

NEW MEXICO
PUBLIC UTILITIES COMMISSION
FILED
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NEW MEXICO GAS COMPANY
FIRST REVISED RATE NO. 741
CANCELLING ORIGINAL RATE NO. 741

Transportation to City of Farmington - Animas and Bluffview Power Plants

AVAILABILITY

Service under this Rate is available for transportation service to the City of Farmington - Animas River and Bluffview Power Plants.

TERRITORY

City of Farmington - Animas and Bluffview Power Plants, Farmington, New Mexico.

RATES

I. The total effective rate for transportation of gas through April 30, 2005 shall be:

- a. Through calendar year 1999, the lesser of \$0.27 per MMBtu or the Alternate Minimum Rate (as hereinafter defined) for transportation, plus

The Alternate Minimum Rate shall be the sum of the following components:

- 1. \$0.12/MMBtu escalated as in subparagraph "(d)" below, plus
- 2. \$0.04/MMBtu compression component. This component will be included for the first 4,250,000 MMBtus transported or through the first five years of service, whichever occurs first, plus
- 3. an amount per MMBtu equal to the Company's Rate Rider No. 8 factor, plus
- 4. the \$0.12/MMBtu transportation rate listed in (a) above will be escalated each year beginning on January 1, 1994, by an amount equal to the change in the GDP, Implicit Price Deflator, plus 4% ("Escalator"). If the change in the GDP, Implicit Price Deflator, for any year is less than 7%, the Escalator shall be capped at 7%. If the change in the GDP, Implicit Price Deflator, in any year is in excess of the 7%, only the percentage change in the GDP, Implicit Price Deflator, will be applied as the Escalator.

Beginning January 1, 2000, the transportation rate will be the \$0.12/MMBtu provided in (a) above as escalated pursuant to Paragraph (d) above, plus

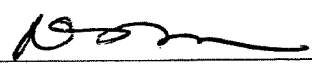
- b. An Access Fee of \$800.00 per month, per plant (as such amount, set forth in the Company's Rate No. 70 may be adjusted from time to time for similar service), if transported volume is less than 10,000 MMBtu/Month, per plant, plus
- c. A meter fee of \$35.00, per plant, shall apply only in those months when gas flows, under the contracts set forth below, to these facilities, plus

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Nicole Strauser
Director, Legal and Regulatory Affairs

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d. \$0.00 per therm maximum Take-or-Pay Surcharge.

II. Until the New Pipeline Infrastructure is operable, pursuant to Section III of this Rate, beginning May 1, 2005, the total effective rate for transportation of gas shall be:

\$0.10 per MMBtu
\$0.00 Meter Fee
\$0.00 Access Fee
Fuel Charge: 2% charged on all volumes transported

III. Effective the first day of the month following completion of the New Pipeline Infrastructure needed to provide full service to both the Animas and Bluffview Plants, the total effective rate for transportation of gas shall be:

\$0.10 per MMBtu for all volumes transported
Firm Volume Commitment: 15,000 MMBtu per day or 5,475,000 MMBtu per year (5,490,000 MMBtu per leap year)
Annual reservation (Demand) Charge: \$547,500 per year (\$549,000 per leap year)
Fuel Charge: 0.15% charged on all volumes transported

CURTAILABILITY

Service under Sections I and II of this Rate may be curtailed to protect service to higher priority customers in accordance with the Company's Rule No. 21. Service under Section III of this Rate shall not be subject to capacity allocation under the NMPRC's authorized rules and tariffs, due to the Transportation Customer's contributed incremental capacity to the New Pipeline Infrastructure as per 17.10.660.10 NMAC. X

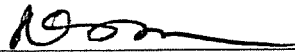
OTHER CONDITIONS

1. Service under Sections I and II of this Rate shall be subject to all applicable laws and orders and to the Company's Rules and Regulations on file with the New Mexico Public Regulation Commission. Service under Section III of this Rate shall only be subject to Form No. 38 and Rate No. 70 on file with the New Mexico Public Regulation Commission.
2. Pursuant to Rates set forth under Sections I and II, the Company shall transport gas received from owner at the receipt point and deliver equivalent quantities of gas on a MMBtu basis less a quantity of gas equal to two percent (2%). Such reduction in gas quantity shall be deemed to reflect compressor fuel gas and gas lost and unaccounted for. At such time that Section III of this Rate becomes effective, the compressor fuel gas and gas lost and unaccounted for shall be fifteen-hundredths of one percent (0.15%).

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3. Service under this Rate shall be subject to the Transportation Agreement between the Company and the City of Farmington (No. T-39853), effective for service on May 4, 2004 and fully executed on April 30, 2004. X
X
X

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