

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION)
OF NEW MEXICO GAS COMPANY, INC.)
FOR APPROVAL OF REVISIONS TO ITS)
RATES, RULES, AND CHARGES PURSUANT)
TO ADVICE NOTICE NO. 78)
NEW MEXICO GAS COMPANY, INC.)
Applicant.)

Case No. 19-00317-UT

DIRECT TESTIMONY AND EXHIBITS

OF

KEVIN D. STURGILL

December 23, 2019

**DIRECT TESTIMONY OF
KEVIN D. STURGILL
NMPRC CASE NO. 19-00317-UT**

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 **A.** My name is Kevin D. Sturgill. I am Interim Director of Information Technology
3 and Telecommunications (“IT&T”) for New Mexico Gas Company, Inc. (“NMGC”
4 or the “Company”). My business address is 7120 Wyoming Boulevard NE,
5 Albuquerque, NM 87109.

6
7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK
8 EXPERIENCE AND PRIOR TESTIMONY.**

9 **A.** I earned a Bachelor of Business Administration, Data Processing Option at
10 Morehead State University (Morehead, KY). I have worked in the utility industry
11 for over 34 years, with most of it being in IT&T. I have provided support for
12 previous rate cases, however I have never testified. For more detailed educational
13 background and work experience, please see NMGC Exhibit KDS-1.

14
15 **Q. PLEASE DESCRIBE YOUR TESTIMONY.**

16 **A.** My testimony is divided into three sections. Section I describes NMGC’s
17 investment in IT&T over the period covered by this rate case. These capital
18 investments between July 1, 2018 and December 31, 2021 total approximately
19 \$25.9 million. Sections II and III discuss IT&T operations and maintenance
20 (“O&M”) charges. Section II (describes the intercompany IT&T charges from
21 affiliates to NMGC for the same period. These charges total approximately \$18.5

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1 million. Section III describes the intercompany IT&T charges from NMGC to
2 affiliates for the same period. These charges total approximately \$1.79 million.

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I. NMGC'S IT&T CAPITAL INVESTMENT

5 **Q. PLEASE DESCRIBE HOW IT&T INVESTMENTS ARE MADE BY NMGC.**

6 **A.** The majority of the investments in IT&T are made directly by NMGC. These
7 investments are reflected in Table 1 below and are discussed in this section of my
8 testimony.

9

10 **Q. PLEASE PROVIDE A BREAKDOWN OF THE NMGC IT&T CAPITAL**
11 **INVESTMENT FOR THE BASE PERIOD, LINKAGE PERIODS AND**
12 **FUTURE TEST YEAR.**

13 **A.** Set forth in the following Table 1 is a summary of the IT&T Capital Investment by
14 NMGC for the timeframes of July 1, 2018 through June 30, 2019 (“Base Period”),
15 July 1, 2019 through June 30, 2020 (“Linkage Period 1”), January 1, 2020 through
16 December 31, 2020 (“Linkage Period 2”) and January 1, 2021 through December
17 31, 2021 (“Future Test Year”).

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Table 1 – NMGC IT&T Capital Spend by Period

Timeframe	Capital
Base Period	\$6,681,541
*Linkage Period 1	\$7,747,898
*Linkage Period 2	\$7,412,792
Future Test Year	\$8,115,009

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*The dollar amounts for Linkage Periods 1 and 2 in this table contain some duplication due to the overlap of these two periods. The amount of duplication is \$4,105,287. Removing this duplication means the total capital expenditures in the total linkage period (the 18 months contained in Linkage Period 1 and Linkage Period 2) is \$11,055,403.

The total capital expenditures in all periods (July 1, 2018 to December 31, 2021) is \$25,851,953.

14

Q. LOOKING AT TABLE 1, PLEASE EXPLAIN WHY YOU SEPARATE INVESTMENT INTO THE FOUR ANNUAL PERIODS BASE YEAR, LINKAGE PERIOD 1, LINKAGE PERIOD 2, AND FUTURE TEST YEAR.

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A. By doing this, I am able to make comparisons between Base Year (a one year timeframe), and two separate annual linkage periods, and a one year long Future Test Year. This allows for apples-to-apples comparison of the twelve-month periods as opposed to comparing year long Base Year and Future Test Year with an eighteen-month linkage period. I do this because the purpose of my testimony is to show the overall picture of IT&T expenditures over time, year-by-year, and this is best done by comparing equal 12-month periods. In short, I am the witness explaining why we are doing what we are doing in the IT&T environment from a

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1 business perspective, and for this purpose, yearly comparable numbers are the most
2 effective way to present this information.

3
4 Ultimately, all of my numbers have been provided to NMGC Witness Tom C.
5 Bullard who has broken these numbers down, month-by-month throughout the
6 period covered by this case, for budgeting, forecasting and tracking purposes.

7

8 **Q. SO, RETURNING TO TABLE 1, PLEASE DESCRIBE THE COMPANY'S**
9 **CAPITAL INVESTMENT AND ITS PURPOSE FROM A BUSINESS**
10 **PERSPECTIVE.**

11 **A.** There are five primary areas of focus for NMGC's capital investments: 1)
12 mitigating risks to avoid threats to our business activities, 2) driving efficiency, 3)
13 enhancing the customer experience, 4) supporting business intelligence/analytics,
14 and 5) maintaining the Company's systems.

