

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

Case No. 21-00267-UT

DIRECT TESTIMONY AND EXHIBITS

OF

DENISE E. WILCOX

December 13, 2021

**DIRECT TESTIMONY OF
DENISE E. WILCOX
NMPRC CASE NO. 21-00267-UT**

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I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Denise E. Wilcox. I am Vice President of Human Resources & Corporate Security of New Mexico Gas Company, Inc. (“NMGC” or the “Company”). My business address is 7120 Wyoming Boulevard NE, Albuquerque, New Mexico 87109.

Q. PLEASE BRIEFLY DESCRIBE YOUR BUSINESS EXPERIENCE AND EDUCATIONAL BACKGROUND.

A. My business experience and education are described in NMGC Exhibit DEW-1.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF HUMAN RESOURCES & CORPORATE SECURITY FOR NMGC.

A. I am responsible for all human resources functions at NMGC, including employee and labor relations, compensation, benefits, hiring, performance review, discipline, and workforce development. I also oversee the Company’s security measures, other than those that are information technology & telecommunications (“IT&T”) related, such as physical security of NMGC’s offices and facilities, including pipelines.

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1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO**
2 **PUBLIC REGULATION COMMISSION (“NMPRC” OR THE**
3 **“COMMISSION”)?**

4 **A.** Yes. I provided written testimony in NMGC’s last rate case, NMPRC Case No.
5 19-00317-UT.

6
7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
8 **PROCEEDING?**

9 **A.** In this testimony:

- 10 • In Section II, I explain the Company's compensation and benefits
11 philosophy and describe the basis for compensation paid and benefits provided
12 to employees including base pay, benefits, and incentive pay, which together
13 make up the Company’s total compensation to its employees. I also explain
14 how the Company has determined the “labor escalator” which is then applied
15 by NMGC Witness Erik C. Buchanan in the model.
- 16 • In Section III, I discuss the Company’s compliance with the human resources
17 related provisions of NMPRC Case No. 15-00327-UT (the “Emera
18 Stipulation”) including headcount, both current and planned, over the period
19 covered by this case.
- 20 • In Section IV, I explain the methodology used to determine the compensation
21 and benefits expenses sought in this rate case for additional employees as

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1 detailed in the testimony of the other NMGC witnesses including NMGC
2 Witnesses Buchanan, Raymond G. Sanchez, Diana E. Jaramillo, Michael K.
3 DeCoursey, and Tom C. Bullard and describe the additional positions in my
4 area of responsibility in 2023.

- 5 • In Section V, I discuss anticipated vacancies in the Company going forward.
- 6 • Lastly, in Section VI, I discuss the Company’s security measures undertaken in
7 response to regulation and in order to protect its employees, customers, and
8 facilities throughout the State.

9

10

11

II. COMPENSATION AND BENEFITS

12

**Q. IN NMGC’S 2019 RATE CASE, YOU FILED TESTIMONY WHEREIN YOU
13 DESCRIBED THE COMPANY’S GENERAL APPROACH TO
14 COMPENSATING ITS EMPLOYEES. HAS THAT GENERAL APPROACH
15 CHANGED SINCE THAT LAST CASE?**

16

A. No.

17

18

**Q. WITH THAT COMMENT AS BACKGROUND, PLEASE DESCRIBE
19 NMGC’S GENERAL APPROACH TO COMPENSATING ITS EMPLOYEES.**

20

A. NMGC’s compensation philosophy remains as before. We determine and pay “total
21 compensation” to its employees consistent with the market. As used by NMGC,

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1 total compensation is the sum of three interrelated components: base salary, benefits,
2 and incentive pay.

3

4 **Q. PLEASE DESCRIBE THESE COMPONENTS OF COMPENSATION IN**
5 **MORE DETAIL.**

6 **A.** Base salary is the cash compensation employees regularly receive in their paychecks.
7 All Company employees receive base salary. Also, based on certain job
8 classifications, some employees are eligible for overtime and/or shift differential
9 pay.

10

11 Benefits include all indirect and non-cash compensation provided to employees, such
12 as health insurance, life insurance, paid time off, holidays, 401(k) contributions, and
13 benefits mandated by law. All employees receive benefits.

14

15 The Company's Short-Term Incentive Plan ("STIP") is, as the name suggests, an
16 incentive plan that compensates employees for the achievement of annual Company
17 objectives. The achievement of the objectives of the STIP is intended to benefit
18 customers, directly and indirectly. All employees are eligible to participate in the
19 STIP and as set forth below, the Company's annual short-term incentive
20 compensation plan is based on the achievement of Company goals and is a key
21 component of the Company's compensation program.

