3) The proposed changes may affect all customer classes.

(4) Examples of the anticipated residential bills at various gas consumption levels, assuming that the new rates NMGC has proposed are approved, but excluding applicable taxes and fees, are shown below. The average residential therm use ranges from a low of 14 therms in August to a high of 110 therms in January.

<b>ANTICIPATED MONTHLY RESIDENTIAL BILL</b>	<b>\$ PER THERM</b>	<b>0 THERMS</b>	<b>50 THERMS</b>	<b>100 THERMS</b>	<b>200 THERMS</b>	<b>300 THERMS</b>
Cost of Gas	\$ 0.3729*	\$ 0.00	\$ 18.65*	\$ 37.29*	\$ 74.58*	\$ 111.87*
Residential Transmission Rate	\$ 0.0634	\$ 0.00	\$ 3.17	\$ 6.34	\$ 12.68	\$ 19.02
Residential Distribution Rate	\$ 0.1200	\$ 0.00	\$ 6.00	\$ 12.00	\$ 24.00	\$ 36.00
Residential Monthly Access Fee	\$ 14.50	\$ 14.50	\$ 14.50	\$ 14.50	\$ 14.50	\$ 14.50
Total Proposed Monthly Residential Bill		\$ 14.50 **	\$ 42.32**	\$ 70.13**	\$ 125.76**	\$ 181.39**
Current Monthly Residential Bill		\$ 11.50**	\$ 41.62**	\$ 71.74**	\$ 131.98**	\$ 192.22**

\*For illustration purposes, this is the weighted average Cost of Gas from October 2016 through September 2017, which is the Base Period for the rate case. This is the actual cost of gas that NMGC passes on to you with no mark-up.

\*\*Excluding applicable fees and taxes.

When NMGC's proposed new residential rates are applied to the Base Period consumption levels, the resulting increase in the average monthly residential customer bill is approximately 1.4%, assuming that the cost of gas portion of the bill does not change.

(5) Below are the present and proposed rate components for each customer rate class for which an increase is proposed. These rates are included as portions of the lines labeled

“Distribution,” “Transmission” and “Access Fee”. Your customer rate class is listed under the line on your bill that reads “Cost for x Therms used is as follows.”

<u>CUSTOMER RATE CLASS</u>	<u>RATE COMPONENT</u>	<u>PRESENT RATE</u>	<u>PROPOSED RATE</u>
Residential (Rate No. 10)	Monthly Access Fee	\$ 11.50	\$ 14.50
	Transmission (\$/Therm)	\$ 0.0634	\$ 0.0634
	Distribution (\$/Therm)	\$ 0.1661	\$ 0.1200
Irrigation (Rate No. 30)	Monthly Access Fee	\$ 33.00	\$ 41.50
	Transmission (\$/Therm)	\$ 0.0381	\$ 0.0292
	Distribution (\$/Therm)	\$ 0.0376	\$ 0.0376
Water and Sewage Pumping (Rate No. 31)	Monthly Access Fee (<200,000 Therms/Year)	\$ 100.00	\$ 100.00
	Monthly Access Fee (>200,000 Therms/Year)	\$ 175.00	\$ 175.00
	Transmission (\$/Therm)	\$ 0.0386	\$ 0.0512
	Distribution (\$/Therm)	\$ 0.0444	\$ 0.0488
CoGeneration (Rate No. 35)	Monthly Access Fee (<450,000 Therms/Year)	\$ 50.00	\$ 55.00
	Monthly Access Fee (>450,000 Therms/Year)	\$ 345.00	\$ 380.00
	Transmission (\$/Therm)	\$ 0.0329	\$ 0.0329
	Distribution (\$/Therm)	\$ 0.0437	\$ 0.0498
Gas Air Conditioning (Rate No. 37)	Monthly Access Fee	\$ 15.00	\$ 17.50
	Transmission (\$/Therm)	\$ 0.0259	\$ 0.0259
	Distribution (\$/Therm)	\$ 0.0325	\$ 0.0341
Small Volume General Service (Rate No. 54)	Monthly Access Fee	\$ 20.00	\$ 25.00
	Transmission (\$/Therm)	\$ 0.0707	\$ 0.0733
	Distribution (\$/Therm)	\$ 0.0788	\$ 0.0815
Medium Volume General Service (Rate No. 56)	Monthly Access Fee	\$ 80.00	\$ 100.00
	Transmission (\$/Therm)	\$ 0.0513	\$ 0.0595
	Distribution (\$/Therm)	\$ 0.0513	\$ 0.0526
Large Volume General Service (Rate No. 58)	Monthly Access Fee	\$ 1,200.00	\$ 1,200.00
	Transmission (\$/Therm)	\$ 0.0486	\$ 0.0537
	Distribution (\$/Therm)	\$ 0.0365	\$ 0.0403
Sale for Resale Service (Rate No. 61)	Monthly Access Fee	\$ 2,000.00	\$ 2,000.00
	Transmission (\$/Therm)	\$ 0.0241	\$ 0.0283