15

16 **Q. PLEASE DESCRIBE THESE FIVE CATEGORIES IN MORE DETAIL.**

17 **A.** "Risk mitigation" covers projects that reduce exposure to internal and external
18 threats to our business operations. For example, projects that increase our
19 monitoring of critical infrastructure or improve asset up-time, minimize impacts of
20 unfortunate events, and help us to eliminate cybersecurity threats. Adding video
21 security and an enterprise badge system are specific examples.

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“Driving efficiency” includes projects that reduce costs, streamline and automate processes, or increase collaboration. Examples of such projects are application enhancements that improve how employees interact with the application, implementation of tools that ease or improve accuracy of data capture, or projects that reduce overall operating costs.

“Enhancing the customer experience” includes projects that will improve how customers interact with NMGC. For example, improvements to our website for finding information about their bills or about payment centers, adding the ability for customers to use their phone to access their accounts, and a webchat feature that allows customers to communicate with our customer service representatives over the Internet.

“Supporting business intelligence/analytics” includes those technologies that we use to analyze our business information. These projects help us explore our data from historical, current and predictive views of business operations. From the analytics side this helps us understand past business performance and drive business planning. These provide budget analytics and tools that help to produce dashboards or snapshots of our data that support informed business decisions.

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1 “Maintaining the Company’s systems” includes the day-to-day activities required
2 to support, maintain or improve our IT&T assets. Some of these projects center
3 around break/fix funding and keeping our assets up to date so that vendors will
4 continue support of our systems. Examples of such projects are proactive hardware
5 replacements and software upgrades.

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7 **Q. OF THE \$6.68 MILLION IDENTIFIED IN TABLE 1 AS BEING SPENT IN**
8 **THE BASE PERIOD, HOW MUCH WAS SPENT IN EACH OF THESE**
9 **FIVE CATEGORIES?**

10 **A.** During the Base Period, about 57% (\$3.8 million) was spent on risk mitigation.
11 This included moving critical applications and databases off unsupported hardware
12 to new hardware. In addition, video security was rolled out to additional sites for
13 surveillance monitoring. We also deployed more enterprise badge readers for
14 “employee only” access to our facilities across the state. On the application side,
15 we upgraded software to reduce data loss between applications, remain current with
16 vendor support, and to comply with regulatory requirements. We also began
17 implementing software to aid with the identification of pipeline risks.

18
19 During the Base Period, about 37% (\$2.4 million) was invested to drive
20 efficiencies, mainly in applications. This included introducing a new capital budget
21 tool to optimize spending of capital dollars. Another project utilized updated

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1 technology to reduce overhead maintenance costs. Our customer care and billing
2 system required enhancements to automate fees, reduce billing errors, and mask
3 social security numbers to protect customer information.

4

5 Approximately 6% of the Base Period budget (\$412,000) was invested towards
6 maintaining the Company’s systems with miscellaneous hardware refreshes that
7 included repairs or replacement of aging hardware that could not wait for a planned
8 replacement. This also covered minor planned enhancements/upgrades of
9 applications. Firewalls were purchased as well to improve our cybersecurity
10 posture.

11

12 Finally, \$20,000 was used for small projects enhancing the customer experience
13 and supporting business intelligence/analytics. These projects covered website
14 redesign, graphic information systems (“GIS”) support, and reporting.

15

16 **Q. OF THE \$7.75 MILLION IDENTIFIED IN TABLE 1 AS BEING SPENT**
17 **DURING LINKAGE PERIOD 1, HOW MUCH IS BEING SPENT IN EACH**
18 **OF THE FIVE CATEGORIES?**

19 **A.** During Linkage Period 1, approximately 52% (\$4 million) of our total capital spend
20 is for risk mitigation. This includes continued spending on projects started during
21 the Base Period such as IT&T critical applications and databases being moved off

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1 unsupported hardware to new hardware. Video security continues to be rolled out
2 to more sites for surveillance monitoring. We are also deploying more enterprise
3 badge readers for “employee only” access to our facilities across the state. On the
4 application side, software is being installed to reduce data loss between
5 applications, stay current with vendor support, comply with regulatory
6 requirements, and identify pipeline risks. The biggest allocation, however, is for
7 the IT&T Risk Assessment mitigations. This effort began in 2019, with a directive
8 to assess risks posed to critical software and hardware. It recently concluded with
9 several recommendations requiring capital spend. These projects will cover
10 identified gaps in our Disaster Recovery strategy, upgrades to network
11 infrastructure, and migration from unsupported versions of server operating
12 systems.

13
14 During Linkage Period 1, approximately 22% (\$1.7 million) will be spent on
15 driving efficiencies. We continue updating technology to reduce overhead
16 maintenance costs, and continue improving data collection and assorted compliance
17 activities through the implementation of new systems and modification of existing
18 systems.