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1 The Company’s other incentive program, its Long-Term Incentive Plan (“LTIP”) is
2 an incentive plan to compensate certain eligible employees for the achievement of 3-
3 year performance objectives. The achievement of these objectives is intended to
4 benefit customers, directly and indirectly. LTIP compensation is available to certain
5 management employees at NMGC. Although LTIP does help attract and retain
6 qualified employees, and thus is arguably a recoverable expense, NMGC is once
7 again not seeking recovery of LTIP in this rate case.

8
9 **Q. HOW ARE COMPENSATION LEVELS DETERMINED AT NMGC?**

10 **A.** The Company’s goal is to compensate employees at or near the “the middle of the
11 market” for a particular job, taking into consideration each of the components of
12 compensation. Middle of the market compensation for each position is based on
13 analysis of compensation paid by other similar utilities and employers with whom
14 NMGC competes for personnel. The evaluation to determine market and middle of
15 the market compensation is performed by personnel in Tampa Electric Company,
16 Inc.’s (“TEC”) Human Resources Department along with NMGC’s Human
17 Resources’ management’s input and in reliance on market and compensation studies
18 of market conditions and compensation benchmarking.

19
20 **Q. WHAT IS COMPENSATION BENCHMARKING AND HOW IS IT USED BY**
21 **NMGC?**

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1 **A.** Compensation benchmarking is the process by which NMGC identifies where it
2 stands in comparison with other companies in our industry. In addition to giving us a
3 comparison of how our compensation packages compare to others in our industry,
4 benchmarking helps provide periodic measurement against market baseline data and
5 thus helps define reasonable salary ranges, pay, and incentive award levels for
6 employees. All components of total compensation are influenced by benchmarking
7 data.

8

9 **Q. REGARDING BASE PAY, DOES NMGC TYPICALLY PROVIDE ANNUAL**
10 **MERIT INCREASES TO EMPLOYEE BASE SALARIES?**

11 **A.** Yes. Historically, the Company's annual merit increases have averaged 3.0%.
12 Consistent with this, in this case, NMGC has applied a 3% annual escalation
13 percentage to salaries from July 1, 2020 through June 30, 2021 (the "Base Period") to
14 estimate employee base salaries for 2022. The Company conducted an internal
15 review of the labor market and other compensation related data, and has determined
16 to apply an escalation percentage of 5% to estimated salaries from January 1, 2023
17 through December 31, 2023 (the "Future Test Year"). We have determined that these
18 two escalation percentages are necessary to keep total compensation at or near market
19 so that NMGC can attract and retain talent through the period covered by this rate
20 case.

21

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1 **Q. PLEASE EXPLAIN HOW THESE LABOR ESCALATORS WERE**
2 **DETERMINED.**

3 **A.** As described by NMGC Witness Buchanan, when the Company is not separately
4 forecasting an amount, the Company applies escalators to advance operations and
5 maintenance (“O&M”) costs from year-to-year to get to the O&M amounts in the
6 future test year period. The Company uses two escalators, one for labor expenses
7 and one for non-labor. These two escalators are developed independently, based
8 on different inputs and by different subject matter experts. Given the different
9 factors that the labor analysis entails, the labor escalator is separate from and
10 determined independently of the non-labor escalator.

11
12 The amount of the labor escalator is based on inputs from and the analysis of many
13 experienced human resources professionals. Based on these inputs, NMGC
14 executive leadership developed the labor escalator. I was fully engaged in these
15 discussions.

16
17 Many factors are taken into consideration, including inflation and general economic
18 conditions, as well as anticipated wage and salary increases in similarly situated or
19 competitive industries, labor wage and salary demands by employees, competition
20 for employees including talent shortages, talent retention and talent movement, as
21 well as benefit comparisons, and factors which employees and employers analyze
22 when asking for and setting compensation.

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1 NMGC has set the labor escalator from 2021 to 2022 at 3% and the escalator from
2 2022 to 2023 at 5%. The escalators in both 2022 and 2023 take into account factors
3 that will come into play as the country and the region emerge from the impacts of
4 COVID-19, and the higher increase from 2022 to 2023 reflects a belief that these
5 factors will accelerate as we get further and further from the influence of COVID-
6 19.

