

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF NEW MEXICO GAS COMPANY, INC. )  
FOR REVISIONS TO ITS RATES, RULES, )  
AND CHARGES PURSUANT TO ADVICE )  
NOTICE NOS. 70 AND 71 )  
NEW MEXICO GAS COMPANY, INC. )  
Applicant. )**

Case No. 18-00038-UT

FILED IN OFFICE OF  
SEP 24 2018

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**THIRD AMENDED STIPULATION**

New Mexico Gas Company, Inc. (“NMGC” or the “Company”), the Attorney General of the State of New Mexico (the “Attorney General”), the New Mexico Public Regulation Commission’s Utility Division Staff (“Staff”), the United States Department of Energy, National Nuclear Security Administration and Federal Executive Agencies (“DOE/NNSA/FEA”), New Mexico Industrial Energy Consumers (“NMIEC”) (collectively, the “Signatories”), through their undersigned authorized representatives, agree and stipulate as follows:

**BACKGROUND**

1. On February 26, 2018, pursuant to NMSA 1978, Section 62-3-3, and 17.1.210.11 NMAC, and 17.10.630 NMAC, NMGC filed its Application for Revisions to Rates, Rules and Charges (“Application”) based on a historic twelve-month period with a base year ending September 30, 2017, with test period adjustments.

2. NMGC, through its Application, requested, among other things, the following:

A. an increase in revenues of approximately \$8 million to be recovered through base rates;

B. an overall tax unadjusted weighted average cost of capital of 7.65%, including a requested return on equity of 10.2% and a capital structure comprised of 54% equity and 46% debt;

C. an increase in access fees for customers;

D. an increase in special charges under NMGC Rate No. 11 (Miscellaneous Fees and Charges) (“Rate 11”);

E. approval to implement a weather normalization adjustment mechanism;

F. approval to implement an integrated management program (“IMP”) cost recovery mechanism;

G. approval to implement economic development rates meant to encourage economic development in New Mexico; and

H. a change in the amortization of net regulatory assets related to its overfunded retiree medical plan.

3. NMGC’s proposed rates incorporated the reduction in corporate taxes NMGC realized as a result of the Federal Tax Cuts and Jobs Act of 2017.

4. In support of its Application, NMGC filed the schedules required by 17.10.630 NMAC and the direct testimonies of eight witnesses.

5. The base rates proposed by NMGC would have produced an estimated increase in the average residential customer’s total bill of approximately 1.4%.

6. The terms of this Third Amended Stipulation (“Stipulation”) reflect good faith arms-length negotiations by the Signatories, and properly balance the interests of the customers and investors.

7. The Signatories agree that the Stipulation is in the public interest, and results in fair, just, and reasonable rates.

8. The Signatories agree that this Stipulation resolves all issues between the Signatories in relation to NMGC's Application, and more specifically agree as follows:

### STIPULATION

#### Base Revenue Increase and Stipulated Rates

9. The proposed rate schedules filed by NMGC under Notice Nos. 70 and 71 shall be withdrawn and NMGC will file revised rate schedules to: A) increase its annualized base revenues by \$2.5 million, which will be phased-in over a two- year period as follows: 1) \$1 million in 2019, and 2) an additional \$1.5 million in 2020; B) reflect an increase in revenues generated from increased charges under Rate 11; C) cancel Original Rate 1-2 and Original Rate 1-7; and D) reflect changes to Rate Schedules 31, 35, 54, 56 and 58 to better reflect the Company's current practice used in its annual review of the rate classifications for its customers.

10. The increase in revenues generated from increased Miscellaneous Service charges under Rate 11 is \$453,031 and is approved as part of this Stipulation.

11. Attached as **Stipulation Exhibit No. 1** is the reconciliation required by 1.2.2.20 NMAC, containing the information listed in 1.2.2.36(F) NMAC. NMGC prepared **Stipulation Exhibit No. 1** for illustrative purposes, and it represents one scenario within the zone of reasonableness and shall not constitute a precedent for any future proceedings.

12. The Signatories agree that the rates reflected in **Stipulation Exhibit No. 1** are fair, just, and reasonable.

13. Attached as **Stipulation Exhibit No. 2** is a schedule showing increases in the cost of service revenue for all rate classes for recovery of the \$2.5 million base revenue increase. The Signatories stipulate and agree that the allocation of these base rate increases by rate class is reasonable.

14. Attached as **Stipulation Exhibit No. 3** is a schedule showing the present and proposed rate for each affected rate class. The Signatories agree that the revised base rates reflected in **Stipulation Exhibit No. 3** are fair, just, and reasonable.

15. Attached to this Stipulation as **Stipulation Exhibit No. 4** is a schedule showing percentage changes in residential bills in 5 therm increments. The rate design for residential customers in Rate No. 10, Residential Service (“Rate 10”) as well as other heat sensitive customers, used a ten-year normal weather standard.

16. The rates set forth in this Stipulation and Stipulation Exhibits shall be implemented in two phases as set forth in Paragraph 9 above. Phase 1 will be implemented with Cycle 1 of the month following the final order. NMGC shall file appropriate advice notices to implement the revised rates at least five days prior to their effective dates. Phase 2 will be implemented with Cycle 1 of the thirteenth month following the final order.

17. The Signatories agree that the base rates agreed to in this Stipulation will not increase prior to January 1, 2021, at the earliest. This provision of the Stipulation reflects a balancing of interests, including (on one hand) NMGC’s statutory right to petition the New Mexico Public Regulation Commission (the “Commission”) from time-to-time to revise the Company’s rates and (on the other hand) the interests of customers in rate stability.

**Weather Normalization Adjustment Mechanism**

18. The Signatories agree that wide fluctuations in weather in recent winter heating seasons have affected customers’ bills and have contributed directly to fluctuations in the level of base revenue recoveries to the Company. The Signatories agree that NMGC’s proposed Weather Normalization Adjustment Mechanism (the “Weather Mechanism”) is intended to address this problem and agree to the implementation of the Weather Mechanism. The Signatories agree that the Weather Mechanism is not intended to provide the Company with a guarantee that it will earn its

authorized revenue requirement in any given year. Rather, the Weather Mechanism is only intended to provide the Company with a reasonable opportunity of earning that authorized revenue requirement. The Company's actual recovery will be determined pursuant to the annual Weather Mechanism rate proceeding as provided for in this Stipulation. The Signatories further agree that the implementation of the Weather Mechanism results in a reduction of risk to NMGC, which should be reflected by a reduction in the return on equity.

19. The Signatories further agree that the Weather Mechanism shall operate as a five (5) year pilot program, and shall terminate at the end of the five-year period unless the Commission expressly approves otherwise. The Weather Mechanism shall be subject to review in NMGC's next general rate case. The Signatories also expressly agree that the Commission may, for good cause shown, after a hearing and an order, terminate the Weather Mechanism before the end of the five-year term in the event of unforeseen events.

20. The Signatories agree that the Weather Mechanism shall operate as described in the direct testimony of NMGC Witness Daniel P. Yardley, and as described in this paragraph:

A. The Signatories agree that the Weather Mechanism will use average heating degree days over the last ten (10) years to establish normal weather ("Normal Weather"), and that the initial Normal Weather amounts shall be set in this rate case and shall be reestablished in each of NMGC's successive rate cases going forward.

B. The Signatories agree that the following five National Oceanographic and Atmospheric Administration weather stations will be utilized to measure actual heating degree days: Albuquerque, Deming, Farmington, Roswell, and Santa Fe.

C. The Signatories agree that the Weather Mechanism will apply to the following two NMGC rate classes: Rate 10, and Rate 54.

D. Consistent with NMSA 1978, Section 62-8-7(E), on June 30, 2019 the Company shall provide notice and opportunity for hearing to all persons on the official Certificate of Service in this case for the purpose of establishing the Weather Mechanism rate to be used over the twelve-month period beginning with Cycle 1 October, 2019.

E. Thereafter, for as long as the Weather Mechanism is in place, the Company shall on June 30 of each year provide similar notice and opportunity for hearing for the purpose of establishing the Weather Mechanism rate to be used over the twelve-month period beginning with Cycle 1 October of that year. With each annual June 30 filing, NMGC shall include testimony or an affidavit of a witness or witnesses in support of NMGC's Weather Mechanism rate. The Signatories agree that any changes to the Weather Mechanism rate would only take effect after notice and opportunity for hearing and approval by the Commission or by operation of law.

F. As with the Company's Purchase Gas Adjustment Clause, NMGC shall have an independent accounting firm, paid for by NMGC, perform agreed-upon procedures related to the Company's annual June 30 Weather Mechanism filing with the Commission. NMGC shall work with Staff to develop the procedures to be performed by the independent accounting firm. If required, NMGC and Staff will provide written confirmation of their agreement to the agreed-upon procedures to be performed. Once completed, NMGC shall file the independent accounting firm's agreed-upon procedures report with its annual June 30 Weather Mechanism filing each year.

G. Consistent with the "good cause" exception in NMSA 1978, Section 62-8-7(B), if no objection is filed with the Commission within fourteen days of the notice from the Company, the proposed Weather Mechanism Rate shall go into effect with Cycle 1 October that year. If objection is filed with the Commission within two weeks, the Signatories agree that a hearing should be held expeditiously, and preferably, within 30 days of the objection. The notices

and hearings shall set the Weather Mechanism rate for the twelve-month period beginning with Cycle 1 October of that year.

H. As with the Company's filings under the Company's Purchase Gas Adjustment Clause, the Company shall file a statement with the Commission monthly reflecting its best estimate of the rate impact of the Weather Mechanism.