19
20 Approximately 15% (\$1.1 million) is targeted towards enhancing the customer
21 experience and supporting business intelligence/analytics. The addition of pipeline

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1 asset data is being incorporated into our capital decision analytics tool previously
2 deployed in 2018-2019. We are enhancing data analytics capabilities through the
3 implementation of a data visualization application and upgrades to our report
4 development tools. Webchat feature is being added for customer convenience,
5 allowing another avenue for customers to have direct communication with our
6 customer service representatives over the Internet.

7
8 Approximately 11% (\$859,000) is being invested in maintaining the Company's
9 systems. Miscellaneous hardware refreshes are anticipated for repairs or
10 replacement of aging hardware that cannot wait for a planned replacement. This
11 also covers minor planned enhancements/upgrades of applications. Our
12 Supervisory Control and Data Acquisition ("SCADA") environment is being
13 refreshed and updated for regulatory compliance. This includes both hardware and
14 software updates as well as capital labor for updates to processes and procedures,
15 ensuring process and procedural conformity.

16
17 **Q. OF THE \$7.41 MILLION IDENTIFIED IN TABLE 1 AS BEING SPENT**
18 **DURING THE 12 MONTH LINKAGE PERIOD 2, HOW MUCH IS IN**
19 **EACH OF THE FIVE CATEGORIES?**

20 **A.** During Linkage Period 2, 53% (\$3.9 million) is being invested in risk mitigation.
21 This includes continued spending on disaster recovery strategy, video and badge

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1 additions. The largest investment will be for IT&T Risk Assessment mitigations at
2 \$1.6 million. These projects will cover identified gaps in our disaster recovery
3 strategy, upgrades to network infrastructure and migration from unsupported
4 versions of server operating systems. A regulatory compliance application is being
5 added to ensure we meet federal regulations for transmission pipelines. This action
6 is being taken in response to a recent final rule posted by the Pipeline and
7 Hazardous Materials Safety Administration regarding 49 CFR Parts 191 and 192.
8 Another application is improving our leak detection capabilities and.

9
10 Driving efficiencies is the next largest area of capital investment at approximately
11 21% (\$1.6 million). Consistent with the prior years' strategy, we will continue to
12 update technology to reduce overhead maintenance costs and continue improving
13 data collection and compliance activities through the implementation of new
14 systems and modification of existing systems.

15
16 Approximately 5% (\$347,000) is targeted for enhancing the customer experience.
17 Customer digitalization will include projects for mobile applications. Innovation
18 in the form of artificial intelligence, predictive analytics, and robotic process
19 automation are being researched for potential use.

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1 In Linkage Period 2 more emphasis is placed on business intelligence and analytics
2 with an increase to around 11% (\$810,000) of forecasted investment. The addition
3 of pipeline asset data is being incorporated into our capital decision analytics tool
4 previously deployed in 2018-2019. We are enhancing data analytics capabilities
5 through the implementation of a data visualization application and upgrades to our
6 report development tools.

7
8 For 2020, around 10% of the budget (\$739,000) will be invested in maintaining the
9 Company's systems. Miscellaneous hardware refreshes are anticipated for repairs
10 or replacement of aging hardware that cannot wait for a planned replacement. This
11 also covers minor planned enhancements/upgrades of applications. Our SCADA
12 environment is being refreshed and updated for regulatory compliance. This
13 includes both hardware and software updates as well as capital labor for updates to
14 processes and procedures, ensuring process and procedural conformity.

15
16 **Q. OF THE \$8.11 MILLION IDENTIFIED IN TABLE 1 AS BEING SPENT IN**
17 **THE 12 MONTH FUTURE TEST YEAR, HOW MUCH OF THE**
18 **INVESTMENT IS FOR EACH OF THE FIVE CATEGORIES?**

19 **A** During the Future Test Year, approximately 41% (\$3.3 million) will be invested in
20 risk mitigation. This will include IT&T Risk Assessment mitigations and ongoing
21 regulatory compliance applications.

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In 2017, NMGC Customer Relationship Management (“CRM”) completed a risk assessment of our customer care and billing system with the business and IT&T. The risk assessment identified high, medium and low technical and functional risks in the Banner Customer Information System (“Banner”). The Banner Technical Uplift was completed in 2018. In 2019, we identified and prioritized Banner Functional Enhancements that are in progress. In 2021, we will continue to invest in Banner Functional Enhancements to address business needs based on risk and future value.

Around 19% (\$1.5 million) is forecast to be spent on continuation of activities started in 2020 that drive efficiencies, support business intelligence/analytic capabilities, and enhance the customer experience.

Maintaining the Company’s systems accounts for approximately 40% (\$3.3 million) in projected investment during the Future Test Year. The largest portion is \$2.7 million for the replacement of our personal computing fleet environment. The normal investment for hardware and application upgrades for capital break/fix accounts for the remaining \$500,000.

