

**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. 96 )**

**Case No. 23-00255-UT**

**NEW MEXICO GAS COMPANY, INC. )**

**Applicant.** )

**NEW MEXICO GAS COMPANY, INC.’S APPLICATION FOR  
REVISIONS TO ITS RATES, RULES, AND CHARGES**

New Mexico Gas Company, Inc. (“NMGC” or the “Company”), through its undersigned counsel, files this Application for approval of revisions to its rate schedules and rules and for an increase in its retail natural gas sales and transportation rates. In support of its Application, NMGC states as follows:

1. NMGC is a public utility headquartered in Albuquerque, New Mexico. The Company provides natural gas sales and transportation service to approximately 545,000 customers throughout the State of New Mexico. NMGC is subject to the jurisdiction of the New Mexico Public Regulation Commission (“NMPRC” or the “Commission”), which, among other things has the authority to revise the Company’s rates, rules and charges for service provided to NMGC’s customers.

2. NMGC’s currently authorized sales and transportation rates and charges for natural gas service are:

<b><u>RATE NO.</u></b>	<b><u>TITLE</u></b>
Original Rate No. 1-4	Rate Rider No. 4 - Cost of Gas Component
Third Revised Rate No. 1-8	Rate Rider 8 - Weather Normalization Adjustment Mechanism
Original Rate No. 1-14	Rate Rider 14 - Miscellaneous Surcharge and Credits
Fourteenth Revised Rate No. 1-15	Rate Rider 15 - Energy Efficiency Program
Fifth Revised Rate No. 10	Residential Services
Fourth Revised Rate No. 11	Miscellaneous Fees and Charges
Fifth Revised Rate No. 30	Irrigation Service
Fifth Revised Rate No. 31	Water and Sewage Pumping
Fifth Revised Rate No. 35	Cogeneration Service
Fourth Revised Rate No. 37	Gas Air Conditioning
Second Revised Rate No. 39	Compressed Natural Gas Vehicle Fuel
Fifth Revised Rate No. 54	Small Volume - General Service
Fifth Revised Rate No. 56	Medium Volume - General Service
Fifth Revised Rate No. 58	Large Volume - General Service
Sixth Revised Rate No. 61	Sale for Resale
Seventh Revised Rate No. 70	Transportation Service
Original Rate No. 72	Compressor Fuel Service
Fourth Revised Rate No. 114	District Energy System Service
Second Revised Rate No. 116	Landlord Standby Service
Original Rate No. 701	Transportation for Frontier Field Services – Maljamar
First Revised Rate No. 702	Transportation for Compania de Autobastecedores de Gas Natural de San Jeronimo, S.A. de C.V.
Original Rate No. 703	Transportation from Bioenergy Plant
Second Revised Rate No. 706	Transportation to Holly Frontier Refinery and Marketing LLC
First Revised Rate No. 708	Transportation to Bloomfield Refining Company
Second Revised Rate No. 741	Transportation to City of Farmington—Animas and Bluffview Power Plants
First Revised Rate No. 742	Transportation to Mosaic Potash
Sixth Revised Rate No. 817	Transportation to Public Service Company of New Mexico – Bulk Power

3. NMGC’s Application includes a base period, adjusted base period, linkage data, and a future test year which meet the requirements of 17.10.630 NMAC and 17.1.3 NMAC. The base period, which reflects NMGC’s actual experience according to its books and records,

is the twelve-month period ending March 31, 2023. As discussed by NMGC Witness Erik C. Buchanan, the adjusted base period includes adjustments for known and measurable changes to the base period information. The linkage data provides information for the period of April 1, 2023 through September 30, 2024.

4. NMGC's Application calls for proposed rates based on a twelve-month Future Test Year Period ("Future Test Year") ending September 30, 2025. The Future Test Year reflects the expected financial and operating conditions NMGC will experience during the first year the proposed rates are in effect and is consistent with NMSA 1978, Section 62-6-14(D).

5. NMGC is seeking to recover additional capital investments it has made and will be making to its system, including investments made related to reduce risks to NMGC's system. These investments include ongoing investment in the Company's ongoing annual capital investment program, Integrity Management Program, and investments in information technology software such as an upgrade to the Company's aging Customer Information System ("CIS") to allow the Company to better engage with and serve customers.

6. NMGC is also experiencing increased operating costs, including pressures to expand and retain our workforce to better serve our customers, which are expected to continue to increase throughout the Future Test Year.

