

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

RYAN A. SHELL

December 13, 2021

**DIRECT TESTIMONY OF
RYAN A. SHELL
NMPRC CASE NO. 21-00267-UT**

I. INTRODUCTION

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

A. My name is Ryan A. Shell. I am President of New Mexico Gas Company, Inc. (“NMGC” or the “Company”) and have held this position since January 2015. My business address is 7120 Wyoming Blvd NE, Albuquerque, New Mexico 87109.

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

A. From 1989 to 1997, I worked as a Certified Public Accountant at BDO Seidman LLP, a national accounting and consulting firm. From 1997 to 2009, I worked in various financial roles at SEMCO Energy, Inc., a natural gas local distribution company with operations in Michigan and Alaska. In 2009, I joined NMGC and served as Vice President of Finance, Controller and Treasurer prior to becoming President in January 2015.

I have a Master’s Degree in Business Administration from the University of New Mexico and a Bachelor’s Degree in Accounting from Oakland University. My professional experience and education are described in more detail in NMGC Exhibit RAS-1.

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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, please refer to NMGC Exhibit RAS-1.

5
6 **Q. WHAT IS THE PRIMARY PURPOSE OF YOUR TESTIMONY IN THIS**
7 **CASE?**

8 **A.** I am the chief policy witness for the Company. My testimony describes the current
9 business conditions faced by the Company, the operations of the Company, and
10 introduces this future test year rate case and the reasons we are filing at this time.
11 Lastly, I will introduce the witnesses who will be testifying in support of this rate
12 case.

13

14 **II. COMPANY OPERATIONS AND ACTIVITIES**

15

16 **Q. PLEASE UPDATE US ON THE COMPANY’S OPERATIONS.**

17 **A.** NMGC provides natural gas utility service to approximately 540,000 customers
18 throughout New Mexico. Over 90% of the Company’s customers are households
19 or small businesses that primarily use natural gas for heating their homes and
20 businesses. These customers rely upon us to provide safe and reliable service, and
21 NMGC is continually maintaining and improving its system in order to meet its
22 customers’ needs.

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1 NMGC currently has around 750 positions and 700 employees and operates
2 throughout the State. I am sponsoring Schedule R-3 as required by 17.10.630
3 NMAC (Rule 630), which is a description of the Company, its service area, and its
4 operations.

5
6 **Q. PLEASE DISCUSS THE COMPANY’S ONGOING COMPLIANCE WITH**
7 **ITS COMMITMENTS MADE IN THE EMERA ACQUISITION.**

8 **A.** As part of the Emera Stipulation entered into when Emera merged with TECO and
9 acquired NMGC, NMGC agreed to continue most of the commitments of the
10 previous TECO Stipulation and to add some additional commitments such as:

- 11 • NMGC would maintain at least 675 full-time positions after the closing and
12 would maintain substantially comparable wages, benefits and other terms
13 and conditions of employment as well as other employment protection
14 provisions.
- 15 • Emera would make contributions for economic development initiatives in
16 New Mexico including \$5 million for economic development, \$10 million
17 for infrastructure expansion, \$5 million for an expanded pipeline to Mexico,
18 and increase community contributions for three years.
- 19 • NMGC would continue to operate under the Cost Allocation Manual
20 (“CAM”) and collaborate on changes to the CAM.

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- 1 • NMGC would control and review intercompany services and related
2 charges; show a preference for local services, if consistent with good
3 governance practices; and to the extent possible, use direct charges for
4 intercompany services.
- 5 • NMGC and Emera would establish an NMGC Board of Directors with local
6 representation and diversity.

7

8 All of these commitments have been met or are in the process of being met. Let
9 me briefly speak to a few of these commitments.

10

11 First, NMGC remains a locally run and locally directed utility with deep ties to New
12 Mexico. NMGC's diverse Board of Directors continues to be comprised of the
13 same members as initially appointed in mid-2017, and the majority of the NMGC
14 Board consists of New Mexico residents not otherwise affiliated with the Company
15 or its operations. Additionally, essentially the same local management team
16 remains in place since the last rate case with only a couple of changes. At the start
17 of 2021, Rene Gallant joined the Company as Chief Operating Officer to help in
18 leading the operating units of the Company. Rene has been extremely valuable in
19 helping lead the Company's operations. In November 2021, Tom Domme retired
20 and Nicole Strauser and Gerald Weseen expanded their existing roles to replace

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1 Tom as General Counsel and as Vice President of Regulatory and External Affairs,
2 respectively.