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1 **Q. HOW DO THESE NUMBERS COMPARE AND WHAT IS THE SPENDING**
2 **PATTERN?**

3 **A.** As you can see, by looking at the 12 month periods described above and in my
4 exhibits, the Company is engaged in a relatively steady and consistent investment
5 program which addresses the major IT&T needs of the Company. We are focused
6 on addressing the primary needs of the Company to ensure enhanced focus on
7 mitigating risks to avoid threats to our business activities, driving efficiency,
8 enhancing the customer experience, supporting business intelligence/analytics, and
9 maintaining the Company’s systems. These systems and system investments are
10 necessary to the prudent and effective operation of the Company.

11

12 **II. IT&T SERVICES RECEIVED BY NMGC FROM AFFILIATES**

13 **Q. IN SECTION I OF YOUR TESTIMONY YOU DESCRIBED THE**
14 **COMPANY’S IT&T CAPITAL INVESTMENT FOR THE PERIODS IN**
15 **THIS RATE CASE. NOW PLEASE DESCRIBE HOW IT&T SERVICES**
16 **ARE PROVIDED TO AND CHARGED TO NMGC.**

17 **A.** The majority of the IT&T services are provided by NMGC employees in New
18 Mexico. Alternatively, under the shared services model, many IT&T services are
19 performed by affiliates, or by the shared services company, Tampa Services Inc.
20 (“TSI”) in 2018-2019 and Tampa Electric Company (“Tampa Electric”) starting in
21 2020 (collectively “Shared Services Company”) which are then charged to NMGC

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1 as intercompany assessments and sometimes charged as direct charges, consistent
2 with the provisions of the Cost Allocation Manual (the “CAM”) on file with the
3 NMPRC.

4
5 NMGC either performs services itself, or works with its affiliates on a service-by-
6 service basis to arrange for the best and most cost-effective service. Consistent
7 with the terms of the Emera Stipulation, if the service can be done in New Mexico
8 more cost effectively, considering cost and quality of service, then the service is
9 provided in New Mexico. Alternatively, if the service can be most efficiently
10 provided by an affiliate, then the service is provided by the affiliate. These affiliate
11 charges are described in Table 2 below and discussed in this section of my
12 testimony.

13
14 The services discussed in this section are charged as O&M expenses.
15

16 **Q. PLEASE PROVIDE A BREAKDOWN OF THE IT&T CHARGES FROM**
17 **AFFILIATES AND THE SHARED SERVICES COMPANY TO NMGC FOR**
18 **THE BASE PERIOD, LINKAGE PERIODS, AND FUTURE TEST YEAR.**

19 **A.** The following, Table 2, summarizes charges from affiliates and the Shared Services
20 Company for IT&T Services during the Base Period, Linkage Periods, and Future
21 Test Year:

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Table 2

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IT&T Charges from Affiliates and the Shared Services Company by Period

Shared Service Company				
Timeline	Assessed IT&T	Direct IT&T	Assessed Hardware & Software	Total
Base Period	\$3,793,710	\$198,326	\$607,938	\$4,599,974
*Linkage Period 1	\$4,145,812	\$251,602	\$847,392	\$5,244,806
*Linkage Period 2	\$4,232,659	\$260,412	\$1,003,289	\$5,496,360
Future Test Year	\$4,336,545	\$269,623	\$1,217,635	\$5,823,803

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*The dollar amounts for Linkage Periods 1 and 2 reflected in Table 2 and Table 3 contain some duplication due to the overlap of these two periods. That amount is \$2,685,669. The use of four periods in this table is for the same reasons set forth in the note to Table 1 and the earlier explanation in this testimony.

10

The total charges from affiliates in all periods (July 1, 2018 to December 31, 2021)

11

is \$18,479,275. For more detail regarding the numbers in Table 2, see NMGC

12

Exhibits KDS -2 through KDS-9.

13

14

Q. WHAT WERE THESE CHARGES FOR?

15

A. The IT&T services and associated charges assessed to NMGC are broken down

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into the following seven categories for each of the four periods identified.

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Table 3

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IT&T Charges by Category of Services

Timeline	Service	Cost
Base Period	Cybersecurity Services	\$ 606,073
	Client Computing Services	\$ 585,937
	Enterprise Application Services	\$ 1,248,249
	Network and Telecommunications Engineering, Architecture, and Operations Services	\$ 1,334,345
	Asset Management and Maintenance Services	\$ 85,139
	Quality Assurance and Compliance Management Services	\$ 132,293
	Hardware and Software Assessment	\$ 607,938
	Total	\$ 4,599,974
Linkage 1	Cybersecurity Services	\$ 742,212
	Client Computing Services	\$ 627,854
	Enterprise Application Services	\$ 1,307,533
	Network and Telecommunications Engineering, Architecture, and Operations Services	\$ 1,472,621
	Asset Management and Maintenance Services	\$ 91,184
	Quality Assurance and Compliance Management Services	\$ 156,010
	Hardware and Software Assessment	\$ 847,392
	Total	\$ 5,244,806
Linkage 2	Cybersecurity Services	\$ 702,214
	Client Computing Services	\$ 802,427
	Enterprise Application Services	\$ 847,371
	Network and Telecommunications Engineering, Architecture, and Operations Services	\$ 1,848,264
	Asset Management and Maintenance Services	\$ 97,520
	Quality Assurance and Compliance Management Services	\$ 195,274
	Hardware and Software Assessment	\$ 1,003,289
	Total	\$ 5,496,360
Future Test Year	Cybersecurity Services	\$ 982,279
	Client Computing Services	\$ 622,808
	Enterprise Application Services	\$ 1,157,165
	Network and Telecommunications Engineering, Architecture, and Operations Services	\$ 1,565,573
	Asset Management and Maintenance Services	\$ 87,860
	Quality Assurance and Compliance Management Services	\$ 190,483
	Hardware and Software Assessment	\$ 1,217,635
	Total	\$ 5,823,803

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For more detail regarding the information in Table 3 see NMGC Exhibits KDS-2

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through KDS-9.

