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NEW MEXICO GAS COMPANY
FIRST REVISED RATE NO. 35
CANCELING ORIGINAL RATE NO. 35

COGENERATION SERVICE

AVAILABILITY

Service under this Rate is available to any Customer if the gas is used in a cogeneration facility which meets the criteria for qualification set forth in Subpart B of Part 292, Subchapter K, Chapter 1, Title 18 of the Code of Federal Regulations.

TERRITORY

All of the Company's service areas.

RATES

Basic Cost of Service Functional Rates: During each monthly billing period, the rates for all gas delivered shall be:

- a. \$0.0329 per therm for transmission service; and x
- b. \$0.0437 per therm for distribution service. x

The above rates shall be charged based on the functional services utilized by each Customer.

Cost of Gas Component: The basic charges for cost of service shall be increased or reduced, as appropriate by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Rider No. 4.

Access Fee: In addition to the rates for gas delivered, each Customer served under this Rate shall pay an Access Fee of \$50.00 per monthly billing period for facilities with an annual consumption of equal to or less than 450,000 therms x and \$345.00 per monthly billing period for facilities with an annual consumption of more than 450,000 therms.

Special Rate Adjustment: The charges shall be increased or reduced by the amounts indicated, in the Special Rate Riders approved by the New Mexico Public Regulation Commission as applicable to each particular area of service.

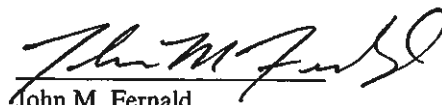
EFFECTIVE

JAN 31 2012

REPLACED BY NMPRC

BY Final Order Case No. 11-00042-UT

Advice Notice No. 27



John M. Fernald
Director, Regulatory Affairs

NMGCO#2451263

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Tax Adjustment Clause: The charges may be increased by an amount equal to the sum of the taxes payable under the Gross Receipts and Compensating Tax Act and all other taxes, fees or charges (exclusive of ad valorem, state and Federal income taxes) payable by the Company and levied or assessed by any governmental authority on the public utility service rendered, on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.

Terms of Payment: All bills under this Rate are due and payable when rendered and become delinquent twenty (20) calendar days thereafter. Any amount left unpaid thirty (30) days after bill date is subject to a six hundred sixty seven one thousandths percent (0.667%) late payment charge.

INTERRUPTION, CURTAILMENT AND CAPACITY ALLOCATION OF SERVICE

Service under this Rate may be interrupted, curtailed or capacity allocated to protect service to higher priority Customers in accordance with the Company's Rule No. 21.

OTHER CONDITIONS

1. Service under this Rate is subject to applicable laws and orders, and to the Company's Rules and Regulations on file with the New Mexico Public Regulation Commission.
2. Each application for service under this Rate will be reviewed with regard to the cost of service under this Rate and other applicable rates in accordance with 17.10.650 NMAC. The most economical rate schedule appropriate for each Customer's class of service will be recommended to the prospective Customer.
3. Service under this Rate requires the execution of a cogeneration service contract or service agreement.
4. Customers served under this Rate shall be required to maintain an annual load factor of at least fifty (50) percent for gas qualifying under this Rate. Failure to maintain at least a fifty (50) percent annual load factor will result in the Customer being placed on another applicable rate based on its primary business activity. Annual load factor is defined as average daily usage for the twelve (12) month period divided by the average daily usage of the peak month during the year. Down time due to maintenance performed on the cogeneration equipment will not be used in the annual load factor calculation.
5. Initial determination of eligibility for this Rate shall be based on the design criteria of the cogeneration facility at the time of installation and continued eligibility shall be based on an annual review of actual operating characteristics. Such review shall be conducted, either by qualified Company personnel, or by an independent/disinterested third party licensed to perform reviews. Upon initial start-up of the system, the cogeneration facility will be allowed to operate for eighteen (18) months before the first analysis is done to allow for start-up and initial operation of the facility.
6. Except as provided in Other Conditions No. 7, service under this Rate shall be separately metered by a natural gas meter and separately billed. The natural gas meter shall be installed at the Customer's expense but shall be

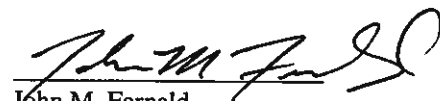
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maintained and read by Company personnel. A Customer who utilizes natural gas for purposes other than firing a cogeneration facility will be issued a second invoice, separately metered, under the applicable Rate for such gas usage.

7. Where not feasible to separately meter gas used to fire a cogeneration facility because the cogeneration process is driven by a portion of steam produced by a boiler or boilers which serve loads other than the cogeneration facility, an allocation will be made of an equivalent portion of the total gas used by the boiler or boilers which produced the steam required for the operation of the cogeneration facility. This allocation will be established by an approved formula based on efficiency factors of the facility. The Customer may choose either of the following two options to calculate the amount of gas consumed.

- (a) Calculate the quantity of natural gas consumed for the cogeneration facility based on the quantity of electrical energy generated by the facility. This option will require that the Customer install a kilowatt-hour output meter and an elapsed run time meter on the electric generator. The formula to be used to calculate therms consumed by a steam-fed cogeneration facility to produce a known kWh output will be stated as follows:

$$\text{THERMS} = [(K_1)(\text{kWh}) + (K_2)T] (K_3)$$

Where:

kWh is read from kWh meter

T is read from elapsed time meter

- K_1 = Median ratio of steam (klb) to produce kilowatt hours through turbine/generator (klb per kWh).
 K_2 = Minimum measurable steam flow through steam turbine (klb per hour)
 K_3 = Therms of gas consumed to produce a known volume of steam per unit of time (therms per klb).

The factors will be determined from the annual performance review; or, for the first year in the case of a new facility, from the manufacturer's performance curve for the steam turbine. Company Form No. 39 will be utilized to calculate the values needed to identify the above formula variables, i.e., K_1 , K_2 , and K_3 .

3.

- (b) Calculate the quantity of natural gas consumed for the cogeneration facility based on the quantity of steam metered at the turbine/generator. This option will require the installation of a flow meter in the steam line immediately upstream of the turbine/generator.

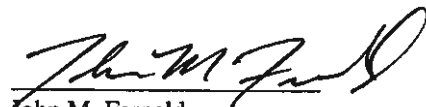
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The formula to be used to calculate therms consumed by a steam-fed cogeneration facility based on its steam requirements will be as follows:

$$\text{THERMS} = S * K_3$$

Where:

- S = The volume of steam metered at the turbine/generator (klb).
K₃ = Therms of gas consumed to produce a known volume of steam per unit of time (therms per klb).

Company Form No. 39 will be utilized to help derive the variable, K₃, in the above equation.

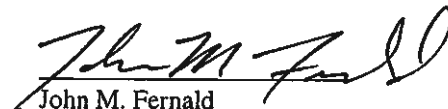
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