I. To the extent that the Weather Mechanism is not continued beyond the term of the pilot or is discontinued or replaced for any reason, the amount recorded in the Weather Normalization Adjustment Balancing Account as of the effective date of the termination or replacement of the Weather Mechanism shall be credited to customers or charged to customers through the Weather Mechanism.

21. Attached as **Stipulation Exhibit No. 5** are the proposed tariffs reflecting the Weather Mechanism.

**Information Required by the Procedural Order**

22. The Procedural Order issued on April 18, 2018 in this case by the Hearing Examiner requires that "any stipulation shall, at a minimum, identify the following cost of service components to apply following the issuance of a final order: 1) Depreciation rates; 2) Return on equity; 3) Tax unadjusted weighted average cost of capital; [and] 4) Annual amortization amount for each amortized item in the cost of service."

23. **Stipulation Exhibit No. 1** includes a Company-prepared illustrative cost of service with the following cost of service components:

A. Depreciation Rates - NMGC shall continue to use its current depreciation rates until they are changed in accordance with 17.3.340 NMAC

B. Return on Equity ("ROE") of 9.1%

C. Tax Unadjusted Weighted Average Cost of Capital ("WACC") of 6.96%

D. Annual Amortization Amounts will be derived the same as the amounts reflected in NMGC's Application

24. For the sole purpose of computing the illustrative cost of service in this case, the Company used a 9.1% ROE and a 6.96% WACC. None of Signatories are agreeing to a specific ROE or WACC in this Stipulation. The Signatories agree that this imputed ROE and WACC have no precedential value and are only used to compute the illustrative cost of service. The Signatories agree that the imputed ROE and WACC, as well as the other reconciliation adjustments reflected in the illustrative cost of service were not used to determine, and have no impact on, the Company's revenue requirement in this Stipulation, which was derived following arm's length negotiations between the parties and based on all factors in this case.

#### **Tax Reform**

25. The Signatories agree that the rates detailed in **Stipulation Exhibit No. 1** incorporate the reduction in corporate income taxes NMGC realized from the Federal Tax Cuts and Jobs Act of 2017 on a prospective basis only. The Signatories, understand that the Hearing Examiner will set an evidentiary hearing on the merits of the question raised in the Commission's September 12, 2018 Order regarding the "issue of the disposition of the savings NMGC realized as a result of the enactment of the TCJA, including refunds to customers of such savings from January 1, 2018 to the effective date of new rates". The Parties will be filing a Motion to Bifurcate to this effect.

#### **Miscellaneous Provisions**

26. In order to provide NMGC with the guidance needed to record transactions in its books and records, the Signatories agree that NMGC may incorporate the accounting positions as filed in the Application and as detailed in Direct Testimony of NMGC Witness Scott A. Hastings and supporting schedules, unless otherwise specifically stated in this Stipulation. This provision does not preclude a Signatory from challenging any assumptions in future proceedings.



27. The Signatories agree that the discounted transportation rates identified in the Direct Testimony of Edward J. Kacer and his supporting exhibits are fair, just, and reasonable and should be approved by the Commission.

### **General Provisions**

28. The Signatories stipulate to the admission into the evidentiary record of this case of the following documents: 1) this Stipulation and the Stipulation Exhibits; 2) NMGC's pre-filed direct testimonies, exhibits, and schedules NMGC submits in the evidentiary record at the public hearing on the Stipulation and 3) all testimonies the Signatories file in support of this Stipulation.

29. The Signatories agree that this Stipulation has been drafted by all of the Signatories and is the result of negotiation, compromise, settlement, and accommodations by each of the Signatories.

30. The Signatories agree that this Stipulation: 1) provides benefits to NMGC and its customers, 2) is in the public interest; and 3) results in fair, just, and reasonable rates.

31. This Stipulation contains the full intent and understanding of the Signatories and constitutes the entire agreement of the Signatories. There are no representations, warranties, or agreements other than those specifically set forth in this Stipulation. No implication should be drawn on any matter not specifically addressed in this Stipulation.

32. The Signatories agree that the substantive terms and conditions set forth in this Stipulation are interdependent, and that the various provisions of this Stipulation are not severable. Any modification of the substantive terms and conditions of this Stipulation require the written agreement of all of the Signatories. If the Stipulation is not adopted in its entirety by the Commission, without modification, the Stipulation will be voidable by any Signatory.

33. The Signatories agree to support the approval of this Stipulation in this case and shall support the Stipulation and its terms in any related proceeding before the Commission. Signatories

agree to make reasonable and good faith efforts to obtain the Commission's approval of this Stipulation.

34. The Signatories agree that by approving this Stipulation, the Commission is neither granting any approval nor creating any precedent regarding any specific principle or issue in future proceedings, except to the extent the Final Order in this case approves the agreements that bind the Signatories. The Signatories do not waive rights they may have in other pending or future proceedings, and they will not be deemed to have approved, accepted, agreed to, or consented to the application of any concept, principle, theory, or method in any future proceeding other than as expressly provided in this Stipulation.

35. Signatories agree to refrain from introducing in any regulatory or court proceeding any statement made or position taken by any of the Signatures during the course of negotiations.

36. The Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Signatories.

37. Other parties not presently Signatories may subsequently file a joinder to this Stipulation, and become a Signatory.

38. This Stipulation may be executed in any number of counterparts, including by telefax or PDF signature, each of which shall be deemed to be an original and all of which will constitute one and the same agreement. This Stipulation shall be deemed fully executed upon the signature upon the same and separate or individual copies of the signature page(s) by all Signatories.

Dated this 24th day of September, 2018.

Respectfully Submitted,

NEW MEXICO GAS COMPANY, INC.

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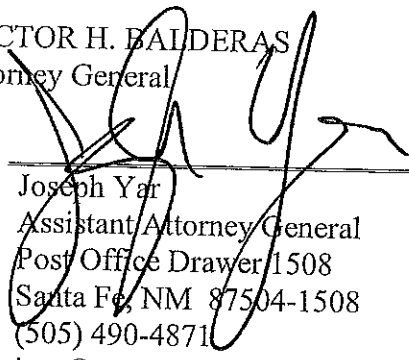
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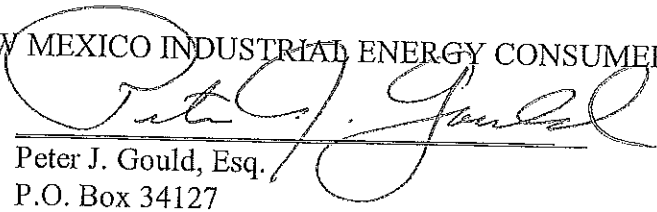
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NEW MEXICO GAS COMPANY

Summary of the Illustrative Cost of Service and the Claimed Revenue Deficiency  
Stipulated Test Period - 12 Months Ending September 30, 2017

Stipulation Exhibit No. 1  
Stipulated Schedule A-1  
Page 1 of 1

Line No.	Description	Test Period As Filed	Settlement Adjustment 1 ROE to 9.1%	Settlement Adjustment 2 52% Equity	Stipulated Test Period
1	Operations & Maintenance	89,276,284	-	-	89,276,284
2	Depreciation & Amortization	38,891,700	-	-	38,891,700
3	Miscellaneous Interest	420,472	-	-	420,472
4	Taxes Other Than Income	10,468,058	-	-	10,468,058
5	Income Taxes	10,429,704	(1,173,305)	(353,146)	8,903,253
6	Return on Rate Base	44,180,457	(3,447,687)	(507,115)	40,225,655
7	Revenue Credits	(9,231,203)	-	-	(9,231,203)
8	Revenue Tax	984,937	-	-	984,937
9	Total Cost of Service	185,420,408	(4,620,992)	(860,260)	179,939,156
10	Base Period Total Cost of Service Revenue	(177,439,156)	-	-	(177,439,156)
11	Revenue Deficiency	7,981,252	(4,620,992)	(860,260)	2,500,000



New Mexico Gas Company  
SUMMARY OF REVENUE CHANGE  
FOR PROPOSED RATE SCHEDULES

Stipulation Exhibit No. 1  
Stipulated Schedule A-2  
Page 1 of 3

Base Period Revenues							
Line No.	Rate Schedule	Cost of Gas	Cost of Service	Natural Gas		Other	Total
				Processed By Others	Product Extraction		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	10	\$ 87,161,864	\$ 128,917,464	\$ -	\$ -	\$ -	\$ 216,079,327
2	30	\$ 1,905,855	\$ 552,278	-	-	-	2,458,133
3	31	\$ -	\$ 35,260	-	-	-	35,260
4	35	\$ -	\$ 12,418	-	-	-	12,418
5	37	\$ -	\$ 1,772	-	-	-	1,772
6	54	\$ 27,718,047	\$ 30,474,537	-	-	-	58,192,584
7	56	\$ 1,638,157	\$ 3,885,453	-	-	-	5,523,610
8	58	\$ 764,542	\$ 4,046,842	-	-	-	4,811,384
9	61	\$ -	\$ 334,188	-	-	-	334,188
10	70	\$ -	\$ 788,476	-	-	-	788,476
11	114	\$ -	\$ -	-	-	-	-
13	Other	-	-	-	-	8,545,573	8,545,573
14	Total	<u>\$ 119,188,465</u>	<u>\$ 169,048,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,545,573</u>	<u>\$ 296,782,727</u>