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Q. ARE THE SERVICES IDENTIFIED IN TABLE 3 CHARGED TO NMGC

8

IN ACCORDANCE WITH THE CAM?

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1 **A.** Yes. Pursuant to the CAM, costs generally are collected and assigned using three
2 methods. Costs are either charged as direct costs charged to an affiliate (“Direct
3 Charges”); indirect costs for services assessed to more than one affiliate using one
4 or more formulas for assessment (“Assessed Charges”); or allocated to multiple
5 affiliates (“Allocated Charges”) using the Modified Massachusetts Method
6 (“MMM”). Under the CAM, IT&T charges are assessed to NMGC from the shared
7 services provider on a per capita basis. Non-allocable costs are assigned directly
8 to TECO and not NMGC or other TECO operating affiliates. No cost is allocated
9 or assessed twice to any affiliate.

10

11 **Q.** **PLEASE DESCRIBE WHAT IS INCLUDED AS “CYBERSECURITY**
12 **SERVICES” IDENTIFIED IN TABLE 3.**

13 **A.** The Shared Services Company has a mature, state-of-the-art CyberSecurity
14 Operations Center (“CSOC”) that proactively monitors vulnerabilities, malware,
15 and configuration changes that may lead to computer virus infections, data loss
16 and/or ransomware attacks. As the global economy becomes more and more
17 dependent on cyber resources, organizations such as NMGC are increasingly being
18 targeted by cyberterrorists, hacktivists, nation-state actors (e.g., China, Russia,
19 North Korea) and cybercriminals. Cyber threats to the utility industry in North
20 America have risen significantly in the past few years, with the most advanced
21 attacks coming via state-sponsored actors targeting critical energy infrastructure.

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1 Power and utility organizations are implementing mature security capabilities used
2 to identify, protect, detect, respond and recover against cyber threats targeting
3 critical infrastructure. The Shared Services Company has implemented a robust
4 defense-in-depth security posture (email filtering, perimeter and
5 desktop/laptop/server protection, identity access management, threat intelligence,
6 insider threat management, etc.) to reduce cyber risk to NMGC.

7
8 **Q. PLEASE EXPLAIN HOW THESE “CYBERSECURITY SERVICES” HAVE**
9 **BENEFITED NMGC AND ITS CUSTOMERS.**

10 **A.** At NMGC, over 90% of inbound/outbound emails are identified as spam or
11 malicious (e.g., phishing, spear-phishing) which are all blocked per policy
12 administered by the CSOC. The email-filtering policy is constantly updated
13 through CSOC’s Threat Intelligence Program. There have been over 129 million
14 access/probing attempts on NMGC from nation-state/non-nation-state actors in the
15 first 11 months of 2019. These attempts are blocked via multiple security controls,
16 one being geographic blocking which blocks inbound and outbound
17 communications for 100 out of 195 countries. The infection rate for malware on
18 desktops/laptops/servers has been reduced to 0.36% compared to 1.8% since
19 implementing the comprehensive security approach of the Shared Services
20 Company’s IT&T management and oversight. For those devices that are found to
21 have malware, the CSOC coordinates with the Shared Services Company’s Service

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1 Desk (“Service Desk”) and/or NMGC resources to quickly quarantine and
2 remediate the threat. If there is an issue related to a vulnerability, the CSOC takes
3 immediate action to remove or mitigate the threat. A recent example was an email
4 that got into the NMGC environment that had a link embedded that could have put
5 our assets at risk. The CSOC was able to quickly identify the issue, who had
6 received the email, and remove it from their inbox before many of those employees
7 even knew it was there.

8
9 The CSOC is highly active in the cybersecurity space and gets regular updates
10 (some of them top secret) from government agencies and peer utilities about active
11 and potential threats. This information is used to proactively monitor all affiliates
12 (including NMGC) and protect our assets.

13
14 The CSOC proactively conducts vulnerability assessments to determine if entities
15 outside of the Company can exploit a security vulnerability to get inside the
16 Company.

17
18 The CSOC has a highly specialized set of skills and security tools that would be
19 very expensive to reproduce. Simply stated, NMGC’s assets, data and customer
20 information are much more secure due to the efforts of the CSOC.