7
8 **Q. REGARDING THE COMPANY'S STIP PROGRAM, PLEASE DESCRIBE**
9 **WHAT PERFORMANCE OBJECTIVES ARE USED TO DETERMINE STIP**
10 **PAYOUTS.**

11 **A.** The Company's STIP goals are centered around customer satisfaction, asset
12 management and operational efficiency and safety, and include items such as call
13 center metrics, safety-related metrics, system integrity and reliability measures, and
14 cost containment measures. In 2021, payouts from the STIP are based on meeting
15 goals in the following categories: 1) safety; 2) environmental; 3) people
16 (employee); 4) customer; 5) asset management; and 6) financial. These goals are
17 directed at operational efficiency and performance by the Company.

18
19 **Q. REGARDING EMPLOYEE BENEFITS, PLEASE DESCRIBE THE**
20 **BENEFITS THAT ARE GENERALLY OFFERED TO FULL-TIME**
21 **EMPLOYEES BY NMGC.**

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1 **A.** Obviously, benefits are a necessary component of compensation to attract and
2 retain a well-qualified workforce. We offer the following benefits to full-time
3 employees: medical, dental, vision, retirement savings plan 401(k), pension plan,
4 life insurance, accidental death & dismemberment insurance, short-term and
5 long-term disability, flexible spending accounts, health savings accounts,
6 educational assistance program, employee assistance program, paid time off,
7 holiday pay, wellness program, and retiree medical plan (grandfathered plan).

8

9 **Q. HOW ARE BENEFIT LEVELS SET?**

10 **A.** The Company considers the appropriate design and administration of its benefits
11 programs each year. The Company strives each year to provide employees with
12 a benefits package that is competitive in the market while recognizing the
13 importance of controlling the Company's expenses in this area. Among other
14 things, our consumer-driven health plan options drive employee engagement by
15 putting more responsibility and flexibility into the hands of employees to ensure
16 that they make the most appropriate, cost-effective decisions when it comes to
17 their healthcare.

18

19 **Q. DOES THE COMPANY PROVIDE A 401(k) PLAN, AND IF SO, DOES**
20 **THE COMPANY MATCH THE EMPLOYEES' CONTRIBUTIONS?**

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1 **A.** Yes. As part of the 401(k) plan, employees receive the Company fixed match
2 which is \$0.75 for every dollar contributed to the 401(k) plan up to the first 6%
3 of their applicable compensation. Based on the achievement of certain business
4 financial goals, the Company will add a performance match up to \$0.25 for every
5 dollar contributed up to the first 6% of eligible pay. Together the fixed match and
6 the performance match result in a potential match of \$1.00 for every \$1.00 the
7 employee contributes, up to a maximum of 6% of the employee's eligible pay.
8 Although the performance match is arguably a recoverable expense, for purposes
9 of this rate case, the Company is not seeking recovery of this performance match.

10

11 **Q. ARE THE BENEFITS PROVIDED BY NMGC COMPETITIVE WITH**
12 **THOSE OFFERED BY SIMILARLY SITUATED EMPLOYERS TO**
13 **ATTRACT AND RETAIN EMPLOYEES?**

14 **A.** Yes.

15

16 **Q. PLEASE EXPLAIN WHAT RULE 630 SCHEDULE H-4 PROVIDES WITH**
17 **REGARD TO EMPLOYEE COMPENSATION, AND PLEASE IDENTIFY**
18 **WHAT INFORMATION YOU PROVIDED FOR ITS PREPARATION.**

19 **A.** Rule 630 Schedule H-4 is sponsored by NMGC Witness Jimmie L. Blotter. Rule
20 630 Schedule H-4 identifies the level of compensation provided to employees at

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1 NMGC including benefits, and projects forward such compensation and benefits
2 through the test period. I provided background compensation information for the
3 preparation of Rule 630 Schedule H-4.

4

5 **Q. PLEASE DISCUSS YOUR INPUT INTO THE HEALTH AND**
6 **DENTAL BENEFIT COST INCREASES REFLECTED IN RULE**
7 **630 SCHEDULE H-4.**

8 **A.** The increases reflected in Rule 630 Schedule H-4 are predicated on an actuarial
9 report prepared for NMGC by Mercer Health and Benefits, LLC (“Mercer”). At
10 our request, Mercer prepared an actuarial forecast of NMGC’s health and dental
11 costs based on our past experience. A copy of this report is attached to my
12 testimony as NMGC Exhibit DEW-2. The projections from Mercer are consistent
13 with my understanding of what companies are seeing in year-to-year increases to
14 medical and dental insurance costs.