Adjustments to Base Period Revenues							
Line No.	Rate Schedule	Cost of Gas	Cost of Service	Natural Gas		Other	Total
				Processed By Others	Product Extraction		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
15	10	\$ -	\$ 6,472,556	\$ -	\$ -	\$ -	\$ 6,472,556
16	30	-	(37,597)	-	-	-	(37,597)
17	31	-	(0)	-	-	-	(0)
18	35	-	(7,989)	-	-	-	(7,989)
19	37	-	(0)	-	-	-	(0)
20	54	-	1,924,251	-	-	-	1,924,251
21	56	-	2,246	-	-	-	2,246
22	58	-	136	-	-	-	136
23	61	-	0	-	-	-	0
24	70	-	(0)	-	-	-	(0)
25	114	-	-	-	-	-	-
27	Other	-	-	-	-	685,631	685,631
28	Total	<u>\$ -</u>	<u>\$ 8,353,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,631</u>	<u>\$ 9,039,233</u>

New Mexico Gas Company  
SUMMARY OF REVENUE CHANGE  
FOR PROPOSED RATE SCHEDULES

Stipulation Exhibit No. 1  
Stipulated Schedule A-2  
Page 2 of 3

Test Period Revenues at Existing Rates

Line No.	Rate Schedule	Natural Gas					Other	Total
		Cost of Gas	Cost of Service	Processed By Others	Product Extraction			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1	10	\$ 87,161,864	\$ 135,390,020	\$ -	\$ -	\$ -	\$ 222,551,884	
2	30	1,905,855	514,681	-	-	-	2,420,536	
3	31	-	35,260	-	-	-	35,260	
4	35	-	4,429	-	-	-	4,429	
5	37	-	1,772	-	-	-	1,772	
6	54	27,718,047	32,398,788	-	-	-	60,116,835	
7	56	1,638,157	3,887,699	-	-	-	5,525,856	
8	58	764,542	4,046,978	-	-	-	4,811,520	
9	61	-	334,188	-	-	-	334,188	
10	70	-	788,476	-	-	-	788,476	
11	114	-	-	-	-	-	-	
12	Other	-	-	-	-	9,231,204	9,231,204	
13	Total	<u>\$ 119,188,465</u>	<u>\$ 177,402,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,231,204</u>	<u>\$ 305,821,960</u>	

Test Period Revenues at Stipulated Rates

Line No.	Rate Schedule	Natural Gas					Other	Total
		Cost of Gas	Cost of Service	Processed By Others	Product Extraction			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
14	10	\$ 87,161,864	\$ 136,269,668	\$ -	\$ -	\$ -	\$ 223,431,532	
15	30	1,905,855	518,013	-	-	-	2,423,868	
16	31	-	36,736	-	-	-	36,736	
17	35	-	4,614	-	-	-	4,614	
18	37	-	1,845	-	-	-	1,845	
19	54	27,718,047	33,753,044	-	-	-	61,471,091	
20	56	1,638,157	4,048,961	-	-	-	5,687,118	
21	58	764,542	4,099,007	-	-	-	4,863,549	
22	61	-	348,393	-	-	-	348,393	
23	70	-	821,851	-	-	-	821,851	
24	114	-	-	-	-	-	-	
25	Other	-	-	-	-	9,231,204	9,231,204	
26	Total	<u>\$ 119,188,465</u>	<u>\$ 179,902,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,231,204</u>	<u>\$ 308,321,801</u>	

New Mexico Gas Company  
SUMMARY OF REVENUE CHANGE  
FOR PROPOSED RATE SCHEDULES

Stipulation Exhibit No. 1  
Stipulated Schedule A-2  
Page 3 of 3

Line No.	Rate Schedule	Amount of Revenue Increase						Total
		Cost of Gas	Cost of Service	Natural Gas		Other		
				Processed By Others	Product Extraction			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1	10	\$ -	\$ 879,648	\$ -	\$ -	\$ -	\$ 879,648	
2	30	-	3,332	-	-	-	3,332	
3	31	-	1,476	-	-	-	1,476	
4	35	-	185	-	-	-	185	
5	37	-	73	-	-	-	73	
6	54	-	1,354,256	-	-	-	1,354,256	
7	56	-	161,262	-	-	-	161,262	
8	58	-	52,029	-	-	-	52,029	
9	61	-	14,205	-	-	-	14,205	
10	70	-	33,375	-	-	-	33,375	
11	114	-	-	-	-	-	-	
12	Other	-	-	-	-	-	-	
13	Total	\$ -	\$ 2,499,841	\$ -	\$ -	\$ -	\$ 2,499,841	

Line No.	Rate Schedule	Percentage Increase (Decrease)						Total
		Cost of Gas	Cost of Service	Natural Gas		Other		
				Processed By Others	Product Extraction			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
14	10	0.00%	0.65%	0.00%	0.00%	0.00%	0.40%	
15	30	0.00%	0.65%	0.00%	0.00%	0.00%	0.14%	
16	31	0.00%	4.19%	0.00%	0.00%	0.00%	4.19%	
17	35	0.00%	4.18%	0.00%	0.00%	0.00%	4.18%	
18	37	0.00%	4.12%	0.00%	0.00%	0.00%	4.12%	
19	54	0.00%	4.18%	0.00%	0.00%	0.00%	2.25%	
20	56	0.00%	4.15%	0.00%	0.00%	0.00%	2.92%	
21	58	0.00%	1.29%	0.00%	0.00%	0.00%	1.08%	
22	61	0.00%	4.25%	0.00%	0.00%	0.00%	4.25%	
23	70	0.00%	4.23%	0.00%	0.00%	0.00%	4.23%	
24	114	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
25	Total	<u>0.00%</u>	<u>1.41%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.82%</u>	

NEW MEXICO GAS COMPANY

Stipulation Exhibit No. 1  
Stipulated Schedule A-3  
Page 1 of 1

Summary of the Illustrative Cost of Service Adjustments by Functional Classification  
Stipulated Test Period - 12 Months Ending September 30, 2017

Line No.	Description	Test Period As Filed	Settlement Adjustment 1 ROE to 9.1%	Settlement Adjustment 2 52% Equity	Stipulated Test Period
1	Other Gas Supply	1,546,234	-	-	1,546,234
2	Purchased Gas Expense	-	-	-	-
3	Underground Storage	-	-	-	-
4	Transmission	5,886,211	-	-	5,886,211
5	Distribution	25,472,657	-	-	25,472,657
6	Customer Accounts	15,150,454	-	-	15,150,454
7	Customer Service & Information	-	-	-	-
8	Sales	653,980	-	-	653,980
9	Administrative & General	40,566,748	-	-	40,566,748
10	Depreciation & Amortization	38,891,700	-	-	38,891,700
11	Interest on Customer Deposits	100,611	-	-	100,611
12	Amortization of Loss on Reacquired Debt	288,055	-	-	288,055
13	Interest Accretion on ARO Liability	31,806	-	-	31,806
14	Taxes Other Than Income	10,468,058	-	-	10,468,058
15	Income Taxes	10,429,704	(1,173,305)	(353,146)	8,903,253
16	Return on Rate Base	44,180,457	(3,447,687)	(507,115)	40,225,655
17	Revenue Credits	(9,231,203)	-	-	(9,231,203)
18	Revenue Tax	984,937	-	-	984,937
19					
20	<b>Total Cost of Service</b>	<b>185,420,408</b>	<b>(4,620,992)</b>	<b>(860,260)</b>	<b>179,939,156</b>

NEW MEXICO GAS COMPANY  
 Illustrative Summary of Rate Base  
 Stipulated Test Period - 12 Months Ending September 30, 2017

Stipulation Exhibit No. 1  
 Stipulated Schedule A-4  
 Page 1 of 1

Line No.	Description	Test Period As Filed	Settlement Adjustment 1 ROE to 9.1%	Settlement Adjustment 2 52% Equity	Stipulated Test Period
	<u>Net Plant in Service:</u>				
1	Underground Storage	-	-	-	-
2	Transmission	213,719,650	-	-	213,719,650
3	Distribution	316,658,612	-	-	316,658,612
4	Intangible	15,871,013	-	-	15,871,013
5	General	48,458,232	-	-	48,458,232
6	<u>Total Net Plant</u>	<u>594,707,507</u>	-	-	<u>594,707,507</u>
7					
8	Accum Deferred Income Taxes	(28,978,996)	-	-	(28,978,996)
9					
10	Subtractive Adjustments	(49,751,797)	-	-	(49,751,797)
11					
12	Additive Adjustments	46,847,437	-	-	46,847,437
13					
14	<u>Working Capital:</u>				
15	Natural Gas Storage	5,755,965	-	-	5,755,965
16	Materials & Supplies	3,520,737	-	-	3,520,737
17	Prepayments	3,646,345	-	-	3,646,345
18	Cash Working Capital	2,606,246	-	-	2,606,246
19	<u>Total Working Capital</u>	<u>15,529,293</u>	-	-	<u>15,529,293</u>
20					
21	<u>Total Rate Base</u>	<u>578,353,444</u>	-	-	<u>578,353,444</u>

NEW MEXICO GAS COMPANY  
 Summary of Total Capitalization and the  
 Illustrative Weighted Average Cost of Capital  
 Stipulated Test Period - 12 Months Ending September 30, 2017

Stipulation Exhibit No. 1  
 Stipulated Schedule A-5  
 Page 1 of 1

Line No.	Class of Capital	Capital Ratio	Effective Rate	Weighted Avg. Cost of Capital
	<u>TEST PERIOD</u>			
1	Long-Term Debt	46.00%	4.65%	2.14%
2	Common Equity	54.00%	10.20%	5.51%
3	Total	100.00%		7.65%
4				
5				
6				
7	<u>STIPULATED TEST PERIOD</u>			
8	Long-Term Debt	48.00%	4.65%	2.23%
9	Common Equity	52.00%	9.10%	4.73%
10	Total	100.00%		6.96%

NEW MEXICO GAS COMPANY

Stipulation Exhibit No. 1  
Stipulated Schedule H-9  
Page 1 of 1

Illustrative Calculation of Federal and State Income Taxes  
Stipulated Test Period - 12 Months Ending September 30, 2017