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1 **Q. PLEASE DESCRIBE WHAT IS INCLUDED AS “CLIENT COMPUTING**
2 **SERVICES” IDENTIFIED IN TABLE 3.**

3 **A.** Client computing services is comprised of direct support of the NMGC employee’s
4 corporate desktop computer, laptop, mobile phone, and the software that runs on
5 these devices via the Service Desk. It also centralizes management of these devices
6 to ensure that they are reliable, secure, and able to complete the tasks needed to run
7 the business; and security access administration of data and systems.

8
9 Direct support begins with the Service Desk, which provides technology assistance
10 to all New Mexico and Florida employees. The Service Desk handles
11 approximately 10,000 service requests and break/fix tickets per year for NMGC
12 employees. Centralized device management services include configuration
13 management, automated software installation, application of security patches, data
14 encryption, and secure remote connectivity. Security access administration
15 manages security access to all data and business systems for NMGC employees.
16 This service includes access provisioning and removal of access based on approved
17 requests. The security access team handles approximately 5,000 security access
18 requests a year for NMGC employees. In addition, this team is responsible for
19 complying with Sarbanes Oxley access controls for all applicable NMGC systems.

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1 **Q. PLEASE EXPLAIN HOW THESE “CLIENT COMPUTING SERVICES”**
2 **HAVE BENEFITED NMGC AND ITS CUSTOMERS.**

3 **A.** The Service Desk has been recognized twice with the Internal Team Excellence
4 Award by HDI (formerly the Help Desk Institute – a global organization that sets
5 the standard for the Information Technology Service and Support Industry). The
6 Service Desk cost per contact is \$9.22, while the average cost per contact is \$15.83
7 based on industry benchmarking firm Gartner Research. First contact resolution
8 for the Service Desk is 83% compared to the Gartner Research average of 69%.
9 Security access administration protects the Company from cybersecurity breaches
10 and malware attacks by effectively managing administrative privileges and
11 preventing unauthorized access to NMGC data and systems.

12
13 **Q. PLEASE DESCRIBE WHAT IS INCLUDED AS “ENTERPRISE**
14 **APPLICATION SERVICES” AS IDENTIFIED IN TABLE 3.**

15 **A.** These services support common computer applications that are installed in the
16 Companies’ datacenters, are maintained and supported by the Shared Services
17 Company, and utilized by multiple affiliates. These applications are: 1)
18 ServiceOne, the work management tool used for IT&T to track work requested by
19 all employees; 2) SharePoint, a file sharing platform that hosts the NMGC intranet
20 site and is leveraged by departments as a collaboration and file sharing system; 3)
21 the Enterprise Resource Planning (“ERP”) Suite of applications, which combines

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1 and automates business processes to facilitate and simplify financial, accounting,
2 supply chain, human resources, procurement and purchasing transactions; 4)
3 PowerPlan, the subledger used for utility accounting to track plant accounting and
4 construction work in progress projects; 5) SuccessFactors, which is used for
5 recruiting and talent management; 6) Enterprise Performance Management
6 (“EPM”), for creating financial plans/budgets and forecasting; and 7) ProcessMap,
7 an enterprise health and safety application that is used for capturing and tracking
8 near-misses and hazardous conditions, measuring and monitoring safety posture
9 and predicting and preventing safety incidents.

10

11 **Q. PLEASE EXPLAIN HOW THESE “ENTERPRISE APPLICATION**
12 **SERVICES” HAVE BENEFITED NMGC AND ITS CUSTOMERS.**

13 **A.** The ServiceOne application helps to streamline the completion of IT&T requests
14 for new services and the resolution of any break/fix issues. It has built-in workflow
15 and approval that leads to more timely completion of IT&T work for our
16 employees. This allows them to be more productive and provides them with the
17 capabilities needed to support NMGC’s customers. Utilizing the SharePoint
18 environment for hosting the NMGC Intranet Site at the Shared Services Company
19 saved \$175,000 and allowed the implementation of the site to be completed five
20 months faster than standing up a SharePoint environment at NMGC. Using the
21 ERP Application at the Shared Services Company is more cost effective than

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1 running a separate application at NMGC. Adopting the ERP saved NMGC at least
2 \$1.7 million per year. PowerPlan allows NMGC to accurately and effectively track
3 expenditures of capital for all our capital projects. Since all utilities have this need,
4 there are cost savings for affiliates in sharing this capability to provide the
5 automation of this critical business process. Since all utilities have this need, there
6 are cost savings for affiliates in sharing this capability to provide the automation of
7 this critical business process. SuccessFactors, EPM, and ProcessMap are all used
8 by multiple affiliates and the cost sharing saves NMGC money on purchasing,
9 maintaining and supporting the hardware and software needed to support
10 automation of these business processes.

11

12 **Q. PLEASE DESCRIBE WHAT IS INCLUDED IN “NETWORK AND**
13 **TELECOMMUNICATIONS ENGINEERING, ARCHITECTURE, AND**
14 **OPERATIONS SERVICES” AS IDENTIFIED IN TABLE 3.**

15 **A.** The services identified here are responsible for managing a Shared Services
16 Company Technology Operating Center (“TOC”), making sure that all of the
17 servers, network, and storage are available and up to date for computer applications
18 used by the affiliates, providing video/voice conferencing capabilities, augmenting
19 and providing advanced expertise for supporting NMGC’s Data Center, network,
20 gas control system, branch office connectivity, patch management and backup
21 management and managing the email system.