15

16 **Q. PLEASE DISCUSS YOUR INPUT INTO THE BASIS FOR THE**
17 **INCREASE IN PENSION COSTS REFLECTED IN RULE 630**
18 **SCHEDULE H-4 IN THE FUTURE TEST YEAR.**

19 **A.** NMGC has historically, and continues to, rely on outside actuaries to determine its
20 pension calculations. At our request Mercer prepared a report regarding pension
21 cost increases and a copy of the Mercer report related to pension calculations is

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1 attached as NMGC Exhibit DEW-3. The increase in pension costs in Rule 630
2 Schedule H-4 are based upon the actuarial report prepared for NMGC by Mercer,
3 attached as NMGC Exhibit DEW-3.

4

5 **Q. PLEASE DISCUSS YOUR INPUT INTO THE REASON FOR THE**
6 **INCREASES IN 401(k) BENEFITS REFLECTED IN RULE 630**
7 **SCHEDULE H-4 IN THE FUTURE TEST YEAR.**

8 **A.** The cost related to the Company's 401(k) plan will increase commensurate with
9 the projected merit increases. For example, if an employee receives a 3% merit
10 increase, they are also eligible for a 6% match up to \$0.75 cents per dollar, for that
11 3% increase. This information was provided to NMGC Witness Buchanan, and
12 changes were made in the model, and those changes flow through the model related
13 to the 401(k) for 2022 and 2023 along the lines described herein.

14

15 **Q. IN RULE 630 SCHEDULE H-4, NMGC WITNESS BUCHANAN APPLIES**
16 **AN ESCALATOR TO VARIOUS BENEFITS – OTHER THAN HEALTH,**
17 **DENTAL, PENSION AND 401(k). BASED ON YOUR EXPERIENCE, IS**
18 **THIS A REASONABLE ASSUMPTION?**

19 **A.** Yes. Certain benefit expenses such as health and dental expenses, pension costs,
20 or 401(k) are separately forecasted, as discussed above. For benefits other than
21 those separately forecasted, we applied the non-labor escalators. In his

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1 testimony, NMGC Witness Buchanan provides detail about how the non-labor
2 escalators were determined. Based on my experience, I think such escalators are
3 reasonable and appropriate and that it is a reasonable method to project future
4 expenses for benefits that are not separately forecasted.

5

6 **Q. HOW ARE STIP PAYMENTS TREATED IN THE COMPANY'S**
7 **FUTURE TEST YEAR MODEL?**

8 **A.** For the majority of NMGC's employees, STIP is escalated at the labor escalation
9 rate. However, for three grade levels of employees, grades five through seven,
10 the Company specifically forecasted a change in STIP payments, resulting in an
11 increase of approximately \$916,000.

12

13 **Q. WHY IS THE COMPANY SPECIFICALLY FORECASTING THREE**
14 **EMPLOYEE GRADES?**

15 **A.** Historically, Company employees in grades 5, 6 and 7 have participated in the
16 Company's STIP program at a 6% level. Based on an evaluation of the market, the
17 Company has determined that in order to align with market, employees in these
18 grades should participate in STIP at a 10% level. Rather than step this increase in
19 over an extended period, the Company is elevating the STIP amount for these
20 employees from 6% to 10% effective January 1, 2023.

21

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1 **III. REQUIREMENTS FROM PRIOR COMMISSION ORDERS**

2

3 **Q. IN NMGC’S 2019 RATE CASE, YOU FILED TESTIMONY IN**
4 **DECEMBER WHEREIN YOU DESCRIBED THE COMPANY’S**
5 **COMPLIANCE WITH THE “EMPLOYMENT” PROVISIONS OF THE**
6 **EMERA STIPULATION. IS THIS STILL TRUE?**

7 **A. Yes.**

8

9 **Q. WITH THAT IN MIND, ARE YOU FAMILIAR WITH THE EMERA**
10 **STIPULATION ENTERED IN NMPRC CASE NO. 15-00327-UT IN**
11 **APRIL 2016?**

12 **A. Yes.**

13

14 **Q. PLEASE HIGHLIGHT THE FIRST OF THESE PROVISIONS THAT**
15 **RELATE TO EMPLOYEE RELATIONS AND TREATMENT, AND**
16 **DESCRIBE HOW NMGC IS COMPLYING WITH THIS PROVISION.**

17 **A. In the Emera Stipulation, at paragraph 6, NMGC agreed “that the number of full-**
18 **time positions in New Mexico at NMGC will be maintained at no less than 675**
19 **full-time positions for three years after Closing, and on a go-forward basis will not**
20 **drop below this level without express prior NMPRC approval.” NMGC also agreed**
21 **that it would “exercise best efforts to minimize the number and length of vacancies**

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1 ... [and that if the] unplanned vacancies cause a reduction in workforce below 675
2 for more than three consecutive months, NMGC agrees to inform the Signatories
3 and make best efforts to restore the workforce to 675.”