3

4 Second, NMGC continues to receive shared services from Tampa Electric
5 Company (“TEC”) and Emera in accordance with the CAM, and the Company
6 works closely with the shared service providers to ensure it is receiving cost
7 effective services in compliance with the Emera Stipulation. NMGC Witnesses
8 Jimmie L. Blotter and Michael C. DeCoursey speak to this in their testimony.

9

10 Third, the \$20 million of economic development and infrastructure money set aside
11 in the acquisition has or is being spent. All \$5 million allocated for economic
12 development initiatives in New Mexico has been distributed throughout the State.
13 The funds have gone to economic development groups and organizations statewide
14 as well as to innovation labs and entrepreneurial start up programs affiliated with
15 CNM, San Juan College, New Mexico State University, the University of New
16 Mexico, and New Mexico Institute of Mining and Technology.

17

18 The \$5 million initially intended to be used to build an expanded pipeline to Mexico
19 was repurposed with Commission approval to support an R&D program directed at
20 greenhouse gas emission reduction technologies all to promote economic
21 development of cleaner natural gas for New Mexico customers. As described by

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1 NMGC Witness Gerald C. Weseen, these funds are starting to be used at the present
2 time and will be spent within five years as agreed to at the time of repurposing these
3 funds.

4
5 The \$10 million infrastructure expansion program was established to expand
6 service to unserved and underserved communities and as of the filing of this case,
7 all of the \$10 million had been spent or allocated on infrastructure expansion
8 projects. Under this program, the Company has been able to provide natural gas
9 service to over 2,100 customers, and provide service to over 70 communities, or
10 parts of communities, pueblos, and neighborhoods that previously did not have
11 natural gas service.

12

13 **Q. PLEASE SUMMARIZE THE COMPANY'S LAST RATE CASE.**

14 **A.** NMGC filed its last rate case in December 2019. This case was settled and under
15 that settlement, the Company received a revenue increase of \$4.5 million effective
16 January 1, 2021. This increase equated to a 1.4% increase in residential customer
17 rates. As part of the settlement, the parties agreed to a 9.375% return of equity
18 ("ROE") with a 52% equity/48% debt capital structure. Additional significant
19 aspects of the 2019 case include:

- 20
 - The Company's implementation of several greenhouse gas ("GHG")
- 21 emission reduction initiatives throughout the State including installation of

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1 solar facilities at Company offices, elimination of non-hazardous but GHG
2 emitting Grade-3 leaks on the Company’s system, replacement of various
3 controllers on the system which reduced GHG emissions, and construction
4 of compressed natural gas (“CNG”) facilities in relation to the Company’s
5 vehicle fleet converting to CNG.

6 • Recognition of increases to the Company’s Integrity Management Program
7 (“IMP”) and recovery of certain of these costs through a regulatory asset.
8 As part of the settlement the Company gave up its request for an IMP
9 recovery mechanism and agreed to recover the cost of certain of its IMP
10 programs through a regulatory asset.

11 • In the last rate case, the Company sought limited operations and
12 maintenance (“O&M”) increases, but did seek recovery of significant
13 capital investments the Company was making. These investments included
14 the Santa Fe Mainline Loop and the Malaga Pipeline, both of which are in
15 service.

16

17 **Q. PLEASE BRIEFLY DISCUSS THE COMPANY’S OPERATIONS DURING**
18 **THE COVID-19 PANDEMIC AND INTRODUCE THE EFFECT OF THE**
19 **PANDEMIC ON THE COMPANY AS REFLECTED IN THIS RATE CASE.**

20 **A.** The Company has operated as normally as possible during the pandemic. We have
21 had most of our office people working from home while at the same time our field

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1 employees have continued to work in the field with proper personal protective
2 equipment. The impact of COVID-19 on the Company's financial operations is
3 covered in the testimony of NMGC Witness Erik C. Buchanan. The full impact of
4 COVID-19 on Company operations has not been finally determined, but to the
5 extent it can be determined with clarity we have reflected the impact in this case.
6 It is currently anticipated that the Company will be filing for recovery under the
7 COVID-19 Regulatory Asset in subsequent rate cases.