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Q. PLEASE EXPLAIN HOW THESE “NETWORK AND TELECOMMUNICATIONS ENGINEERING, ARCHITECTURE, AND OPERATIONS SERVICES” HAVE BENEFITED NMGC AND ITS CUSTOMERS.

A. Whenever a major incident occurs that impacts NMGC technology, the TOC leads the major incident response process to get all necessary resources in Florida and New Mexico focused on restoring service(s). The TOC proactively monitors and alerts on technology issues around the clock. When there is an interruption of service after hours or on weekends, the TOC often resolves the issue during non-business hours to minimize/eliminate impact to the business and/or customers. This service augments NMGC’s infrastructure resources to provide additional subject matter expertise related to firewalls, architectural design, troubleshooting and implementation of servers, network connectivity equipment, storage and any other hardware installed at NMGC. Having a centralized email management function provides the capability at a fraction of what it would cost to implement a stand-alone email environment and to support locally. Centralized patch and backup management is provided at a reduced cost which allows local resources to focus on providing more value-added work to support NMGC. When an audit by the Shared Services Company identified observations regarding the security of the control system at NMGC, the expertise that this group has in managing control systems in

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1 Florida was leveraged to ensure that the audit findings were addressed in a timely
2 manner and that NMGC’s control systems continued to be properly isolated,
3 protected, and secured from intrusion.

4

5 **Q. PLEASE DESCRIBE WHAT IS INCLUDED IN “ASSET MANAGEMENT**
6 **AND MAINTENANCE SERVICES” AS IDENTIFIED IN TABLE 3.**

7 **A.** Much of the software managed by the Asset Management and Maintenance
8 Services group benefits all affiliates including NMGC. This group is also
9 responsible for tracking of software license compliance and response to license
10 audits.

11

12 **Q. PLEASE EXPLAIN HOW THESE “ASSET MANAGEMENT AND**
13 **MAINTENANCE SERVICES” HAVE BENEFITED NMGC AND ITS**
14 **CUSTOMERS.**

15 **A.** The Shared Services Company subscribes to a business continuity service and
16 shares the cost with all affiliates whereby NMGC has access to a mobile recovery
17 trailer that can provide 48 workspaces complete with computers, phones, power,
18 and satellite internet connectivity. In the event of a disaster, we can have this trailer
19 onsite and operating within 48 hours. The Asset Management and Maintenance
20 Service group is responsible for competitively bidding hardware and software used
21 to support affiliates to achieve deeper discounts based on the combined company’s

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1 buying power. A few examples are: 1) an enterprise agreement was negotiated with
2 Microsoft to include all affiliates, if NMGC had its own agreement, it would be
3 \$93,000 more per year; 2) NMGC uses Panasonic Ruggedized Laptops for field
4 personnel, recently a request for procurement was completed for all affiliates and
5 the pricing received per laptop was \$1,437 less than NMGC would have received
6 on its own, given that NMGC uses 242 of these laptops, the net savings will be
7 \$347,000 for replacing all devices; and 3) the Shared Services Company currently
8 has an enterprise licensing agreement with VMware for their server technology,
9 which has resulted in a 22% savings for NMGC.

10
11 By spreading the cost of the software across all affiliates, we are reducing the
12 amount it would cost to purchase and pay for ongoing maintenance.

13
14 **Q. PLEASE DESCRIBE WHAT IS INCLUDED IN “QUALITY ASSURANCE**
15 **AND COMPLIANCE MANAGEMENT SERVICES” AS IDENTIFIED IN**
16 **TABLE 3.**

17 **A.** Over the years the Shared Services Company has developed and implemented
18 standards, procedures, and controls based on IT&T and auditing best practices,
19 audit recommendations, regulatory/compliance requirements, and cybersecurity
20 standards. These standards, procedures, and controls were adopted by NMGC when
21 we started receiving this service from the Shared Services Company. Adherence to

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1 and documentation of these standards, procedures, and controls are managed as a
2 part of this service. Another important aspect of this service is to facilitate a
3 corporate-wide security awareness plan that highlights cybersecurity risks and
4 communicates what each team member can do to help ensure that the Company's
5 assets are protected.

6
7 **Q. PLEASE EXPLAIN HOW THESE "QUALITY ASSURANCE AND**
8 **COMPLIANCE MANAGEMENT SERVICES" HAVE BENEFITED NMGC**
9 **AND ITS CUSTOMERS.**

10 **A.** These standards, procedures, and controls were developed prior to NMGC using
11 them and NMGC benefits from that effort without having to pay for developing
12 these controls. This service provides compliance oversight and security awareness
13 for all IT&T processes, procedures, and data.

14
15 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED UNDER THE COLUMN**
16 **"HARDWARE AND SOFTWARE ASSESSMENTS" IN TABLE 3.**

17 **A.** Per the CAM, there are certain assets owned by Tampa Electric that are utilized to
18 provide shared services to affiliates. In these situations, the calculated charges for
19 the use of the asset and related expense is included in the cost of service, which is
20 direct charged or assigned to the appropriate affiliate, as the case may be. NMGC
21 is either direct charged or assessed these charges on a headcount basis.