4

5 NMGC is in full compliance with this paragraph of the Stipulation. Since the
6 Emera Stipulation we have maintained at least 675 positions in New Mexico. As
7 of October 5, 2021, NMGC had 697 positions filled, and 52 vacancies, bringing the
8 total number of positions to 749.

9

10 **Q. PLEASE SUMMARIZE THE SECOND PROVISION OF THE EMERA**
11 **STIPULATION RELATING TO EMPLOYEE RELATIONS AND**
12 **DESCRIBE HOW NMGC IS COMPLYING WITH THIS PROVISION.**

13 **A.** In the Emera Stipulation, at paragraph 7, NMGC agreed that it would “not eliminate
14 any customer facing positions for three years after Closing except through attrition,
15 voluntary severance, or for cause.”

16

17 NMGC’s Human Resources Department has made it a focus to ensure that changes
18 in customer facing positions are made consistent with this provision of the Emera
19 Stipulation. We have fully complied with this provision.

20

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1 **Q. PLEASE SUMMARIZE THE THIRD PROVISION OF THE EMERA**
2 **STIPULATION RELATING TO EMPLOYEE RELATIONS AND**
3 **DESCRIBE HOW NMGC IS COMPLYING WITH THIS PROVISION.**

4 **A.** In the Emera Stipulation, at paragraph 12, NMGC agreed that it “will maintain
5 wages, benefits and other terms and conditions of employment for NMGC
6 employees that are at least substantially comparable to those currently existing for
7 NMGC employees.”

8
9 Since 2016, NMGC has taken this commitment into account when making any
10 changes to wages, benefits and other terms and conditions of employment for
11 NMGC employees. It is our understanding that this provision was never intended
12 to freeze the employee wages, benefits, and conditions of employment as they were
13 in 2016, and, since 2016, wages, benefits, and conditions of employment have been
14 routinely evaluated and changes have been made. We have made all such changes
15 while maintaining substantial comparability in wages, benefits and other terms and
16 conditions of employment.

17

18 **IV. NMGC’S PLAN FOR ADDITIONAL EMPLOYEES BY 2023**

19

20 **Q. WHAT ARE THE COMPANY’S PLANS FOR ADDING ADDITIONAL**
21 **EMPLOYEES?**

22 **A.** The Company plans to add 32 employees by 2023.

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1 **Q. HOW DID THE COMPANY DETERMINE WHICH EMPLOYEE**
2 **POSITIONS TO ADD AS REFLECTED IN THIS RATE CASE?**

3 **A.** As introduced by NMGC Witness Ryan A. Shell and as testified to throughout this
4 case by the business leaders in the various departments of the Company, given the
5 changing regulatory and business environments in which the Company operates,
6 the Company evaluated the need for additional employees and came up with a plan
7 to add 32 employees by 2023. This would bring the total number of employees to
8 approximately 782.

9

10 **Q. HOW DID THE COMPANY DETERMINE THE INCREASE IN THE**
11 **NUMBER OF EMPLOYEES NEEDED?**

12 **A.** Facing increased demands on the Company's services and operations as described
13 throughout this case, the leadership team (Business Directors and Executives)
14 engaged in a process wherein it evaluated demands on the business and the
15 positions that the Company needs to effectively continue to provide safe and
16 reliable service, enhance the customer experience, and actively comply with an
17 expanded regulatory environment. In evaluating the number of positions the
18 Company needs to meet the increasing demands on it, each group in the Company
19 evaluated its needs for additional personnel. The leadership team then met and
20 evaluated the list and discussed the needs of each operating unit and of the

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1 Company as a whole. The list was carefully narrowed to what is included in this
2 case for recovery in the future test year.

3

4 **Q. WHAT ROLE DID YOU HAVE IN PROVIDING SALARY AND BENEFIT**
5 **INFORMATION FOR THE NEW EMPLOYEES FOR WHICH THE**
6 **COMPANY IS SEEKING RECOVERY IN THE FUTURE TEST YEAR?**

7 **A.** The final list of employees derived as a result of the process described above was
8 provided to me. I evaluated each position to determine the appropriate
9 compensation grade level, and the midpoint compensation for that grade level.
10 Essentially, I based these determinations on the initial job description and tied
11 that to an equivalent existing position at the Company. I also determined whether
12 and to what extent each position would be entitled to STIP, and provided NMGC
13 Witness Buchanan with the appropriate calculations, which were included in
14 NMGC Exhibit ECB-5, WP 8 OM New Headcount. A table summarizing the
15 proposed positions to be added within the Company is attached as NMGC Exhibit
16 DEW-4.