III. THIS RATE CASE

9
10
11 **Q. PLEASE EXPLAIN IN GENERAL TERMS WHY NMGC IS FILING A
12 RATE CASE AT THIS TIME.**

13 **A.** NMGC is filing this rate case to recover capital investments in its natural gas
14 system, in its business operations, in its IMP program, and in its ongoing efforts to
15 reduce emissions of GHG from the Company's operations. The Company is also
16 filing to recover rapidly rising operating expenses. Lastly, the Company is
17 proposing some modifications to its rate design which will be described below.

18
19 **Q. PLEASE INTRODUCE THE COMPANY'S CAPITAL INVESTMENTS
20 INCLUDED IN THIS CASE.**

21 **A.** By way of background, the base period for this rate case runs from July 1, 2020 to
22 June 30, 2021 and the future test year runs from January 1, 2023 to December 31,

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1 2023. The expenses and investments by the Company incurred before January 1,
2 2022 are mostly recovered in the last rate case because the future test year for that
3 case ended at the end of 2021. Here we are primarily seeking recovery for costs in
4 2022 and 2023. The overlap between the rate cases has been accounted for to
5 prevent double recovery.

6
7 NMGC is seeking recovery of approximately \$245 million of capital investment
8 that will be made by the Company between January 2022 and December 2023. This
9 includes:

- 10 • Investments in the Company’s ongoing annual capital program to maintain and
11 improve the Company’s 12,318 miles of pipelines and related infrastructure.
12 NMGC is making these investments on its own initiative and in response to
13 regulation and/or legislation or some combination of all three. These
14 investments make up a large portion of our capital investment in this case and
15 are described in the testimony of NMGC Witness Tom C. Bullard.
- 16 • Investments in the Company’s IMP which, consistent with our own self-
17 directed goals, and with expanding federal and state regulation, maintains and
18 enhances the reliability, resiliency, and integrity of the Company’s system
19 through a variety of investments and the replacement and upgrading of legacy
20 infrastructure. These programs are designed to ensure safe and reliable service:

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1 the hallmark of a company such as ours. This spending on IMP will continue
2 on a regular schedule and Mr. Bullard will explain how the ability to schedule
3 and budget for this work over a number of years will improve the efficiency of
4 this work. For this reason, we will again be asking for an IMP cost recovery
5 mechanism. Such a mechanism is common throughout the country and should
6 be adopted in New Mexico. The proposed mechanism is discussed in detail in
7 the testimony of NMGC Witness Daniel P. Yardley.

8 • Investments in IT&T projects and programs to enhance the Company’s
9 cybersecurity, business functionality, and customer experience. To this end,
10 NMGC Witness DeCoursey, NMGC’s Director of IT&T, will describe the
11 business reasons for the Company’s ongoing capital investment in IT&T
12 systems and equipment and will describe the benefits received by the Company
13 and its customers because of these investments.

14 • Investments in state-of-the-art technology and equipment to continue reducing
15 methane emissions from our operations, and for development of a project to
16 blend hydrogen with natural gas in our existing system. These initiatives build
17 on efforts the Company has already been making to reduce GHG emissions.
18 NMGC understands that a healthy and environmentally responsible natural gas
19 utility is important in a state such as ours that has abundant natural gas supplies
20 and a natural gas delivery system that safely and reliably delivers natural gas to
21 its customers for essential heat and business operations.

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1 As we described in our last rate case, in 2019, Governor Lujan Grisham signed an
2 Executive Order committing New Mexico to comply with the Paris Climate
3 Accords. In 2019, the New Mexico legislature, with executive support, signed
4 significant legislation whereby the State took action to fulfill the commitments of
5 the Governor’s Executive Order. Consistent with these statewide initiatives,
6 NMGC in its 2019 rate case proposed and received support for four areas of specific
7 GHG emission reduction initiatives. In his testimony in this case, Mr. Weseen
8 outlines additional new areas of GHG emission reduction initiatives that the
9 Company is including in this case. These new areas include initiatives to further
10 reduce methane emissions on the Company’s system and actions to develop a
11 hydrogen blending program which will allow the company to blend hydrogen into
12 its natural gas system and thereby reduce greenhouse gas emissions from the use of
13 natural gas.

