

NEW MEXICO GAS COMPANY

**FIRST REVISED RULE NO. 36
CANCELING ORIGINAL RULE NO. 36**

RATE RIDER NO. 14 DETAILS

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I. Purpose

This Rule establishes detailed procedures which will permit the Company to recover from or credit to its customers Rate Rider No. 14 Amounts as determined and ordered by the Commission to be administered through this mechanism. This mechanism is specific as to Amounts pertaining to Sales Service Customers and Non-Discounted On-System Transportation Customers, if so specified in the appropriate transportation tariff, whereby the same factor is applicable to both types of Customers.

II. Definitions

The following definitions shall apply to this Rule:

1. Amortization Period: The Amortization Period will comply with the period specified in the respective Commission Order for each Rate Rider No. 14 Amount introduced into this mechanism.
2. Annual Budgeted Throughput: Weather normalized throughput for the Company budgeted for the latest calendar year, which includes therm throughput for both Sales Service Customers and On-System Non-Discounted Transportation Customers.
3. Billing Cycle: A period of time consisting of thirty two (32) days or less, employed by the Company's billing system and used by the Company to render bills for service to Customers. The Company employs twenty-one (21) billing cycles, which constitutes a billing month and may or may not coincide with a calendar month.
4. Commission: New Mexico Public Regulation Commission.
5. Company: New Mexico Gas Company.
6. On-System Non-Discounted Transportation Customer: A transportation end-user located in New Mexico receiving a non-discounted tariff rate for transportation gas services directly from the Company.
7. Rate Rider No. 14 Amounts: The dollar amounts of Rate Rider No. 14 shall be determined by Commission Orders and will be credited or collected from Sales Service Customers and Non-Discounted On-System Transportation Customers.
8. Reconciliation Amounts: Consists of Rate Rider No. 14 Amounts that were under-recovered/credited or over-recovered/credited during their respective amortization terms.
9. Sales Service Customer: A customer receiving gas directly from the Company within the Company's New Mexico service territory.

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III. Methodology for Developing and Administering the Rate Rider No. 14 Amounts

1. Effective Date: The date specified by Order of the Commission to implement this Rule.
2. Rate Rider No. 14 Amounts: Rulings by the Commission establish the individual Amounts to be credited or collected through this mechanism. The Commission's rulings also determine the credit/collection beginning and ending period. This mechanism is designed to accommodate only those amounts ordered for credit/collection on a volumetric throughput basis whereby the billing factors will be derived using Annual Budgeted Throughput associated with Sales Service Customers and Non-Discounted On-System Transportation Customers.
3. Reconciliation Amounts: Reconciliation Amounts will be summed with and absorbed into existing Rate Rider No. 14 Amounts and will assume that respective amount's credit/collection condition and terms. This transaction will be specifically noted and identified in the next subsequent factor filing.
4. Amounts Resulting from Sharing Mechanisms: Additional sharing amounts resulting from on-going monthly off-system sales transactions will be held by the Company and then added to the factor filing when such amounts are sufficient to generate a factor as provided in Section V.4. below.

IV. Calculation of the Rate Rider No. 14 Amount Factors

For purposes of determining the Rate Rider No. 14 Amount Factors, each of the amounts will be fully amortized (exhausted) over their respective periods commencing with the first billing cycle of April 2004. The factor for each amount will be determined as follows:

1. Each Rate Rider No. 14 Amount Factor for Customers will be determined by dividing the annual recovery amount by the respective combined total Annual Budgeted Throughput for Sales Service Customers and On-System Non-Discounted Transportation Customers;
2. Additional amounts resulting from sharing mechanism transactions that occur subsequent to March each year will be held by the Company and included once a year in the following year's annual factor filing; and
3. Reconciling Amounts incapable of generating a factor out to four (4) decimal places are summed with and absorbed into existing Rate Rider No. 14 Amounts and their disposition is recognized within the respective existing factor.
4. Capital expenditures recovered through Rate Rider No. 14 will be recovered ratably over their remaining useful life. A carrying charge of 11.2% of the average unrecovered balance of the capital expenditures will be recovered through Rate Rider No. 14. X
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V. Rate Rider No. 14 Factor Statement Filings

1. Factor Statement Filing Frequency: The Company shall file with the Commission, a Factor Statement Filing quarterly beginning on March 1, 2004, to be implemented for bills rendered during the calendar quarter beginning with the first billing cycle of April 2004 through the last billing cycle of June, 2004 and quarterly thereafter. Each subsequent Factor Statement Filing shall be filed with the Commission thirty (30) days prior to the beginning of each calendar quarter. If the Company does not propose a change to the factors from the current quarter to the subsequent quarter, then notification will be made to the Commission thirty (30) days prior to the beginning of each calendar quarter indicating such in lieu of a quarterly factor filing.
2. Factor Statement Filing Contents: Each Factor Statement Filing shall include the following schedules:
 - a. A Summary of the Rate Rider No. 14 Factors;
 - b. Calculation of each Rate Rider No. 14 Amount Factor; and
 - c. A Summary of Budgeted Therm Throughput.
3. Schedule Content: The Factor Statement Filing schedules shall contain sufficient information describing:
 - a. Any material shift in Rate Rider No. 14 Amounts and explanations for any proposed shift (i.e. additions due to remaining residual amounts);
 - b. Any material difference in respective annual budgeted therms and the reasons for any proposed difference; and
 - c. The addition/deletion of and to any individual Rate Rider No. 14 Amount due to accounting adjustments or other reasons.
4. Amounts Not Generating A Factor: If the sum of all Rate Rider No. 14 Amounts have been depleted to the extent that an annual factor cannot be calculated out to four (4) decimals, the residual amount will be held by the Company until:
 - a. Additional Rate Rider No. 14 Amounts resulting from sharing mechanism transactions occur and this amount can be combined with these creating a Rate Rider No. 14 Amount large enough to create an annual factor; or

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- b. The disposition of this amount is determined in conjunction with a subsequent proceeding before the Commission.

VI. Annual Reconciliation

1. The Company on an annual basis will reconcile the Rate Rider No. 14 Amount balances as of the end of each March. The Annual Reconciliation will cover transactions occurring during a consecutive twelve (12) month period. The consecutive twelve (12) month period will consist of the months beginning with April and ending with the completed month of March.
2. The Annual Reconciliation will consist of the following:
 - a. A summary consisting of the beginning balance of each Rate Rider No. 14 Amount, the sum total of the annual transactions, and the ending balance;
 - b. A detail listing of monthly transactions consisting of the beginning balance, applicable factor, terms, and any additions/deletions with appropriate explanations, and the ending balance; and
 - c. A summary of balances associated with the respective Commission Order, original amortization term, amortization period to-date, and estimated remaining amortization period.
3. The Annual Reconciliation report will be filed with the Commission on or before July 15th annually.

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