7. NMGC's currently authorized rates and charges and the revenues they produce no longer adequately reflect the cost of service for the various classes of sales and transportation customers served by the Company.

8. NMGC's currently authorized cost of service rates and charges result in an annual base rate revenue deficiency of approximately \$48.97 million, based on a Future Test

Year ending in September 2025 and a requested weighted average cost of capital of 7.38%, including a requested return on equity of 10.5% and a capital structure of 53% equity and 47% long-term debt.

9. NMGC's currently authorized rates and charges do not address the future costs of maintaining the safety and reliability of its system and running its business.

10. NMGC is seeking permission to establish and/or recover regulatory assets to recover rate cases expenses incurred in relation to this case, costs the Company experienced related to increased bad debt during the COVID-19 Pandemic, and some of the costs incurred in implementing an upgrade to the Company's CIS. NMGC is also seeking approval to establish two new regulatory assets for potential recovery in a future rate case including some of the costs incurred for pre-Feed and Feed studies related to NMGC's Liquefied Natural Gas project, and fees the Company actually incurs when customers pay their bills with credit cards. NMGC is also seeking to revise the amortization schedules of two regulatory assets established in prior cases and to continue to credit customers for Accumulated Deferred Income Taxes in the same manner NMGC has been since its 2019 Rate Case. NMGC is also requesting approval to establish and begin crediting to customers a new regulatory liability.

11. NMGC's exact legal name, address and telephone number are:

New Mexico Gas Company, Inc.  
P.O. Box 97500  
Albuquerque, New Mexico 87199-7500  
(505) 697-3833

12. The name, address and telephone number of NMGC's attorneys are:

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13. NMGC requests that all pleadings, correspondence and other documents that are served on NMGC be e-mailed and delivered to its attorneys at the above addresses and to:

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Anita Hart  
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14. Pursuant to the requirements of 17.1.2.10(B)(1) NMAC, NMGC is submitting the following documents with this Application:

- A. NMGC Advice Notice No. 96;
- B. NMGC's Proposed Form of Notice to Customers;
- C. 17.10.630 NMAC Schedules A through R;
- D. 17.10.630 NMAC Schedule S, NMGC's Pre-filed Direct Testimony and Exhibits of Ryan A. Shell, Tom C. Bullard, Tommy H. Sanders, Kevin

I. Farr, Denise E. Wilcox, Gerald C. Weseen, Alana M. DeYoung, Erik C. Buchanan, Dylan W. D’Ascendis, Davicel Avellan, and Timothy S. Lyons;

E. NMGC proposes the following revised Rate Schedules and Rule listed below:

<b><u>RATE NO.</u></b>	<b><u>TITLE</u></b>
Sixth Revised Rate No. 10	Residential Service
Sixth Revised Rate No. 30	Irrigation Service
Sixth Revised Rate No. 31	Water and Sewage Pumping
Fifth Revised Rate No. 37	Gas Air Conditioning
Third Revised Rate No. 39	Compressed Natural Gas Vehicles Fuel
Sixth Revised Rate No. 54	Small Volume - General Service
Sixth Revised Rate No. 56	Medium Volume - General Service
Sixth Revised Rate No. 58	Large Volume - General Service
Seventh Revised Rate No. 61	Sale for Resale
Eighth Revised Rate No. 70	Transportation Service
First Revised Rate No. 72	Compressor Fuel Service
Fifth Revised Rate No. 114	District Energy System Service

  

<b><u>RULE NO.</u></b>	<b><u>TITLE</u></b>
Third Revised Rule No. 29	Rate Rider No. 8 – Details

15. Pursuant to 17.1.2.10(B)(2)(d) NMAC, NMGC confirms that it has fully complied with all Commission final orders in each of NMGC’s cases decided during the preceding five years, as evidenced by NMGC’s annual informational filings of April 30, 2023.

16. NMGC confirms that its Application and supporting testimonies, exhibits, and schedules fully comply with the requirements contained in 17.1.3 NMAC.

17. Pursuant to 17.1.210.11(B) NMAC, NMGC is serving a copy of this Application and Advice Notice No. 96 on the Attorney General and all counsel of record in NMGC’s last rate case.

Wherefore, NMGC respectfully requests that the Commission authorize and approve the revised rates, charges and rules as set forth in this Application and the accompanying Advice Notice and grant the Company such other approvals and relief as may be just and proper.

Respectfully submitted this 14<sup>th</sup> day of September 2023.

NEW MEXICO GAS COMPANY, INC.

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