14

15 **Q. PLEASE PROVIDE AN OVERVIEW OF THE INCREASES IN THE**
16 **COMPANY’S OPERATING EXPENSES INCLUDED IN THIS CASE.**

17 **A.** The Company’s operating expenses break down into three large categories: O&M
18 expense, depreciation and amortization expense, and taxes other than income taxes
19 (“TOTI”). In this case, O&M expense is forecasted to increase by \$13.28 million,
20 depreciation and amortization expense is expected to increase by \$8.06 million, and
21 TOTI is expected to increase by \$5.71 million. As discussed by NMGC Witness

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1 Buchanan, the increases in depreciation and amortization expense and TOTI are
2 largely driven by additional plant put in service between 2021 and the end of 2023.
3 O&M expense is made up of all remaining company operating expenses not
4 categorized as either depreciation and amortization or TOTI.

5
6 **Q. PLEASE DISCUSS THE COMPANY’S INCREASING O&M EXPENSES**
7 **AS THEY ARE INCLUDED IN THIS CASE.**

8 **A.** The Company is mindful that O&M expenses directly impact the bills of our
9 customers. We know that for many New Mexicans, utility bills make up a large
10 portion of their monthly expenses, and the Company continually strives to contain
11 its O&M expenses. However, like many utilities and businesses, NMGC is facing
12 rising operating costs caused by factors such as general inflationary pressures,
13 increased regulatory demands, and upward pressure on labor costs. There are also
14 increasing demands on the business which require additional employees, so the
15 Company is seeking revenue to cover its planned increase in headcount. The
16 Company’s increased O&M costs generally fall into the following buckets:

- 17 • Inflationary increases in the costs for items and services the Company uses
18 daily. Additionally, a more competitive employment market is pushing up
19 the cost of recruiting, hiring, and retaining good talent.
- 20 • Increased federal and state regulation, increased cyber and physical security
21 threats, and other demands, have placed increased workloads on the

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1 Company. In addition to the Company’s own self-directed initiatives for
2 increased safety and reliability, the U.S. Department of Transportation’s
3 Pipeline and Hazardous Materials Safety Administration (“PHMSA”), The
4 Commission’s Pipeline Safety Bureau (“PSB”), and the U.S Transportation
5 Safety Administration (“TSA”) are placing increased requirements on gas
6 utilities to enhance safety and security. Maintaining safety and security for
7 our customers and employees, and to ensure increased reliability and
8 security for our system and infrastructure is expensive and requires
9 additional employees to meet the demands being placed on the Company.

- 10 • When it comes to customer expectations for customer service – the
11 customer experience – NMGC operates in a competitive environment with
12 other utilities and with other businesses that are not utilities. As any good
13 business does, we are working to satisfy our customers’ expectations.
14 Among the many things we are addressing, the Company is seeking to
15 further improve our customers’ experience through enhanced
16 communications abilities, increased self-service options, and additional
17 service program offerings. NMGC Witness Diana E. Jaramillo discusses
18 these efforts in her testimony. These types of customer service options are
19 increasingly expected by customers and something we want to provide. An
20 example of acting on customer expectations is hearing from our customers
21 that they desire an additional walk-in customer service and payment center

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1 in Albuquerque. Such a center would allow us to better serve our customers.
2 Having purchased the portion of the shopping center on Wyoming Blvd.
3 that includes our headquarters, we have plans to open a payment center in
4 one of the acquired store fronts. This payment center should be open by
5 2023 and additional employees to staff this new payment center are included
6 in this case.