Line No.	Description	Test Period	Settlement Adjustment 1 ROE of 9.1%	Settlement Adjustment 2 Equity % of 52%	Stipulated Test Period
1	Calculated Equity Return on Rate Base (or Net Income)	\$ 31,750,422	\$ (3,445,952)	\$ (1,037,175)	\$ 27,267,295
2	Add Back Allowable Federal and State Income Taxes	10,429,704	(1,173,305)	(353,146)	8,903,253
3	Net Income Before Income Taxes ("NIBIT")	42,180,126	(4,619,257)	(1,390,321)	36,170,548
4					
5	<u>Remove Permanent Differences:</u>				
6	Non-Deductible Fines & Penalties	-	-	-	-
7	AFUDC Equity	-	-	-	-
8	Non-Deductible Meals	134,215	-	-	134,215
9	Non-Deductible Lobbying Expense	-	-	-	-
10	Non-Deductible Dues	-	-	-	-
11	AFUDC Equity- Depreciation	21,033	-	-	21,033
12	<u>NIBIT Excluding Permanent Differences</u>	<u>42,335,373</u>	<u>(4,619,257)</u>	<u>(1,390,321)</u>	<u>36,325,796</u>
13					
14	State Income Tax at 5.57% Test Period (Current and Deferred)	2,358,080	(257,293)	(77,441)	2,023,347
15	State Excess Deferred Tax Amortization	(38,766)	-	-	(38,766)
16					
17	Taxable Income (Current and Deferred)	40,016,059	(4,361,964)	(1,312,880)	34,341,215
18					
19	Federal Income Tax at 21% Test Period (Current and Deferred)	8,403,372	(916,012)	(275,705)	7,211,655
20					
21	Federal Excess Deferred Tax Amortization	(292,983)	-	-	(292,983)
22					
23	<u>Total State and Federal Income Taxes (Cur. and Deferred)</u>	<u>10,429,704</u>	<u>(1,173,305)</u>	<u>(353,146)</u>	<u>8,903,253</u>

New Mexico Gas Company  
TOTAL REVENUE REQUIREMENT BY RATE CLASSES  
NEW MEXICO JURISDICTIONAL

Line No.	Rate Schedule	Base Period				Test Period Revenues at Existing Rates			
		Cost of Gas	Cost of Service	Other	Total	Cost of Gas	Cost of Service	Other	Total
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	10	\$ 87,161,864	\$ 128,917,464	\$ -	\$ 216,079,328	\$ 87,161,864	\$ 135,390,020	\$ -	\$ 222,551,884
2	30	1,905,855	552,278	-	2,458,133	1,905,855	514,681	-	2,420,536
3	31	-	35,260	-	35,260	-	35,260	-	35,260
4	35	-	12,418	-	12,418	-	4,429	-	4,429
5	37	-	1,772	-	1,772	-	1,772	-	1,772
6	54	27,718,047	30,474,537	-	58,192,584	27,718,047	32,398,788	-	60,116,835
7	56	1,638,157	3,885,453	-	5,523,610	1,638,157	3,887,699	-	5,525,856
8	58	764,542	4,046,842	-	4,811,384	764,542	4,046,978	-	4,811,520
9	61	-	334,188	-	334,188	-	334,188	-	334,188
10	70	-	788,476	-	788,476	-	788,476	-	788,476
12	114	-	-	-	-	-	-	-	-
13	Other	-	-	8,545,573	8,545,573	-	-	9,231,204	9,231,204
14	Total	\$ 119,188,465	\$ 169,048,689	\$ 8,545,573	\$ 296,782,727	\$ 119,188,465	\$ 177,402,291	\$ 9,231,204	\$ 305,821,960

Line No.	Rate Schedule	Test Period Revenues at Stipulated Rates				Stipulated Changes in Revenues	Percent Change in Revenues
		Cost of Gas	Cost of Service	Other	Total		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
15	10	\$ 87,161,864	\$ 136,269,668	\$ -	\$ 223,431,532	\$ 879,648	0.40%
16	30	1,905,855	518,013	-	2,423,868	3,332	0.14%
17	31	-	36,736	-	36,736	1,476	4.19%
18	35	-	4,614	-	4,614	185	4.18%
19	37	-	1,845	-	1,845	73	4.12%
20	54	27,718,047	33,753,044	-	61,471,091	1,354,256	2.25%
21	56	1,638,157	4,048,961	-	5,687,118	161,262	2.92%
22	58	764,542	4,099,007	-	4,863,549	52,029	1.08%
23	61	-	348,393	-	348,393	14,205	4.25%
24	70	-	821,851	-	821,851	33,375	4.23%
25	114	-	-	-	-	-	0.00%
26	Other	-	-	9,231,204	9,231,204	-	0.00%
27	Total	\$ 119,188,465	\$ 179,902,132	\$ 9,231,204	\$ 308,321,801	\$ 2,499,841	0.82%

Stipulated Schedule P-1



New Mexico Gas Company  
 PROOF OF REVENUE ANALYSIS  
 NEW MEXICO JURISDICTIONAL

		Test Period Revenues at Proposed Rates					
Line No.	Rate Schedule	Test Year Revenues	Stipulated Revenue Changes	Total Revenues	Calculated Revenues From Sch. P-3	Over (Under) Recovery	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
<b>Cost of Service Revenues</b>							
1	10	\$ 135,390,020	\$ 879,648	\$ 136,269,668	\$ 136,269,668	\$ -	
2	30	514,681	3,332	518,013	518,013	-	
3	31	35,260	1,476	36,736	36,736	-	
4	35	4,429	185	4,614	4,614	0	
5	37	1,772	73	1,845	1,846	(1)	
6	54	32,398,788	1,354,256	33,753,044	33,752,159	885	
7	56	3,887,699	161,262	4,048,961	4,050,097	(1,136)	
8	58	4,046,978	52,029	4,099,007	4,099,589	(582)	
9	61	334,188	14,205	348,393	348,147	246	
10	70	788,476	33,375	821,851	821,413	438	
11	114	-	-	-	-	-	
12	Total Cost of Service Revenues	\$ 177,402,291	\$ 2,499,841	\$ 179,902,132	\$ 179,902,282	\$ (150)	
13	Cost of Gas Revenues	119,188,465	-	119,188,465	119,188,465	-	
14	Natural Gas Processed By Others	-	-	-	-	-	
15	Other Operating Revenues	8,545,573	685,631	9,231,204	9,231,204	-	
16	Total Operating Revenues	\$ 305,136,329	\$ 3,185,472	\$ 308,321,801	\$ 308,321,951	\$ (150)	

Stipulated Schaeule P-2

NEW MEXICO GAS COMPANY  
COMPARISON OF RATES FOR SERVICE UNDER THE PRESENT AND PROPOSED SCHEDULES

**Rate No. 10  
Residential**

		Approved 11-00042-UT Rates		
		Quantity	Rate	Revenue
Service Charge		5,864,322	\$ 11.50	\$ 67,439,703
Commodity				
Transmission		289,390,834	\$ 0.0634	\$ 18,347,379
Distribution		298,632,979	\$ 0.1661	\$ 49,602,938
Total Billing				\$ 135,990,020
		Stipulated Rates		
		Quantity	Rate	Revenue
Service Charge		5,864,322	\$ 11.65	\$ 68,319,351
Commodity				
Transmission		289,390,834	\$ 0.0634	\$ 18,347,379
Distribution		298,632,979	\$ 0.1661	\$ 49,602,938
Total Proposed Billing			\$ 0.2295	\$ 135,269,668
Revenue Allocation			\$ 50.92	\$ 136,269,667
Over (Under) Recovery				\$ 1

**Rate No. 30  
Irrigation**

		Approved 11-00042-UT Rates		
		Quantity	Rate	Revenue
Service Charge		5,126	\$ 33.00	\$ 169,158
Commodity				
Transmission		3,273,673	\$ 0.0381	\$ 124,727
Distribution		5,872,227	\$ 0.0376	\$ 220,796
Total Billing				\$ 514,681
		Stipulated Rates		
		Quantity	Rate	Revenue
Service Charge		5,126	\$ 33.65	\$ 172,490
Commodity				
Transmission		3,273,673	\$ 0.0381	\$ 124,727
Distribution		5,872,227	\$ 0.0376	\$ 220,796
Total Proposed Billing				\$ 518,013
Revenue Allocation				\$ 518,030
Over (Under) Recovery				\$ (17)

**Rate No. 31  
Water & Sewage Pumping**

		Approved 11-00042-UT Rates		
		Quantity	Rate	Revenue
Service Charge	Small	180	\$ 100.00	\$ 18,000
	Large	-	\$ 175.00	\$ -
Commodity				
Transmission		207,952	\$ 0.0386	\$ 8,027
Distribution		207,953	\$ 0.0444	\$ 9,233
Total Billing				\$ 35,260
		Stipulated Rates		
		Quantity	Rate	Revenue
Service Charge	Small	180	\$ 100.00	\$ 18,000
	Large	-	\$ 175.00	\$ -
Commodity				
Transmission		207,952	\$ 0.0439	\$ 9,129
Distribution		207,953	\$ 0.0462	\$ 9,607
Total Proposed Billing				\$ 36,736
Revenue Allocation				\$ 36,733
Over (Under) Recovery				\$ 3

