



## Executive Summary – 2021 Rate Case NMPRC Case No. 21-00267-UT

New Mexico Gas Company proudly, safely, and reliably serves over 540,000 customers throughout New Mexico – this translates into serving over 1.3 million individuals throughout the State. Ninety percent of our customers are residences and businesses that rely on us to provide natural gas to heat their homes and businesses throughout the State. Our residential customers also use natural gas to heat water, dry clothes, and cook food. Our business and industrial customers also rely on us to provide natural gas for commercial and industrial needs such as roasting chiles, mixing asphalt for our roads, making products, generating electricity, or any number of other business activities.

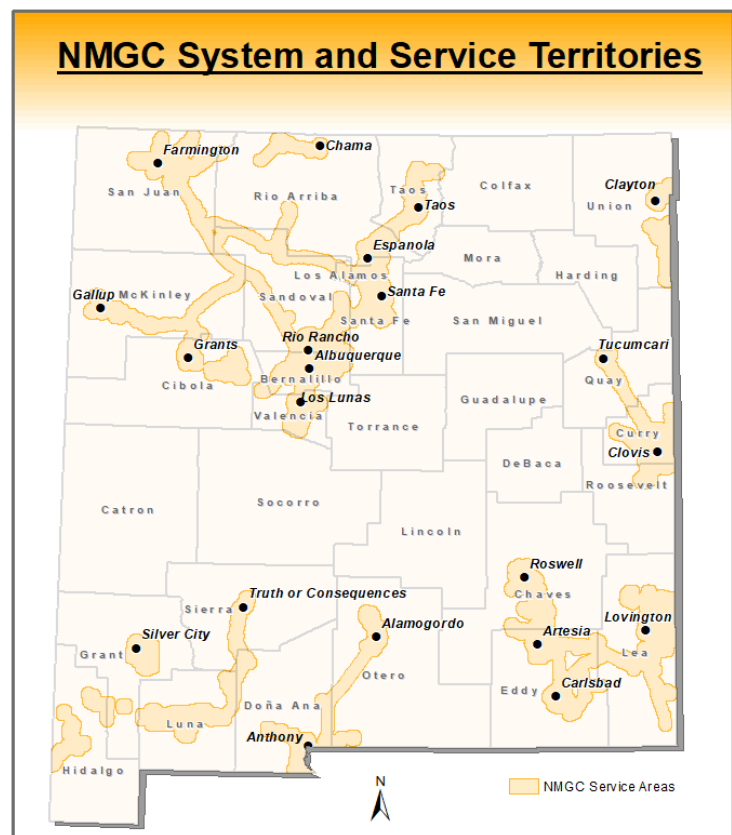
NMGC is headquartered in Albuquerque, has 750 employees and 26 offices, and operates under a 10-member Board of Directors – six of whom are independent directors, living and working in New Mexico. Our business is the delivery, not the production, of natural gas. As a distribution utility we charge our customers for the cost of our service while passing the cost of the gas itself on to our customers without markup. Reasonable rates for our service are necessary for us to be able to continue to provide these critical services to our customers.

**Why NMGC is Requesting Higher Rates:** NMGC’s main objective is to continue to serve our customers safely, reliably, efficiently, and more cleanly than ever before, using the abundant natural gas resources in the State.

Recovery of the investments we have already made and plan to make in our system, in our employees, in our customers, and in reducing GHG emissions – allows us to better serve the State.

We are filing this rate case to recover our capital investments in our natural gas system and in our business operations. We are also filing to recover rising operating expenses.

**Capital Investment:** NMGC is seeking recovery of approximately \$245 million of capital investments that we will be making make over two years, between January 2022 and December 2023, to improve and enhance the safety and reliability of our system. These investments include:



- Investment in the Company’s ongoing annual capital program that ensures safe and uninterrupted delivery of natural gas by maintaining and improving our 12,300 miles of pipelines and related infrastructure.
- Investment in the Company’s Integrity Management Program which, consistent with our own self-directed goals, and with expanding federal and state regulations, maintains and enhances the reliability, resiliency, and integrity of our system through a variety of investments and the upgrading and replacement of legacy infrastructure.
- Investment in information technology to enhance the Company’s cyber security, business functionality, and customer experience.
- Investment in state-of-the-art technology and equipment to continue reducing methane emissions from our operations and additional reductions in GHG emissions, including advancement of a project to blend hydrogen with natural gas and use it in our existing system. These initiatives build on efforts the Company has already been making to reduce GHG emissions.

**Operating Expenses:** NMGC diligently works to control operating costs, however, like other businesses we are facing increasing costs, some of which are beyond our control, including cost pressures related to inflation, a changing labor market, and increasing regulatory demands. Additionally, we are making improvements to enhance our customers’ experience and expand our workforce to better serve our customers. NMGC currently has fewer employees than we had when we first became fully operational in July 2009. Then, we had 765 employees; now we have 750 employees. As proposed in this rate case, we plan to bring on additional employees in select areas to better serve our customers in communities across the State. It is estimated that our operating expenses in 2023 will be approximately 19.6% higher than they were in 2021.

**Rate Design:** NMGC is proposing updates and improvements to our rate design that will allow us to better match our fixed costs with our fixed charges which will better serve our customers by allowing us to more efficiently recover our costs and expenses. This will mean raising the monthly residential access charge from \$12.00 to \$14.25. We are also again proposing an Integrity Management Cost Recovery Mechanism (“IMP Mechanism”) to allow us to recover our annual investment in the Company’s Integrity Management Program as those investments are made. NMGC is already undertaking these integrity management investments and will continue to do so, but the IMP Mechanism is a method to recover these investments annually to promote better planning and budgeting by NMGC, and better communication with the regulators about our efforts in this regard. These types of recovery mechanisms are commonly used throughout the country.

**Rate Impact:** The revenue deficiency for which recovery is sought in this case is \$40.7 million in 2023. If approved, it is anticipated that new rates would go into effect for the first billing cycle of January 2023. If approved, the monthly bill for an average residential customer using 53 therms of gas a month would increase \$5.63 reflecting a 9.1% increase over current 2021 rates.