7 So, in short, the Company's O&M expenses are rising, demands on the Company
8 are increasing, and we are seeking to improve the customer experience. To meet
9 these increased demands and expectations, the Company needs to bring on new
10 employees by 2023. To put this in perspective, in July 2009, NMGC had 765
11 employee positions and now we have 750 employee positions. While we are proud
12 to have held the line on positions and O&M over the last 12 years, we feel it is
13 important to add to our ranks by 2023. To this end, as explained throughout this
14 case, the Company is intending to hire new employees into new positions that the
15 Company considers necessary to handle increased demands on the Company and
16 the new initiatives that the Company plans on initiating. The total number of new
17 positions proposed is 32 and the Company intends to bring these new employees
18 into the Company by 2023 as rates go into effect. Throughout this filing, each of
19 NMGC's witnesses will describe in detail what the new positions are in their
20 respective areas, why they are needed, and how the new positions will provide
21 benefit to the Company and its customers. NMGC Witness Denise E. Wilcox, Vice

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1 President-Human Resources and Corporate Security, will then outline the new
2 positions from an overall perspective.

3

4 **Q. PLEASE DISCUSS THE COMPANY’S REQUESTED ROE.**

5 **A.** The Company’s ability to provide service to its customers is tied to the Company
6 earning a reasonable ROE year-over-year. The projection going forward is that,
7 without the rate relief sought in this case, the Company’s actual/earned ROE will
8 decrease to levels well below its authorized rate of return. This will diminish the
9 Company’s ability to attract the capital necessary to properly serve its customers.
10 It is important that utilities earn a reasonable ROE in order to be financially
11 attractive in the capital markets. Capital is critical to financing company operations
12 and a competitive ROE drives the discussion on capital access. NMGC Witness
13 Roger A. Morin will discuss this in detail in his testimony.

14

15 **Q. THIS IS THE COMPANY’S SECOND FUTURE TEST YEAR RATE CASE.
16 PLEASE EXPLAIN WHY THE COMPANY HAS AGAIN ELECTED TO
17 FILE A FUTURE TEST YEAR RATE CASE?**

18 **A.** As stated above, two of the primary drivers for this rate case are the recovery of
19 capital investments by the Company in 2022 and 2023, and the recovery of
20 significantly increasing O&M expenses in 2023 – the future test year period. Since
21 it is anticipated that these newly requested rates will go into effect in January 2023,

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1 filing a future test year case, and thereby moving the test year forward so that it
2 matches the period that new rates go into effect, best matches Company revenues
3 with costs, including the increasing O&M costs. Such a linking up of costs with
4 revenues is consistent with the provision in NMSA 1978, Section §62-6-14 which
5 provides that “the commission shall set rates based on a test period that the
6 commission determines best reflects the conditions to be experienced during the
7 period when the rates determined by the commission take effect.”

8
9 **Q. PLEASE BRIEFLY DISCUSS THE RECENT GAS COST RECOVERY**
10 **CASE AND RESULTING ORDER AND HOW THAT ORDER IT IS BEING**
11 **ADDRESSED IN THIS CASE.**

12 **A.** In the order issued in the Company’s gas cost recovery case, NMPRC Case No. 21-
13 00095-UT, the Commission ordered NMGC to “analyze and investigate storage
14 options available to the company, including company owned storage facilities, that
15 would mitigate or minimize a repeat of the events of February 2021 including either
16 a supply/storage disruption, or a pricing event as seen in 2021”. The Company is
17 actively investigating storage options and intends to file in early 2022 a response to
18 the Commission’s Order. The Company, however, is not in a position to put forth
19 the conclusions of the investigation in this case since it is not yet completed and
20 any facility proposed based on that investigation would not be used and useful in
21 this future test year. As appropriate, the Company intends to file a request for a

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1 CCN, or such other appropriate authorization, to implement the findings of the
2 Company's evaluation of storage options. It should be noted that the Company had
3 already begun, even before the events of February 2021, to investigate the
4 opportunities available to the Company to develop a storage facility in central New
5 Mexico, near the Company's primary load centers. The Company is including such
6 a possible facility in the investigation it is having conducted into storage options
7 and will report out on this investigation as soon as it is completed.

8
9 **Q. PLEASE IDENTIFY THE REVENUE INCREASE THAT NMGC IS**
10 **REQUESTING IN THIS CASE.**

11 **A.** NMGC is requesting a revenue increase of approximately \$40.7 million based on a
12 proposed overall weighted average cost of capital of 6.89%, including a requested
13 ROE of 10.1% and a 53% equity/47% debt capital structure. It is anticipated that
14 new rates would go into effect in January 2023. This proposed increase represents
15 a 20.8% increase over the Company's forecasted 2023 cost of service revenues.
16 The proposed bill impact, assuming steady gas costs, would be approximately 9.1%
17 on an average residential bill that reflects 53 therms of consumption per month.