**Rate No. 35  
Cogeneration**

		Approved 11-00042-UT Rates		
		Quantity	Rate	Revenue
Service Charge	Small	-	\$ 50.00	\$ -
	Large	12	\$ 345.00	\$ 4,140
Commodity				
Transmission		3,772	\$ 0.0329	\$ 124
Distribution		3,773	\$ 0.0437	\$ 165
Total Billing				\$ 4,429
		Stipulated Rates		
		Quantity	Rate	Revenue
Service Charge	Small	-	\$ 55.00	\$ -
	Large	12	\$ 350.00	\$ 4,200
Commodity				
Transmission		3,772	\$ 0.0329	\$ 124
Distribution		3,773	\$ 0.0768	\$ 290
Total Proposed Billing				\$ 4,614
Revenue Allocation				\$ 4,614
Over (Under) Recovery				\$ 0

**Rate No. 37  
Gas Air Conditioning**

		Approved 11-00042-UT Rates		
		Quantity	Rate	Revenue
Service Charge		12	\$ 15.00	\$ 180
Commodity				
Transmission		-	\$ 0.0259	\$ -
Distribution		48,997	\$ 0.0325	\$ 1,592
Total Billing				\$ 1,772
		Stipulated Rates		
		Quantity	Rate	Revenue
Service Charge		12	\$ 17.75	\$ 213
Commodity				
Transmission		-	\$ 0.0259	\$ -
Distribution		48,997	\$ 0.0333	\$ 1,632
Total Proposed Billing				\$ 1,845
Revenue Allocation				\$ 1,846
Over (Under) Recovery				\$ (1)

**Rate No. 54  
Small Volume General Service**

		Approved 11-00042-UT Rates		
		Quantity	Rate	Revenue
Service Charge		487,142	\$ 20.00	\$ 9,742,848
Commodity				
Transmission		149,480,370	\$ 0.0707	\$ 10,568,262
Distribution		153,396,960	\$ 0.0788	\$ 12,087,680
Total Billing				\$ 32,398,788
		Stipulated Rates		
		Quantity	Rate	Revenue
Service Charge		487,142	\$ 22.76	\$ 11,097,102
Commodity				
Transmission		149,480,370	\$ 0.0707	\$ 10,568,262
Distribution		153,396,960	\$ 0.0788	\$ 12,087,680
Total Proposed Billing				\$ 33,753,044
Revenue Allocation				\$ 33,752,159
Over (Under) Recovery				\$ 885

Stipulated Schedule P-3

NEW MEXICO GAS COMPANY  
COMPARISON OF RATES FOR SERVICE UNDER THE PRESENT AND PROPOSED SCHEDULES

Stipulation Exhibit No. 1  
Stipulated Schedule P-3  
Page 2 of 2

**Rate No. 56**  
**Medium Volume General Service**

	Approved 11-00042-UT Rates		
	Quantity	Rate	Revenue
Service Charge	1,105	\$ 80.00	\$ 88,400
Commodity			
Transmission	39,281,505	\$ 0.0513	\$ 2,015,141
Distribution	34,778,902	\$ 0.0513	\$ 1,784,158
<b>Total Billing</b>			<b>3,887,699</b>

	Stipulated Rates		
	Quantity	Rate	Revenue
Service Charge	1,105	\$ 100.00	\$ 110,500
Commodity			
Transmission	39,281,505	\$ 0.0544	\$ 2,136,914
Distribution	34,778,902	\$ 0.0518	\$ 1,801,547
<b>Total Proposed Billing</b>			<b>\$ 4,048,961</b>
Revenue Allocation			\$ 4,050,097
Over (Under) Recovery			\$ (1,136)

**Rate No. 58**  
**Large Volume General Service**

	Approved 11-00042-UT Rates		
	Quantity	Rate	Revenue
Service Charge	147	\$ 1,200.00	\$ 176,400
Commodity			
Transmission	55,368,735	\$ 0.0486	\$ 2,690,823
Distribution	32,322,053	\$ 0.0365	\$ 1,179,755
<b>Total Billing</b>			<b>\$ 4,046,978</b>

	Stipulated Rates		
	Quantity	Rate	Revenue
Service Charge	147	\$ 1,240.00	\$ 182,280
Commodity			
Transmission	55,368,735	\$ 0.0492	\$ 2,724,043
Distribution	32,322,053	\$ 0.0369	\$ 1,192,684
<b>Total Proposed Billing</b>			<b>\$ 4,099,007</b>
Revenue Allocation			\$ 4,099,589
Over (Under) Recovery			\$ (582)

**Rate No. 61**  
**Sales For Resale**

	Approved 11-00042-UT Rates		
	Quantity	Rate	Revenue
Service Charge	72	\$ 2,000.00	\$ 144,000
Commodity			
Transmission	7,891,603	\$ 0.0241	\$ 190,189
Distribution	-	\$ -	\$ -
<b>Total Billing</b>			<b>\$ 334,188</b>

	Stipulated Rates		
	Quantity	Rate	Revenue
Service Charge	72	\$ 2,000.00	\$ 144,000
Commodity			
Transmission	7,891,603	\$ 0.0259	\$ 204,393
Distribution	-	\$ -	\$ -
<b>Total Proposed Billing</b>			<b>\$ 348,393</b>
Revenue Allocation			\$ 348,147
Over (Under) Recovery			\$ 246

**Rate No. 70 (2.L)**  
**Off-System Transportation**

	Approved 11-00042-UT Rates		
	Quantity	Rate	Revenue
Service Charge	-	\$ -	\$ -
Commodity			
Transmission	41,718,332	\$ 0.0199	\$ 788,476
Distribution	-	\$ -	\$ -
<b>Total Billing</b>			<b>788,476</b>

	Stipulated Rates		
	Quantity	Rate	Revenue
Service Charge	-	\$ -	\$ -
Commodity			
Transmission	41,718,332	\$ 0.0197	\$ 821,851
Distribution	-	\$ -	\$ -
<b>Total Proposed Billing</b>			<b>\$ 821,851</b>
Revenue Allocation			\$ 821,413
Over (Under) Recovery			\$ 438

**Rate No. 114**  
**District Energy Systems**

	Approved 11-00042-UT Rates		
	Quantity	Rate	Revenue
Service Charge	-	\$ 1,200.00	\$ -
Commodity			
Transmission	-	\$ 0.0328	\$ -
Distribution	-	\$ 0.0326	\$ -
<b>Total Billing</b>			<b>-</b>

	Stipulated Rates		
	Quantity	Rate	Revenue
Service Charge	-	\$ 1,250.00	\$ -
Commodity			
Transmission	-	\$ 0.0340	\$ -
Distribution	-	\$ 0.0338	\$ -
<b>Total Proposed Billing</b>			<b>\$ -</b>
Revenue Allocation			\$ -
Over (Under) Recovery			\$ -

Stipulated Schedule P-3  
Page 2 of 2

New Mexico Gas Company  
Allocation of Proposed Revenue Increase to Base Rates

Line No.	Rate Class (A)	Current Base Revenue (B)	Proposed Increase (C)	Proposed Base Revenues (D)	Year 2 Step Increase (E)	Year 2 Proposed Base Revenues (F)	Percent Change in Base Revenues (G)
1	<b>Residential Rates:</b>						
2	Rate 10 - Residential	\$ 135,390,018	\$ 410,503	\$ 135,800,521	\$ 469,146	\$ 136,269,667	0.65%
3	Rate 30 - Irrigation Service	\$ 514,686	\$ 1,561	\$ 516,246	\$ 1,783	\$ 518,030	0.65%
4	Rate 31 - Water and Sewer Pumping Service	\$ 35,260	\$ 529	\$ 35,789	\$ 944	\$ 36,733	4.18%
5	Rate 35 - Cogeneration Service	\$ 4,429	\$ 66	\$ 4,495	\$ 119	\$ 4,614	4.18%
6	Rate 37 - Gas Air Conditioning Service	\$ 1,772	\$ 27	\$ 1,799	\$ 47	\$ 1,846	4.18%
7	Rate 54 - Small General Service	\$ 32,398,788	\$ 485,871	\$ 32,884,660	\$ 867,499	\$ 33,752,159	4.18%
8	Rate 56 - Medium General Service	\$ 3,887,699	\$ 58,302	\$ 3,946,001	\$ 104,096	\$ 4,050,097	4.18%
9	Rate 58 - Large General Service	\$ 4,046,978	\$ 26,305	\$ 4,073,284	\$ 26,305	\$ 4,099,589	1.30%
10	Rate 61 - Sales for Resale Service	\$ 334,188	\$ 5,012	\$ 339,199	\$ 8,948	\$ 348,147	4.18%
11	Rate 70 - Off-System Transportation	\$ 788,476	\$ 11,824	\$ 800,301	\$ 21,112	\$ 821,413	4.18%
12	Rate 114 - District Energy System Service	\$ -	\$ -	\$ -	\$ -	\$ -	
13	<b>TOTAL</b>	<u>\$ 177,402,294</u>	<u>\$ 1,000,000</u>	<u>\$ 178,402,294</u>	<u>\$ 1,500,000</u>	<u>\$ 179,902,294</u>	
			\$ 412,064 Residential and Irrigation		\$ 470,929 Residential and Irrigation		
			\$ 26,305 Rate 58		\$ 26,305 Rate 58		
			\$ 561,631 All other C&I		\$ 1,002,765 All other C&I		
			\$ 1,000,000		\$ 1,500,000		

