

INFRASTRUCTURE EXPANSION PROGRAM APPLICATION PROCESS AND GUIDELINES

The application process and guidelines for projects seeking to participate in the natural gas Infrastructure Expansion Program (“Program”) are set forth in the following paragraphs. Please refer to the Infrastructure Expansion Program Guiding Principles document for a description of the Program and for definitions of terms used herein.

Application Process

Applicants for Matching Funds under this Program, shall submit an application package with a cover letter indicating a desire to participate in the Program, along with a signed copy of this Application Process document, to New Mexico Gas Company Business Center located at 7120 Wyoming Blvd. NE, Suite 20, BC5, Albuquerque, NM 87109 c/o Infrastructure Expansion Program. The application package may be submitted independently by the applicant or with the assistance of the local NMGC representative.

The application package from each applicant shall, at a minimum, include the following information in sufficient detail to enable NMGC to evaluate the Project for inclusion in this Program:

1. A general description of the project and proposed scope of work;
2. The number of unserved buildings, entities or Customers to be served by the project;
3. A sketch, map or plat outlining the extent of the Project;
4. Proof of land ownership;
5. The physical address or addresses of the customers to be served;
6. The proposed start and completion dates;
7. The name(s) and contact information for key contact personnel who are authorized to act on behalf of the Community or business entity; and
8. The source of matching funds for the Project.

As review of an application proceeds, NMGC may ask for additional information as necessary to review and consider the application.

Guidelines for Project Eligibility

Upon receipt of an application, NMGC will respond to the applicant informing applicant of the receipt of the application package, and will review the application package and signed Application Process document as soon as possible and commence an interactive process with the applicant for continued evaluation of the application and potential funding allocation under the Program.

A proposed project that is being reviewed and evaluated by NMGC will be classified as a “Pending Approval Project” and shall remain pending until the interactive process is complete, cost estimates are approved, and other technical criteria are evaluated and approved by NMGC, or until the Matching Fund is exhausted or the Program expires.

NMGC will apply the following guidelines to any Pending Approval Project in an effort to promote the most effective economic development for the State of New Mexico, and will only approve projects that in its view, satisfies the objectives and goals of this Program. In applying these guidelines, NMGC will give preference to projects that will not encounter or impact environmental or culturally sensitive areas, disturb protected or endangered species habitat, or encounter significant right-of-way acquisition delays. Infrastructure expansion projects will be required to follow all existing operational and engineering standards and processes, and all policies outlined in NMGC’s Rule 16, and be consistent with normal business practices for NMGC.

All proposed projects will be evaluated based on the number of existing unserved homes and buildings within the project that will be provided service by the project. The intent of this Program is to provide service to unserved and underserved – but existing – residences, buildings, Communities, schools, and developments within NMGC’s service area.

Allocation and Approval of Matching Funds for Pending Approval Projects

The Program is intended to benefit a wide variety of residential communities, educational facilities, and business entities located in geographically dispersed NMGC service areas throughout the State. The allocation of funds to Participants will ultimately depend upon the location and type of projects submitted and qualified to receive the benefit of the Matching Fund. NMGC reserves to itself the final decision on whether a proposed project qualifies for Matching

Funds under this program. Matching Funds for projects submitted by applicants will be allocated subject to the following guidelines:

1. In an effort to fund as many Qualified Projects as possible and utilize funds throughout NMGC service areas, no more than \$1.5 million shall be allocated from the Program to any one Qualified Project or Customer. If a project's total estimated cost exceeds \$3.0 million, thus seeking more than \$1.5 million of the Matching Fund, the applicant can agree to pay the difference between the total estimated amount of the project and the \$1.5 million allocated from the Company, thus waiving the 2:1 matching ratio.
2. Qualified Projects will be funded on a 2:1 matching basis to the extent that the Matching Fund has not been exhausted or otherwise encumbered by preexisting Qualified Projects. The Matching Fund will terminate upon the earlier of the exhaustion of the Matching Fund through allocation, or the end of a five-year period which began after the date of delivery of notice for posting on the New Mexico Public Regulation Commission website which was November 17, 2016.
3. Matching Funds for Qualified Projects shall be allocated on a first-come first-serve basis. Communities that do not have an immediate source of matching funds for infrastructure expansion projects will have up to six months beyond the date of application to obtain matching funds. Applicants who fail to provide matching funds within six months after submitting the application package will be eligible to reapply, but will be placed in line based on the date of reapplication.
4. Whether or not a Pending Approval Project meets all of the requirements of a Qualified Project will be determined solely by NMGC. Once a Pending Approval Project has been determined to be a Qualified Project, including submission of the applicant's matching funding, the applicant(s) will be notified in writing of NMGC's intent to proceed with the work. Projects that are determined to not qualify shall be so informed.
5. Participants will not have an option to solicit their own bid for work and receive payment directly, or perform work themselves. Construction work under the Program will be performed only by NMGC or its contractors/agents. Matching Funds allocated to a Qualified Project will be deducted from the cost of work orders

produced by NMGC for work to be performed by NMGC personnel or NMGC contractors. Participants will not receive any direct payments under the program except for the payment of the Conversion Rebates when applicable.

Determining the Allocation of Matching Funds for a Qualified Project

Matching Funds shall be “allocated” for a Qualified Project under the Program upon completion of the following events:

1. Determination by the Company of the Approved Project Costs, and the resulting amount for matching or allocation, which shall be determined after application of Rule 16 lot and revenue credits.
2. Receipt of the matching funds for the project from the Participants.
3. Execution of a Special Contract if one is required under NMGC’s Rule 16. If a Special Contract is required, then it shall govern the terms of the agreement between NMGC and the applicant related to the Qualified Project.
4. NMGC’s written declaration to the Participant that necessary Matching Funds have been “allocated” for this project. No funds are considered allocated until written confirmation of this fact is provided by NMGC.
5. All Participants agree to fully cooperate with the Company in all efforts to audit payment and expenditures under the Program.

When funds previously “allocated” under the Program may be reallocated:

If circumstances arise such that a Qualified Project may not reasonably move forward, the Company may release the Qualified Project, thus freeing up the Matching Funds related to the Qualified Project to be reallocated. The intent of the Company is to free up Matching Funds as quickly as possible to allow other applicants to have access to these funds. In order to do that, the Company will release allocated funds in certain situations, including the following:

1. Materially changed circumstances that render performance by NMGC toward completion of the Qualified Project not feasible as determined by NMGC;
2. Materially changed circumstances in the existence or availability of Participant’s matching funds, as determined by NMGC;

3. An inadequate response by Participant, as determined by NMGC, to address NMGC's questions or concerns;
4. Participant's failure to satisfy terms of this Program; or
5. Other reasons as determined by the Company.

Program enforcement, implementation, and amendment.

NMGC shall administer the Program consistent with the objectives and goals set forth in the Stipulation and reserves the right to amend or supplement the Processes and Procedures set forth below as need arises to facilitate the objectives of the Program, and may choose to implement any amendments or supplements to meet those objectives on a go-forward basis, and not to apply any such changes retroactively.

COOPERATION AND HOLD HARMLESS

1. Business Entities and Communities participating in the Program (Participant[s]”) agree to fully and completely hold NMGC and Emera and their employees, officers and agents harmless from any claim or cause of action arising or alleged to arise from NMGC’s actions in determining whether to allocate funds to an applicant, or in otherwise making decisions regarding the implementation of the Program.
2. There is no guarantee or assurance that any particular applicant will receive any funds under this Program.
3. Each applicant in this Program participates voluntarily and agrees to fully cooperate with NMGC in any effort or request by NMGC to procure information to support the application filed under the Program.
4. Applicants hereby waive any claim or action against NMGC or Emera for failure by NMGC to allocate funds to said Participant under this Program, or for NMGC’s performance in the administration of the Program.
5. There are no third party beneficiaries under this Program.
6. By countersigning a copy of this Application Process document, each applicant agrees to its terms and to be bound by it and to waive any all claims they have or may have against NMGC or Emera arising from the administration of the Program.

Signature: _____

Date: _____

Project Administrator ID Number: _____