18
19 **Q. PLEASE DESCRIBE THE COMPANY'S EFFORTS TO CONTROL**
20 **INTER-COMPANY AFFILIATE CHARGES.**

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1 **A.** Inter-company charges from affiliates to NMGC are included in NMGC’s O&M
2 expenses. NMGC is very aware of its obligation to comply with the provisions of
3 the CAM and the provisions in the Emera Stipulation that deal with inter-company
4 allocations from its shared service organizations. We represented then, and believe
5 now, that a shared services model of doing business is a prudent and efficient model
6 and beneficial to NMGC customers. Towards this end, shared services are provided
7 to NMGC from Tampa Electric Company (“TEC”) and in certain specific instances,
8 from Emera Inc. Consistent with the provisions of the Emera Stipulation, NMGC
9 continually scrutinizes the affiliate charges it receives to ensure that they are
10 beneficial to the Company and cost effective while showing a preference for New
11 Mexico-provided services when cost effective.

12
13 **Q.** **PLEASE PROVIDE SOME EXAMPLES OF THE SERVICES PROVIDED**
14 **BY THE SHARED SERVICES PROVIDED TO NMGC.**

15 **A.** The services that TEC and Emera provides are primarily services that they are
16 uniquely, or practically, best situated to provide to NMGC. NMGC Witness Blotter
17 discusses the shared services received by NMGC in detail. Also, NMGC Witness
18 DeCoursey describes the IT&T services that TEC provides to NMGC, including
19 cyber security services. Cybersecurity has been identified in the industry, and
20 across industries, as a growing concern. TEC continues to support a first-rate
21 cybersecurity department and they have continued to provide advice and support to

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1 NMGC in this area. As we all know, cybersecurity is a very specialized field and
2 one that benefits from high expertise of employees in the area. We are receiving
3 high-quality services that could not be economically replicated in New Mexico.
4 Additionally, the hardware and facilities in Florida are excellent, and could not be
5 economically replicated in New Mexico.

6
7 Another area where NMGC benefits through the receipt of shared services is in area
8 of procurement using economies of scale. The most obvious of these include
9 insurance, employee benefits, and IT equipment.

10
11 Lastly, we benefit from the collective knowledge and experiences gained by shared
12 service employees in their roles serving NMGC, our sister utilities and parent
13 company. This is primarily reflected in services provide to us in the areas of finance
14 and accounting, sharing of legal ideas and opinions, HR matters, and other similar
15 areas. Sharing of best practices between utilities greatly benefits the utility service
16 that NMGC is able to provide its customers.

17
18 **Q. PLEASE BRIEFLY INTRODUCE WHAT THE COMPANY IS**
19 **PROPOSING WITH REGARD TO RATE DESIGN.**

20 **A.** NMGC Witness Yardley has prepared the rates in this case and will explain these
21 proposed changes in more detail. I will simply state that the Company's rate design

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1 proposals are intended to allow the NMGC to recover the costs of serving customers
2 in a fair and equitable manner. In this regard, NMGC is specifically proposing base
3 rate increases, including increases to customer access charges, changes to the
4 Company’s Rate 39 – CNG Rates to make the rate more flexible for customers
5 interested in CNG fueling stations and fleets, changes to the Company’s
6 Transportation Rate 70 to bring the rate up to date and more line with industry
7 norms, and the adoption of an Integrity Management Program Cost Recovery
8 Mechanism (“IMP Recovery Mechanism”). I will let Mr. Yardley cover the details
9 including the reason for the Company’s request for an extension in filing for
10 renewal of the Weather Normalization Adjustment Mechanism.

11
12 style="text-align:center">**IV. COMPANY WITNESS INTRODUCTION**

13
14 **Q. PLEASE INTRODUCE YOUR WITNESSES.**

15 **A.** Including myself, we have 14 witnesses in this case. Let me briefly summarize
16 these witnesses and their testimony in support of this request:

- 17 • NMGC Witness Tom C. Bullard is the Vice President of Engineering, Gas
18 Management and Technical Services, and will testify about the Company’s
19 capital investment protocols and procedures, and the Company’s capital
20 investments during this rate case.