**New Mexico Gas Company**  
**Base Rates and Revenues at Present and Proposed Rates**

Reflecting Step 1 Base Rate Increase of an \$1.0 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G)	1/
1	<b>Rate 10 - Residential</b>							
2	Access Charge	5,864,322	\$ 11.50	\$ 67,439,701	\$ 11.57	\$ 67,850,203	0.6%	
3	Transmission	289,390,834	\$ 0.0634	\$ 18,347,379	\$ 0.0634	\$ 18,347,379	0.0%	
4	Distribution	298,632,979	\$ 0.1661	<u>\$ 49,602,938</u>	\$ 0.1661	<u>\$ 49,602,938</u>	0.0%	
5	<b>TOTAL Rate 10 BASE REVENUE</b>			<u><u>\$ 135,390,018</u></u>		<u><u>\$ 135,800,520</u></u>	<u><u>0.3%</u></u>	
6	<b>Rate 30 - Irrigation Service</b>							
7	Access Charge	5,126	\$ 33.00	\$ 169,163	\$ 33.30	\$ 170,701	0.9%	
8	Transmission	3,273,673	\$ 0.0381	\$ 124,727	\$ 0.0381	\$ 124,727	0.0%	
9	Distribution	5,872,227	\$ 0.0376	<u>\$ 220,796</u>	\$ 0.0376	<u>\$ 220,796</u>	0.0%	
10	<b>TOTAL Rate 30 BASE REVENUE</b>			<u><u>\$ 514,686</u></u>		<u><u>\$ 516,224</u></u>	<u><u>0.3%</u></u>	
11	<b>Rate 31 - Water and Sewage Pumping</b>							
12	Access Charge - < 200,000 Therms	180	\$ 100.00	\$ 18,000	\$ 100.00	\$ 18,000	0.0%	
13	Access Charge - > 200,000 Therms	-	\$ 175.00	-	\$ 175.00	-	0.0%	
14	Transmission	207,952	\$ 0.0386	\$ 8,027	\$ 0.0405	\$ 8,422	4.9%	
15	Distribution	207,953	\$ 0.0444	<u>\$ 9,233</u>	\$ 0.0451	<u>\$ 9,379</u>	1.6%	
16	<b>TOTAL Rate 31 BASE REVENUE</b>			<u><u>\$ 35,260</u></u>		<u><u>\$ 35,801</u></u>	<u><u>1.5%</u></u>	

**New Mexico Gas Company**  
**Base Rates and Revenues at Present and Proposed Rates**

Reflecting Step 1 Base Rate Increase of an \$1.0 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G) 1/
1	<b>Rate 35 - Cogeneration</b>						
2	Access Charge - < 45,0,000 Therms	-	\$ 50.00	\$ -	\$ 55.00	\$ -	0.0%
3	Access Charge - > 450,000 Therms	12	\$ 345.00	\$ 4,140	\$ 350.00	\$ 4,200	1.4%
4	Transmission	3,772	\$ 0.0329	\$ 124	\$ 0.0329	\$ 124	0.0%
5	Distribution	3,773	\$ 0.0437	\$ 165	\$ 0.0454	\$ 171	3.9%
6	<b>TOTAL Rate 35 BASE REVENUE</b>			<u>\$ 4,429</u>		<u>\$ 4,495</u>	<u>1.5%</u>
7	<b>Rate 37 -Gas Air Conditioning</b>						
8	Access Charge	12	\$ 15.00	\$ 180	\$ 16.75	\$ 201	11.7%
9	Transmission	-	\$ 0.0259	\$ -	\$ 0.0259	\$ -	0.0%
10	Distribution	48,997	\$ 0.0325	\$ 1,592	\$ 0.0326	\$ 1,597	0.3%
11	<b>TOTAL Rate 37 BASE REVENUE</b>			<u>\$ 1,772</u>		<u>\$ 1,798</u>	<u>1.5%</u>
6	<b>Rate 54 - Small Volume General Service</b>						
7	Access Charge	487,142	\$ 20.00	\$ 9,742,846	\$ 21.00	\$ 10,229,988	5.0%
8	Transmission	149,480,370	\$ 0.0707	\$ 10,568,262	\$ 0.0707	\$ 10,568,262	0.0%
9	Distribution	153,396,960	\$ 0.0788	\$ 12,087,680	\$ 0.0788	\$ 12,087,680	0.0%
10	<b>TOTAL Rate 54 BASE REVENUE</b>			<u>\$ 32,398,788</u>		<u>\$ 32,885,931</u>	<u>1.5%</u>

New Mexico Gas Company  
Base Rates and Revenues at Present and Proposed Rates

Reflecting Step 1 Base Rate Increase of an \$1.0 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G) 1/
1	<b>Rate 56 - Medium Volume General Service</b>						
2	Access Charge	1,105	\$ 80.00	\$ 88,400	\$ 100.00	\$ 110,500	25.0%
3	Transmission	39,281,505	\$ 0.0513	\$ 2,015,141	\$ 0.0521	\$ 2,046,566	1.6%
4	Distribution	34,778,902	\$ 0.0513	\$ 1,784,158	\$ 0.0514	\$ 1,787,636	0.2%
5	<b>TOTAL Rate 56 BASE REVENUE</b>			<u>\$ 3,887,699</u>		<u>\$ 3,944,702</u>	<u>1.5%</u>
6	<b>Rate 58 - Large Volume General Service</b>						
7	Access Charge	147	\$ 1,200.00	\$ 176,400	\$ 1,220.00	\$ 179,340	1.7%
8	Transmission	55,366,735	\$ 0.0486	\$ 2,690,823	\$ 0.0489	\$ 2,707,433	0.6%
9	Distribution	32,322,053	\$ 0.0365	\$ 1,179,755	\$ 0.0367	\$ 1,186,219	0.5%
10	<b>TOTAL Rate 58 BASE REVENUE</b>			<u>\$ 4,046,978</u>		<u>\$ 4,072,993</u>	<u>0.6%</u>
11	<b>Rate 61 - Sales for Resale</b>						
12	Access Charge	72	\$ 2,000.00	\$ 144,000	\$ 2,000.00	\$ 144,000	0.0%
13	Transmission	7,891,603	\$ 0.0241	\$ 190,188	\$ 0.0247	\$ 194,923	2.5%
14	Distribution	-	\$ -	\$ -	\$ -	\$ -	0.0%
15	<b>TOTAL Rate 61 BASE REVENUE</b>			<u>\$ 334,188</u>		<u>\$ 338,923</u>	<u>1.4%</u>

**New Mexico Gas Company**  
**Base Rates and Revenues at Present and Proposed Rates**

Reflecting Step 1 Base Rate Increase of an \$1.0 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G)	1/
1	<b>Rate 70 - Offsystem Transportation</b>							
2	Access Charge	-	\$ -	\$ -	\$ -	\$ -	0.0%	
3	Transmission	41,718,332	\$ 0.0189	\$ 788,476	\$ 0.0192	\$ 800,992	1.6%	
4	Distribution	-	\$ -	\$ -	\$ -	\$ -	0.0%	
5	<b>TOTAL Rate 70 BASE REVENUE</b>			<u>\$ 788,476</u>		<u>\$ 800,992</u>	<u>1.6%</u>	
6	<b>Rate 114 - District Energy System Service</b>							
7	Access Charge	-	\$ 1,200.00	\$ -	\$ 1,250.00	\$ -	0.0%	
8	Transmission	-	\$ 0.0328	\$ -	\$ 0.0342	\$ -	0.0%	
9	Distribution	-	\$ 0.0326	\$ -	\$ 0.0340	\$ -	0.0%	
10	<b>TOTAL Rate 114 BASE REVENUE</b>			<u>\$ -</u>		<u>\$ -</u>	<u>0.0%</u>	
11	<b>TOTAL REVENUE</b>			<u>\$ 177,402,294</u>		<u>\$ 178,402,378</u>		

1/ Base revenue increase percentage excludes gas costs, other riders and fees applicable to customer bills.



**New Mexico Gas Company**  
**Base Rates and Revenues at Present and Proposed Rates**

Reflecting Step 2 Base Rate Increase of an Additional \$1.5 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G)	1/
1	Rate 10 - Residential							
2	Access Charge	5,854,322	\$ 11.50	\$ 67,439,701	\$ 11.65	\$ 68,319,349	1.3%	
3	Transmission	289,390,834	\$ 0.0634	\$ 18,347,379	\$ 0.0634	\$ 18,347,379	0.0%	
4	Distribution	298,632,979	\$ 0.1661	\$ 49,602,938	\$ 0.1661	\$ 49,602,938	0.0%	
5	<b>TOTAL Rate 10 BASE REVENUE</b>			<u>\$ 135,390,018</u>		<u>\$ 136,269,666</u>	<u>0.6%</u>	
6	Rate 30 - Irrigation Service							
7	Access Charge	5,126	\$ 33.00	\$ 169,163	\$ 33.65	\$ 172,495	2.0%	
8	Transmission	3,273,673	\$ 0.0381	\$ 124,727	\$ 0.0381	\$ 124,727	0.0%	
9	Distribution	5,872,227	\$ 0.0376	\$ 220,796	\$ 0.0376	\$ 220,796	0.0%	
10	<b>TOTAL Rate 30 BASE REVENUE</b>			<u>\$ 514,686</u>		<u>\$ 518,018</u>	<u>0.6%</u>	
11	Rate 31 - Water and Sewage Pumping							
12	Access Charge - < 200,000 Therms	180	\$ 100.00	\$ 18,000	\$ 100.00	\$ 18,000	0.0%	
13	Access Charge - > 200,000 Therms	-	\$ 175.00	\$ -	\$ 175.00	\$ -	0.0%	
14	Transmission	207,952	\$ 0.0386	\$ 8,027	\$ 0.0439	\$ 9,129	13.7%	
15	Distribution	207,953	\$ 0.0444	\$ 9,233	\$ 0.0462	\$ 9,607	4.1%	
16	<b>TOTAL Rate 31 BASE REVENUE</b>			<u>\$ 35,260</u>		<u>\$ 36,737</u>	<u>4.2%</u>	