17

18 **Q. AS TO YOUR AREA OF RESPONSIBILTY SPECIFICALLY, PLEASE**
19 **IDENTIFY THE EMPLOYEES THAT YOU ARE ADDING.**

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1 **A.** By 2023, we will be adding the following employees in Corporate Security and in
2 Human Resources:

3
4 Physical Security Senior Infrastructure Specialist – This employee will specialize
5 in the design, planning, configuration, implementation, maintenance, and
6 troubleshooting of security systems including, but not limited to, communication
7 networks, access control system upgrades, and software installations. This
8 employee will have project oversight for both facility and pipeline capital security
9 projects; assist with Transportation Security Administration (“TSA”) compliance
10 regarding pipeline security; assist with security operations through the
11 identification of critical security information, threat analysis, vulnerability analysis
12 and risk assessment; and maintain operational continuity.

13
14 Human Resource (“HR”) Generalist(s) – Two additional employees for HR will
15 assist the department in several key areas including recruitment and retention,
16 diversity and inclusion, benefits, and increased HR automation and systems
17 projects.

18

19 **Q. WHY ARE YOU ADDING THESE EMPLOYEES?**

20 **A.** Physical Security Senior Infrastructure Specialist: Consistent with industry trends,
21 recommendations of security experts, and regulators, NMGC finds it appropriate to

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1 increase the physical strength and security of our facilities, including offices and
2 payment centers, pipelines, and pipeline-related facilities. In its last rate case,
3 NMPRC Case No. 19-00317-UT, NMGC explained that it hired a Manager of
4 Corporate Security and Emergency Management (the “Manager”) in 2018 in order
5 to increase its security resources to protect the Company’s facilities, assets,
6 employees, and customers. The Manager’s focus is on coordination and oversight
7 of security implementation for NMGC’s 26 offices and payment centers, 12,318
8 miles of pipe, and hundreds of related facilities throughout the state.¹ In 2020,
9 NMGC hired one additional position to report to the Manager.²

10

11 I testified in the last rate case that we would continue to develop and expand these
12 security efforts in the coming years.³ As the Corporate Security Department
13 continues to develop, NMGC has determined that additional resources are required
14 for coordination and implementation of the security plan across NMGC’s
15 operations. Adding the Physical Security Senior Infrastructure Specialist will allow
16 NMGC to more productively and efficiently use its resources to continue to meet
17 industry standards and to protect its customers, employees, and facilities.

18

¹ NMPRC Case No. 19-00317-UT Wilcox Dir. at 16; Wilcox Reb. at 3-4.

² NMPRC Case No. 19-00317-UT Wilcox Dir. at 18; Wilcox Reb. at 5.

³ NMPRC Case No. 19-00317-UT Wilcox Dir. at 17-19.

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1 HR Generalists: The demands on NMGC’s Human Resources Department are
2 increasing dramatically. Hiring two HR employees as generalists will allow the
3 Company to address the following developments and challenges:

4

- 5 ■ Recruitment and retention: NMGC is facing increased competition for the best
6 and brightest talent. In New Mexico, NMGC is competing with Intel, Netflix,
7 Amazon, Facebook, Sandia and Los Alamos National Labs, Presbyterian
8 Hospital, universities, employers in the booming natural gas production in the
9 Permian and San Juan regions, as well as the emerging renewable energy
10 developers. Additionally, with the changes in the workplace and work
11 environment, including remote working options, NMGC is increasingly
12 competing with employers in the region and nation. To remain competitive, we
13 need to enhance our recruiting and retention activities, decrease our time-to-fill
14 employees, and move toward active versus passive recruiting.

15

- 16 ■ Diversity and Inclusion: When diversity and inclusion are promoted, actively
17 managed and cultivated, it makes the Company stronger and better able to
18 identify creative solutions and ways to conduct business. An inclusive and
19 diverse corporate culture opens the door to new perspectives and experiences,
20 which supports innovation by fostering open communication. Diversity and
21 inclusion policies broaden the talent pool and build an employment brand that

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1 is seen as fully inclusive, and promotes the company as being an employer of
2 choice. It is important that NMGC supports and grows its diversity and
3 inclusion efforts in which HR plays an important role in leading and fostering
4 this effort.

5

6 ■ Compensation and Benefits: In today’s more complex and competitive labor
7 markets, the management of the employee benefits is increasing in complexity.
8 A key element of this is the new demands for health care options by employees.