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- 1 • NMGC Witness Gerald C. Weseen is Vice President of Regulatory, Strategy
2 and External Affairs and will testify about the Company’s investment in GHG
3 emission reduction initiatives.
- 4 • NMGC Witness Michael K. DeCoursey is Director of Information Technology
5 and will testify about IT&T related capital investments and O&M expenses
6 incurred by NMGC in 2022 and 2023.
- 7 • NMGC Witness Raymond G. Sanchez is Vice President of Operations and will
8 testify about the additional positions in the Operations Department.
- 9 • NMGC Witness Diana E. Jaramillo is Director of Customer Experience and
10 CRM Strategy Solutions and will testify about the additional positions in the
11 area of customer relations and customer experience.
- 12 • NMGC Witness Denise E. Wilcox is the Company’s Vice President of Human
13 Resources and Corporate Security and will testify about Company-wide
14 employee headcount, wages, compensation, and benefit expenses. She will also
15 address NMGC’s capital investment and O&M expenditures on enhanced
16 security measures at the Company’s facilities. Lastly, Ms. Wilcox will explain
17 the basis for the new position in the human resources and security areas.
- 18 • NMGC Witness Lesley J. Nash is Senior Legal Counsel for NMGC and will
19 testify about litigation expenses, rate case expenses, and the Company’s
20 compliance with final orders.

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- 1 • NMGC Witness Roger A. Morin, Ph.D. is an expert in financial metrics
2 including ROEs and capital structures. Dr. Morin identifies and discusses the
3 proposed ROE and capital structure in his testimony.
- 4 • NMGC Witness Jimmie L. Blotter is Vice President of Finance and will testify
5 about the financial overview of the rate case filing, the base period and affiliate
6 charges and shared services, the Company’s weighted average cost of capital,
7 certain rate case expenses, regulatory assets and liabilities, and working capital.
- 8 • NMGC Witness Erik C. Buchanan is Director of Forecasting and Planning and
9 will testify about how the Company’s capital investments, along with the
10 associated depreciation and property taxes, have increased the Company’s
11 revenue requirement. His testimony addresses the model that NMGC is using
12 to link the base period to the future test year period, the amounts in the base
13 period, base period adjustments, the linkage periods, the future test year revenue
14 requirement, and various Rule 630 schedules, as well as to explain the rate case
15 expenses for the work performed by Concentric in this case.
- 16 • NMGC Witness Davicel Avellan is Director of Regulatory Plant and Tax
17 Accounting at Tampa Electric and will testify about tax-related issues,
18 including Accumulated Deferred Income Tax (“ADIT”), income tax expense,
19 and will support the request to treat the amortization of income tax expense as
20 a regulatory liability.

**DIRECT TESTIMONY OF
RYAN A. SHELL
NMPRC CASE NO. 21-00267-UT**

- 1 • NMGC Witness Deirdre M. Kann, Ph.D. will testify about weather trends and
2 identifies the appropriate timeframe to be used to determine the number of
3 heating degree days to normalize the effects of weather on gas usage.
- 4 • NMGC Witness Daniel P. Yardley is an expert in utility rate design and cost
5 recovery. He has testified in the Company’s last two rate cases and will testify
6 here about the Company’s Fully Allocated Cost of Service study, the proposed
7 base rate revenue increase to various customer classes, and the development of
8 specific rates that allow NMGC to recover its revenue requirements from
9 customers. Finally, he will provide the basis for and structure of the proposed
10 IMP Recovery Mechanism.

V. CONCLUSION

12
13
14 **Q. DOES THE TESTIMONY OUTLINED ABOVE FROM THESE**
15 **WITNESSES FULFILL ALL REQUIREMENTS OF THE COMPANY AS**
16 **SET FORTH IN 17.1.3 NMAC, THE FUTURE TEST YEAR RULE?**

17 **A.** Yes. We have carefully prepared this case to comply with all requirements of the
18 statutes and rules regarding future test years. Please see NMGC Exhibit RAS-2 for
19 a list of NMGC Witnesses and the requirements of 17.1.3 NMAC that each address.

20
21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 **A.** Yes.