Non-NMGC End Use	Monthly Access Fee	\$ 0.00	\$ 0.00
(Rate No. 70)	Transmission (\$/Therm)	\$ 0.0189	\$ 0.0208

(6) The rate changes by customer class identified above are for informational purposes only, and the rates ultimately approved and charged to each customer class and for each consumption level may differ from the proposed rates set forth above.

(7) NMGC’s proposed new rates are based on a Base Year Period measured from October 1, 2016 through September 30, 2017, and a Test Year Period measured from October 1, 2016 through March 15, 2018.

(8) NMGC is requesting a return on common equity of 10.2%, and a weighted average cost of capital 7.65%.

(9) The Company is also proposing changes to its rate design to include a weather normalization mechanism, an integrity management program cost recovery mechanism and an economic development rate. The Company’s proposal also includes increases to certain access fees.

(10) NMGC’s proposed rates incorporate the recent federal tax reform legislation, the Tax Cuts and Jobs Act of 2017 (“TCJA”). The decreased tax rate for corporations provided by the TCJA resulted in NMGC’s proposed total revenue request decreasing by approximately \$9.6 million.

(11) NMGC is also requesting approval to stop collecting charges for its retiree medical plan, which is currently overfunded.

(12) New Mexico Gross Receipts Tax and any applicable franchise fees charged by governmental entities will remain as a separate line item on your bill, and are not part of NMGC’s revenue request in this case.

(13) NMGC's application has been assigned Case No. 18-00038-UT by the Commission and inquiries should refer to that case number.

(14) A public hearing will be held beginning at 9:00 a.m. on September 24, 2018 and continuing through October 5, 2018 (as necessary) in the Ground Floor Hearing Room of the PERA Building, 1120 Paseo de Peralta in Santa Fe, New Mexico. You can contact the Commission at (505) 827-6956 for confirmation of the hearing date, time, and place because hearings are occasionally rescheduled.

(15) You may examine NMGC's rate filings, together with any exhibits and related papers, at NMGC offices located at 7120 Wyoming, Albuquerque, New Mexico 87109, (505) 697-3831; or at the Commission's Records Bureau at 1120 Paseo de Peralta, PERA Building, Santa Fe, New Mexico 87504; or online on the Commission's "Case Lookup EdoCKET" at [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us).

(16) You may intervene by filing a Motion for Leave to Intervene pursuant to 1.2.2.23 NMAC on or before June 15, 2018.

(17) You may appear at the hearing and make a written or oral comment without becoming an intervenor pursuant to 1.2.2.23(F) NMAC, but your comments will not be considered as evidence in this proceeding. If you make written comments in this case, you do not also have to attend the hearing, although you may attend the hearing if you would like to do so. Written Comments shall reference NMPRC Case No. 18-00038-UT and may be sent via hand delivery or U.S. Mail to the Commission's Records Bureau at the address below.

(18) Anyone filing pleadings, documents or testimony in this case may file either in person at the Commission's Records Bureau in the P.E.R.A. Building in Santa Fe, New Mexico, or by mail to the Commission's address at P.O. Box 1269, Santa Fe, New Mexico 87504-1269,

and shall serve a copy on all parties of record and Staff. All filings shall be emailed on the date they are filed with the Commission. **Any such filings shall also be e-mailed to the Hearing Examiner at *Frances.sundheim@state.nm.us***. All documents emailed to the Hearing Examiner shall include Word files if created in that format.

(19) The Commission's Rules of Procedure 1.2.2 NMAC, shall apply to this case except as modified by order of the Commission or Hearing Examiner. The NMAC Rules are available online at the NMAC website, <http://164.64.110.239/nmac/titles.htm>.

(20) Further information can be obtained from NMGC, at its website [www.nmgco.com/regulatory\\_filings](http://www.nmgco.com/regulatory_filings) or the Commission's "Case Lookup EdoCKET" at [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us).

(21) Any person with a disability requiring special assistance in order to participate in this proceeding should contact the Commission at (505) 827-6956 at least 24 hours prior to the commencement of the hearing.

**ISSUED** at Santa Fe, New Mexico this 19th day of April 2018.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

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**FRANCES I. SUNDHEIM  
HEARING EXAMINER**