9

10 ■ Increased HR Automation and Systems: HR, like most other areas of the
11 Company, and indeed our economy, is experiencing an increased demand for
12 automation of our systems. These systems are not unique to NMGC, most
13 businesses have similar systems. For example, employees increasingly view
14 themselves as “customers” of our HR Department and they desire to be able to
15 manage many aspects of their HR transactions online rather than by the mailing
16 in of various forms. Also, these automated systems are used for training,
17 tracking employee performance, and on-line learning.

18

19 ■ In April 2021, Governor Michelle Lujan Grisham signed into law a measure
20 guaranteeing paid sick leave to New Mexico workers called the Healthy

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1 will be more like pre-COVID times than COVID times. Over the three years prior
2 to COVID (2017-2019) NMGC averaged approximately 36 vacancies at any point
3 in time. We expect the average rate of vacancies in 2023 to be similar to this
4 history. We recognize that our projected vacancy rate in 2023 is lower than the
5 average vacancy rate the Company experienced in 2021 (approximately 50), which
6 we believe was elevated due to COVID. We believe that as the economy in the
7 State and the region recovers from the pandemic, the vacancy rate will return to
8 pre-COVID numbers. In addition, the HR Generalist positions will help normalize
9 the vacancy rate by having additional resources to drive the hiring process.

10

11 **Q. DOES NMGC'S REVENUE REQUIREMENT INCLUDE RECOVERY OF**
12 **EXPENSES RELATED TO EXPECTED VACANCIES IN 2023?**

13 **A.** No, the revenue requirement does not include expenses related to the projected
14 vacancies for 2023.

15

16 **VI. SECURITY MEASURES**

17

18 **Q. WHAT IS NMGC DOING WITH RESPECT TO SECURITY EXPENSES**
19 **IN THIS CASE?**

20 **A.** NMGC has approximately 750 employee positions, 26 offices and payment
21 centers, 12,318 miles of pipe, and hundreds of related facilities throughout the
22 state. We take very seriously our obligation to protect our employees, our

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1 customers, and our facilities. Toward that end, and consistent with industry
2 trends, and regulations, we have developed and are implementing enhanced plans
3 and programs to increase the physical strength and security of our facilities,
4 including offices and payment centers, pipelines, and pipeline related facilities,
5 as well as providing increased security guard presence and surveillance of our
6 facilities.

7
8 We discussed this in our last rate case and consulted with security experts prior
9 to that case. We are continuing this effort in this case as described below. I have
10 provided these numbers to NMGC Witnesses Bullard and Buchanan for inclusion
11 in the capital and O&M numbers in this case.

12
13 NMGC is expending capital to harden facilities throughout the State and is
14 increasing its operation and maintenance expenses for security guard activity.
15 Briefly, we are enhancing the physical security at our offices; improving security
16 at critical sites on our pipeline facilities; and providing roving guards at our Edith
17 facility and certain pay centers; we will continue to evaluate expanding these
18 services in coming years. In addition to enhanced physical security of offices and
19 pipeline facilities, protecting the Company's IT&T assets is a critical component
20 of the Company's security efforts.

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1 **Q. WHAT ARE YOU PLANNING TO DO WITH SECURITY IN THE**
2 **FUTURE?**

3 **A.** NMGC will continue utilizing contracted security guards, hardening the physical
4 security at each of its office locations, and deploying enhanced technology. As
5 part of these efforts, NMGC is implementing an integrated security solution at
6 what we have identified as our critical pipeline facilities.

7

8 **Q. PLEASE EXPLAIN WHAT THIS INTEGRATED SECURITY SOLUTION**
9 **IS.**

10 **A.** The integrated security solution is a perimeter detection and assessment solution.
11 The intent of the solution is to minimize the physical infrastructure footprint while
12 maximizing the surveillance performance. The security layers are designed to
13 detect, delay or deter, and respond to any potential aggression directed at a critical
14 facility. The end goal of the implemented layers of security measures is to bring
15 a “defend and deter” posture to the defensiveness of a facility.

16

17 **Q. HOW WAS THE INTEGRATED SECURITY SOLUTION DEVELOPED?**

18 **A.** In developing the integrated security solution, NMGC Corporate Security and
19 Engineering personnel worked with representatives of TSA to create and
20 implement a process whereby critical facilities were identified, and then

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1 vulnerabilities of those facilities were assessed. We consulted with other utilities
2 in our geographical region. All of this evaluation, assessment and information was
3 used when developing the integrated security solutions that we are deploying across
4 the Company. Much of this information is confidential in as much as it would be
5 counterproductive to publicly identify high security assets or actions taken to secure
6 these assets. In fact, the Company is precluded from providing this information
7 generally.