**New Mexico Gas Company**  
**Base Rates and Revenues at Present and Proposed Rates**  
 Reflecting Step 2 Base Rate Increase of an Additional \$1.5 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G) 1/
1	<b>Rate 35 - Cogeneration</b>						
2	Access Charge - < 45,0,000 Therms	-	\$ 50.00	\$ -	\$ 55.00	\$ -	0.0%
3	Access Charge - > 450,000 Therms	12	\$ 345.00	\$ 4,140	\$ 350.00	\$ 4,200	1.4%
4	Transmission	3,772	\$ 0.0329	\$ 124	\$ 0.0329	\$ 124	0.0%
5	Distribution	3,773	\$ 0.0437	\$ 165	\$ 0.0768	\$ 290	75.7%
6	<b>TOTAL Rate 35 BASE REVENUE</b>			<u>\$ 4,429</u>		<u>\$ 4,614</u>	<u>4.2%</u>
7	<b>Rate 37 -Gas Air Conditioning</b>						
8	Access Charge	12	\$ 15.00	\$ 180	\$ 17.75	\$ 213	18.3%
9	Transmission	-	\$ 0.0259	\$ -	\$ 0.0259	\$ -	0.0%
10	Distribution	48,997	\$ 0.0325	\$ 1,592	\$ 0.0333	\$ 1,632	2.5%
11	<b>TOTAL Rate 37 BASE REVENUE</b>			<u>\$ 1,772</u>		<u>\$ 1,845</u>	<u>4.1%</u>
6	<b>Rate 54 - Small Volume General Service</b>						
7	Access Charge	487,142	\$ 20.00	\$ 9,742,846	\$ 22.78	\$ 11,097,101	13.9%
8	Transmission	149,480,370	\$ 0.0707	\$ 10,568,262	\$ 0.0707	\$ 10,568,262	0.0%
9	Distribution	153,396,960	\$ 0.0788	\$ 12,087,680	\$ 0.0788	\$ 12,087,680	0.0%
10	<b>TOTAL Rate 54 BASE REVENUE</b>			<u>\$ 32,398,788</u>		<u>\$ 33,753,044</u>	<u>4.2%</u>

New Mexico Gas Company  
Base Rates and Revenues at Present and Proposed Rates

Reflecting Step 2 Base Rate Increase of an Additional \$1.5 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G)	1/
1	<b>Rate 56 - Medium Volume General Service</b>							
2	Access Charge	1,105	\$ 80.00	\$ 88,400	\$ 100.00	\$ 110,500	25.0%	
3	Transmission	39,281,505	\$ 0.0513	\$ 2,015,141	\$ 0.0544	\$ 2,136,914	6.0%	
4	Distribution	34,778,902	\$ 0.0513	\$ 1,784,158	\$ 0.0518	\$ 1,801,547	1.0%	
5	<b>TOTAL Rate 56 BASE REVENUE</b>			<u>\$ 3,887,699</u>		<u>\$ 4,048,961</u>	<u>4.1%</u>	
6	<b>Rate 58 - Large Volume General Service</b>							
7	Access Charge	147	\$ 1,200.00	\$ 176,400	\$ 1,240.00	\$ 182,280	3.3%	
8	Transmission	55,366,735	\$ 0.0486	\$ 2,690,823	\$ 0.0492	\$ 2,724,043	1.2%	
9	Distribution	32,322,053	\$ 0.0365	\$ 1,179,755	\$ 0.0369	\$ 1,192,684	1.1%	
10	<b>TOTAL Rate 58 BASE REVENUE</b>			<u>\$ 4,046,978</u>		<u>\$ 4,099,007</u>	<u>1.3%</u>	
11	<b>Rate 61 - Sales for Resale</b>							
12	Access Charge	72	\$ 2,000.00	\$ 144,000	\$ 2,000.00	\$ 144,000	0.0%	
13	Transmission	7,891,603	\$ 0.0241	\$ 190,188	\$ 0.0259	\$ 204,393	7.5%	
14	Distribution	-	\$ -	\$ -	\$ -	\$ -	0.0%	
15	<b>TOTAL Rate 61 BASE REVENUE</b>			<u>\$ 334,188</u>		<u>\$ 348,393</u>	<u>4.3%</u>	

**New Mexico Gas Company**  
**Base Rates and Revenues at Present and Proposed Rates**

Reflecting Step 2 Base Rate Increase of an Additional \$1.5 million

Line No.	Current Rate (A)	Test Year Billing Units (B)	Current Charge (C)	Current Revenue (D)	Proposed Charge (E)	Proposed Revenue (F)	Base Revenue Increase (G) 1/
1	<b>Rate 70 - Offsystem Transportation</b>						
2	Access Charge	-	\$ -	\$ -	\$ -	\$ -	0.0%
3	Transmission	41,718,332	\$ 0.0189	\$ 788,476	\$ 0.0197	\$ 821,851	4.2%
4	Distribution	-	\$ -	\$ -	\$ -	\$ -	0.0%
5	<b>TOTAL Rate 70 BASE REVENUE</b>			<u>\$ 788,476</u>		<u>\$ 821,851</u>	<u>4.2%</u>
6	<b>Rate 114 - District Energy System Service</b>						
7	Access Charge	-	\$ 1,200.00	\$ -	\$ 1,250.00	\$ -	0.0%
8	Transmission	-	\$ 0.0328	\$ -	\$ 0.0342	\$ -	0.0%
9	Distribution	-	\$ 0.0326	\$ -	\$ 0.0340	\$ -	0.0%
10	<b>TOTAL Rate 114 BASE REVENUE</b>			<u>\$ -</u>		<u>\$ -</u>	<u>0.0%</u>
11	<b>TOTAL REVENUE</b>			<u>\$ 177,402,294</u>		<u>\$ 179,902,134</u>	

1/ Base revenue increase percentage excludes gas costs, other riders and fees applicable to customer bills.

New Mexico Gas Company  
Typical Bill Impacts for Residential Rates

Line No.	Monthly Therms (A)	Monthly Bill at Present Rates (B)	Monthly Bill at Proposed Rates (C)	Increase (D)	Percentage Increase (E)
1	<b><u>Residential Bill Impacts</u></b>				
2	30	\$ 32.90	\$ 33.07	\$ 0.17	0.50%
3	35	\$ 36.25	\$ 36.41	\$ 0.17	0.46%
4	40	\$ 39.59	\$ 39.76	\$ 0.17	0.42%
5	45	\$ 42.94	\$ 43.10	\$ 0.17	0.39%
6	50	\$ 46.28	\$ 46.45	\$ 0.17	0.36%
7	55	\$ 49.63	\$ 49.79	\$ 0.17	0.33%
8	60	\$ 52.97	\$ 53.14	\$ 0.17	0.31%
9	65	\$ 56.32	\$ 56.48	\$ 0.17	0.29%
10	70	\$ 59.66	\$ 59.83	\$ 0.17	0.28%
11		<u>Present</u>	<u>Proposed</u>		
12	<b>Rates:</b>				
13	Monthly Access Fee	\$ 11.50	\$ 11.65	per month	
14	Residential Transmission	\$ 0.0634	\$ 0.0634	per therm	
15	Residential Distribution	\$ 0.1661	\$ 0.1661	per therm	
16	Rate Rider 14	\$ (0.0004)	\$ (0.0004)	per therm	
17	Rate Rider 15	\$ 0.0146	\$ 0.0146	per therm	
18	Cost of Gas	\$ 0.3729	\$ 0.3729	per therm	
19	TECO Acquisition Credit	\$ (0.0124)	\$ (0.0124)	per therm	
20	Pipeline Safety Fee	\$ 0.0900	\$ 0.0900	per month	
21	Franchise Fee	3.00%	3.00%	percent	
22	Gross Receipts	7.50%	7.50%	percent	

**NEW MEXICO GAS COMPANY**

**ORIGINAL RATE NO. 1-8**

**RATE RIDER NO. 8 --WEATHER NORMALIZATION ADJUSTMENT MECHANISM**

Page 1 of 1

DESCRIPTION

Weather Normalization Adjustment Mechanism.

APPLICABILITY

All sales and transportation end-users served under Rate No. 10 -- Residential and Rate No. 54 -- Small General Service.

APPLICATION

The Weather Normalization Adjustment Mechanism shall be added to each Customer's bill as a separate line item. It shall be determined by multiplying the number of billing units by the Weather Normalization Adjustment Mechanism Factor computed in accordance with Rule No. 29.

CONDITIONS

1. The Weather Normalization Adjustment Mechanism is subject to the same riders, fees and taxes as are applicable to transmission and distributions charges.
2. The Weather Normalization Adjustment Mechanism Factors will be determined annually and become effective with cycle 1, October, in accordance with Rule No. 29.
3. The Weather Normalization Adjustment Mechanism Factors will remain in effect until changed, unless authorized by the New Mexico Public Regulation Commission.

Advice Notice No.

\_\_\_\_\_  
Nicole Strauser  
Director, Legal & Regulatory Affairs

## NEW MEXICO GAS COMPANY

## ORIGINAL RULE NO. 29

## RATE RIDER NO. 8 DETAILS

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1. Definitions

The following words and terms shall have the indicated meaning when used in the Company's Rate Rider No. 8 and this Rule:

Actual Calendar Month Heating Degree Days: The cumulative monthly Weighted Average Heating Degree Days for the current Heating Season.

Adjustment Period: The annual period beginning with cycle 1, October.

Annual Reconciliation Report: The annual report filed with the Commission which provides the weather-related revenue excesses and deficiencies and the revenues or revenue credits for the Company's Weather Normalization Adjustment for a Reconciliation Period.

Balancing Account: Contains the cumulative monthly differences between the weather-related revenue excesses or revenue deficiencies as they are recorded on the books and records of the Company, and the revenues resulting from billings or credits to customers for the recovery or crediting of weather-related revenue excesses or revenue deficiencies as they are recorded on the books and records of the Company.