8
9 **Q. HAVE THE INTEGRATED SECURITY SOLUTIONS ENHANCED THE**
10 **SECURITY AT NMGC FACILITIES?**

11 **A.** Yes, within the confines of what we can disclose, at the facilities where the
12 integrated security solution has been installed, the security of the facility is now
13 in what is referred to as a “defend and deter” posture, which is where we want to
14 be. The funds we have expended have placed us in this position. Also, we
15 continue to implement the integrated security solution at other critical facilities.

16
17 **Q. BRIEFLY IDENTIFY THE COSTS INCURRED FOR COMPANY**
18 **SECURITY FOR WHICH YOU ARE RESPONSIBLE.**

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1 **A.** The cost of the Company’s security investments at its pipeline facilities, including
2 the integrated security solutions, is projected at \$933,000 for 2022 and at
3 \$965,000 for 2023.

4
5 At Company facilities other than pipelines, the cost of security investments to
6 harden such facilities is projected to be \$740,000 for 2022 and \$767,000 for 2023.

7
8 **Q.** **RECENTLY THE TSA ISSUED SECURITY DIRECTIVES RELATED TO**
9 **CYBER SECURITY. PLEASE DESCRIBE THESE DIRECTIVES.**

10 **A.** Under the provision of the US Aviation and Transportation Security Act, the US
11 Department of Homeland Security’s TSA has broad security responsibilities over
12 “modes of transportation.” Since 2002, TSA has exercised oversight of pipeline
13 security efforts. Historically, TSA’s oversight has involved issuance of guidelines
14 and performing corporate security reviews and critical facility reviews. In 2021,
15 in response to recent events and changing risks in the world of cyber security,
16 TSA issued two cyber security directives aimed at pipelines. These directives are
17 applicable to NMGC. I will briefly describe what the directives required us to do.

18
19 In May 2021, TSA issued its first Pipeline Cyber Security Directive. It requires
20 that owners and operators of critical pipelines: (1) report confirmed and potential

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1 cyber security incidents; (2) designate a Cybersecurity Coordinator; (3) review
2 current practices; and (4) identify any gaps and related remediation measures to
3 address cyber-related risks and report the results.

4

5 In July 2021 TSA issued its second Pipeline Cyber Security Directive
6 which requires owners and operators of critical pipelines to implement
7 protections against cyber intrusions. Specific mitigation measures are required to
8 protect against ransomware attacks and other known threats to information
9 technology and operational technology (“OT”) systems. Additionally, pipelines
10 must develop and implement a cyber security contingency and recovery plan and
11 conduct a cyber security architecture design review.

12

13 The directives have specific 30/90/120/180 day implementation requirements and
14 we are working to comply with all these requirements.

15

16 **Q. PLEASE DESCRIBE WHAT THE COMPANY IS DOING TO RESPOND**
17 **TO THESE ADDITIONAL AND NEW DIRECTIVES.**

18 **A.** NMGC immediately began working with its cyber security resources at TEC and
19 at NMGC to create an implementation plan for our pipelines addressing the TSA
20 compliance programs.

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1 The following are several of the actions taken in this effort:

- 2 • overall governance structure and roles and responsibilities have been
- 3 established;
- 4 • a gap analysis is in progress to address action items and time frames;
- 5 • scoping statements are drafted to determine which systems (IT or OT) are
- 6 in scope;
- 7 • an architecture review is underway.

8

9 Additionally, NMGC is participating in American Gas Association activities
10 including informational sessions providing clarification on directives and drafting
11 of proposed templates for use in compliance programs

12

13 **Q. HAS THE COMPANY SEEN INCREASED COSTS IN RESPONDING TO**
14 **THE TSA DIRECTIVES?**

15 **A.** Yes. NMGC is actively working with TEC to respond to the directives. The shared
16 service work that is being performed by TEC is being assessed to NMGC based on
17 headcount as is consistent with the Cost Allocation Manual. NMGC additionally
18 anticipates the need to add a position that will be responsible for administering a
19 TSA Compliance program for NMGC. The full scope of the TSA directives, and
20 the obligations they place on companies is somewhat uncertain at this time, so the

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1 best projection the Company has of the costs related to complying with the security
2 directives is \$180,000 for 2022 and \$250,000 in 2023. I have provided these
3 numbers to NMGC Witness Buchanan.

4

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A. Yes.**