Balancing Account Adjustment Factor: A component of the Weather Normalization Adjustment Factor designed to allow the Company to continuously manage the Balancing Account.

Commission: The New Mexico Public Regulation Commission.

Company: New Mexico Gas Company.

Degree Day Consumption Factor: The aggregate heating use per degree day by rate class for the calendar month stated in therms as set forth in the following table:

<u>Month</u>	<u>Rate 10 Residential</u>	<u>Rate 54 Small General Service</u>
October	25,513	10,763
November	42,678	17,890
December	49,457	21,906
January	56,774	25,964
February	62,288	28,579
March	48,106	21,648
April	44,471	19,840

Heating Degree Day: The difference between 65° and the mean daily temperature for the calendar day for days when the mean daily temperature is below 65°. Heating Degree Days equal zero for calendar days when the mean daily temperature is 65° or greater.

Heating Season: The seven consecutive calendar months beginning October and ending April.

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## NEW MEXICO GAS COMPANY

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Margin Revenue Factor: The revenue per therm net of applicable taxes and fees established in the Company's most recent base rate case for the applicable rate class as set forth in the following table:

<u>Rate Class</u>	<u>Margin Revenue Factor</u>
Rate 10 Residential	
Transmission	\$0.0634
Distribution	\$0.1661
Transmission & Distribution	\$0.2295
Rate 54 – Small General Service	
Transmission	\$0.0707
Distribution	\$0.0788
Transmission & Distribution	\$0.1495

Normal Calendar Month Heating Degree Days: The cumulative ten-year Weighted Average Heating Degree Days for each calendar month from October through April as established in the Company's most recent base rate proceeding. Normal Calendar Month Degree Days are set forth in the following table:

<u>Month</u>	<u>Normal Degree Days</u>
October	239
November	588
December	907
January	926
February	690
March	489
April	292

Reconciliation Period: The twelve consecutive months ended September 30 of each year.

Weather Normalization Adjustment Component: The amount included in each customer's bill to recover or credit the net weather-related revenue excess or deficiency as determined in Rate Rider No. 8 and this Rule.

Weather Normalization Adjustment Factor: The rate to be multiplied by the customer's billing units to determine the Weather Normalization Adjustment Component.

Weather Normalization Adjustment Factor Statement: The report establishing the Weather Normalization Adjustment Factor. The Weather Normalization Adjustment Factor Statement is filed with the Commission prior to changing the previously used Weather Normalization Adjustment Factor.

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## NEW MEXICO GAS COMPANY

## ORIGINAL RULE NO. 29

## RATE RIDER NO. 8 DETAILS

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~~Weighted Average Heating Degree Days:~~ The average daily Heating Degree Days reported by the National Oceanographic and Atmospheric Administration for the weather stations representative of the Company's service area computed on the basis of the weightings specified in the following table:

<u>Station</u>	<u>Percentage Weighting</u>
Albuquerque	56.66%
Deming	4.43%
Farmington	12.35%
Roswell	8.29%
Santa Fe	18.27%

2. Records

The Company shall maintain records which identify the weather-related revenue excesses or revenue deficiencies and the revenues or revenue credits attributable to the operation of Rate Rider No. 8. The difference between the weather-related revenue excesses or revenue deficiencies and the revenues or revenue credits described in this section shall be entered into the Balancing Account. Entries shall be made in this account at the end of the month in which the Rate Rider No. 8 weather-related revenue excesses or revenue deficiencies and revenues or revenue credits are recorded on the Company's books. The Balancing Account entry shall consist of the following:

- A. Rate Rider No. 8 weather-related revenue excesses or revenue deficiencies shall be taken from the Company's books and records. Rate Rider No. 8 revenue excesses or revenue deficiencies shall include:
  - (1) The amount, if any, by which weather-related revenue excesses occur due to colder-than-normal weather, as determined in accordance with the provisions of Rider No. 8;
  - (2) The amount, if any, by which weather-related revenue deficiencies occur due to warmer-than-normal weather as determined in accordance with the provisions of Rider No. 8.
- B. Rate Rider No. 8 revenues or revenue credits shall be taken from the Company's books and records. Rate Rider No. 8 revenues shall include, but not be limited to:
  - (1) The amount of weather normalization adjustment revenues recorded through the customers' Weather Normalization Adjustment Component;
  - (2) The amount of weather normalization adjustment revenue credits recorded through the customers' Weather Normalization Adjustment Component.
- C. The Company shall separately maintain records attributable to the operation of Rate Rider No. 8 for service provided to Rate 10 Residential Service customers and Rate 54 Small General Service customers.
- D. If Rate Rider No. 8 is discontinued or replaced, the amount recorded in the Balancing Account, positive or negative, as of the effective date that Rate Rider No. 8 is discontinued or replaced shall be credited to customers or charged to customers in a future period.

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 Nicole Strauser  
 Director, Legal and Regulatory

NEW MEXICO GAS COMPANY

ORIGINAL RULE NO. 29

RATE RIDER NO. 8 DETAILS

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3. Calculation of the Weather Normalization Adjustment Factor

A. The Weather Normalization Adjustment Factor shall be determined as follows:

- (1) A calculation of the revenue impact of colder-than-normal or warmer-than-normal weather shall be performed for each month of the Heating Season. A revenue excess shall result for the month when the Actual Calendar Month Heating Degree Days for the month exceed the Normal Calendar Month Heating Degree Days for the month. A revenue deficiency shall result for the month when the Actual Calendar Month Heating Degree Days for the month fall below the corresponding Normal Calendar Month Heating Degree Days for the month.
- (2) The weather-related revenue impact shall be determined by first calculating the difference between Actual Calendar Month Heating Degree Days and Normal Calendar Month Heating Degree Days and multiplying this difference by the Degree Day Consumption Factor for the month and by the Margin Revenue Factor.
- (3) The monthly weather-related revenue excess or revenue deficiency shall be determined separately for each rate class subject to Rider No. 8.
- (4) The monthly revenue excesses and revenue deficiencies shall be summed together for the seven-month period of October through April to determine the net revenue excess or deficiency for the current Heating Season for each rate class subject to Rider No. 8.
- (5) A calculation of the net prior period over or under-recovery of the Weather Normalization Adjustment Factor shall be performed by comparing the cumulative difference between the net revenue excess or revenue deficiency to the cumulative net revenues and revenue credits for prior periods for each rate class subject to Rider No. 8.
- (6) The sum of the net revenue excess or deficiency for the current Heating Season and the net prior period over or under-recovery of the Weather Normalization Adjustment Factor for prior periods shall represent the total net revenue impact to be recovered through the Weather Normalization Adjustment Factor for each rate class subject to Rider No. 8.
- (7) The Weather Normalization Adjustment Factor for the Adjustment Period shall be the total net revenue impact to be recovered through the Weather Normalization Adjustment Factor divided by the projected billing units for each rate class subject to Rider No. 8.

4. Reports and Statements

A. A Weather Normalization Adjustment Factor Statement must be filed annually with the Commission no later than June 30 before adjustment of the Weather Normalization Adjustment Factor. Each Statement shall consist of a cover letter identifying the items impacting the Weather Normalization Adjustment Factor, a projection of the final reconciliation balance for the twelve-month period ending on September 30 and any matters which may be of interest to the Commission. The Weather Normalization Adjustment Factor Statement consists of the following sections:

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Nicole Strauser  
Director, Legal and Regulatory

**NEW MEXICO GAS COMPANY**  
**ORIGINAL RULE NO. 29**  
**RATE RIDER NO. 8 DETAILS**

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Section 1 - Summary of the Weather Normalization Adjustment Factors

Section 2 - Determination of the Weather Normalization Adjustment Factor

(A) Actual Monthly Heating Degree Days

(B) Monthly Weather-Related Revenue Excesses and Deficiencies

Section 3 - Determination of the Balancing Account Adjustment Factor.

B. An Annual Certified Reconciliation Report shall be filed with the Commission as soon after completion of the September accounting month as permitted by record availability, and shall be filed annually no later than December 31. This report shall consist of the following sections:

- (1) a summary of weather-related revenue excesses or deficiencies and revenues or revenue credits which were recorded in the Balancing Account;
- (2) a summary of reconciling items including items adjusting the Balancing Account; and
- (3) any additional reporting requirements as specified by the Commission.

The Weather Normalization Adjustment mechanism is continuous and therefore, the Balancing Account is also continuous. Any under or over-collection of weather-related revenue excesses or deficiencies that resulted in the prior Reconciliation Period will immediately carry over into the subsequent Reconciliation Period. All adjustments resulting from the Annual Reconciliation will be recorded into the Balancing Account as they become certified in the Annual Reconciliation process.

Advice Notice No.

\_\_\_\_\_  
Nicole Strauser  
Director, Legal and Regulatory

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF NEW MEXICO GAS COMPANY, INC. )  
FOR REVISIONS TO ITS RATES, RULES, )  
AND CHARGES PURSUANT TO ADVICE )  
NOTICE NOS. 70 AND 71 )**

**Case No. 18-00038-UT**

**NEW MEXICO GAS COMPANY, INC. )  
Applicant. )**

FILED IN OFFICE OF

SEP 24 2018

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**CERTIFICATE OF SERVICE**

I CERTIFY that on this day I sent, via email only, a true and correct copy of the **THIRD AMENDED STIPULATION**, to the individuals listed below.

Clyde F. Worthen	<a href="mailto:cfw@keleher-law.com">cfw@keleher-law.com</a> ;	Jennifer N. Breakell	<a href="mailto:jbbreakell@fntn.org">jbbreakell@fntn.org</a> ;
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**DATED** this 24<sup>th</sup> day of September 2018.

Respectfully submitted,



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