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2 The capital projects for hardware and software that support the services provided
3 to all affiliates, including NMGC, are identified and Tampa Electric charges
4 affiliates using the monthly depreciation of the capitalized assets plus a return on
5 investment. These fees are assessed to each applicable company based on
6 headcount.

7

8 **Q. PLEASE EXPLAIN HOW THESE “HARDWARE AND SOFTWARE**
9 **ASSESSMENTS” HAVE BENEFITED NMGC AND ITS CUSTOMERS.**

10 **A.** NMGC accounts for the hardware and software assessments as an O&M expense.
11 If NMGC owned its portion of the IT&T capitalized assets reflected in the
12 assessment calculation, NMGC would incur depreciation expense and pay a return
13 on investment to its shareholders through base rates. This hardware and software
14 is necessary to provide the services above. It is less expensive to share the cost of
15 the hardware and software with affiliates than for each affiliate to purchase the
16 hardware and software separately.

17

18 **Q. WHAT DOES NMGC DO WHEN REVIEWING CHARGES FROM OTHER**
19 **AFFILIATES?**

20 **A.** When reviewing IT&T charges, NMGC considers two primary factors: the cost of
21 the service, and the quality of the service. While NMGC is always focused on the

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1 cost of services provided for our customers, in many instances it is difficult to make
2 direct cost comparisons, especially when also considering or taking into account
3 qualitative differences in services. There are areas where affiliates provide a service
4 that NMGC cannot economically replicate. Some examples of this include
5 cybersecurity, Service Desk, and around-the-clock technology operations
6 monitoring services from the Shared Services Company. The Shared Services
7 Company maintains excellent departments for both cybersecurity and the Service
8 Desk and provides a quality level of service that NMGC could not replicate at the
9 price NMGC is charged. These are a couple of the areas that are hard to quantify,
10 but given the quality of service that NMGC receives, NMGC cannot replicate given
11 its size. Other services are more easily quantified such as application support,
12 desktop support, business analysis, and infrastructure support. In these and many
13 other IT&T areas, we believe NMGC provides a better-quality service than can be
14 obtained from the Shared Services Company. NMGC and its affiliates continue to
15 evaluate the balance between shared and local services.

16
17 **Q. IS THE RECEIPT OF IT&T SERVICES BY NMGC FROM THE**
18 **AFFILIATES MORE COST EFFECTIVE THAN IF NMGC PROVIDED**
19 **THE SAME SERVICES?**

20 **A.** Yes. In addition to the examples mentioned earlier in my testimony, another great
21 example of this is the ERP system. When NMGC had our own ERP system, we

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1 were spending over \$2.5 million a year for software maintenance, hosting services
2 and support. Under the shared services model, the cost is \$784,000 which represents
3 a savings of over \$1.7 million per year.

4

5 **Q. IS NMGC CURRENTLY ABLE TO COST EFFECTIVELY PROVIDE**
6 **THESE SERVICES?**

7 **A.** No, not as effectively as the Shared Services Company given the economies of scale
8 of providing these services to all affiliates and then sharing the associated costs. It
9 is more efficient to stand these common support capabilities up once, along with
10 the software and processes necessary to deliver the services, and then spread the
11 costs equitably via the CAM across affiliates. Creating separate and redundant
12 infrastructure and functionality to provide the capabilities of the Shared Services
13 Company would not be cost effective.

14

15 **Q. PLEASE IDENTIFY THE ITEMS IN THE STIPULATION ENTERED IN**
16 **NMPRC CASE NO. 15-00327-UT (“EMERA STIPULATION”) RELATED**
17 **TO NMGC’S REVIEW AND CONTROL OF AFFILIATE CHARGES.**

18 **A.** In paragraph 28 of the Emera Stipulation, NMGC committed to the following as
19 related to the affiliate charges:

- 20 • At 28.a. - NMGC management will, consistent with good governance
21 practices and based on an examination of its business needs, customer needs

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1 and objectives, control and annually determine which if any services it will
2 obtain from [the Shared Services Company].

3 • At 28.b. - Subject to its business needs and objectives, and consistent with
4 good governance practices, in an effort to bring value to its customers
5 through cost savings, NMGC will show a preference for services to be
6 performed in New Mexico by NMGC employees for NMGC.

7 • At 28.c. - NMGC shall make any and all charges, assessments or allocations
8 from [the Shared Services Company] transparent, and shall, to the greatest
9 extent possible, use direct charges, as opposed to assessments or allocations,
10 when identifying costs for recovery under the CAM.

11

12 **Q. PLEASE DESCRIBE HOW NMGC HAS COMPLIED WITH PARAGRAPH**
13 **28.a. OF THE EMERA STIPULATION AS IT RELATES TO IT&T**
14 **SERVICES.**

15 **A.** On an annual basis as part of its budgeting process, the NMGC management team
16 reviews the IT&T services to be provided to NMGC by affiliates. The services and
17 related charges are first reviewed and approved by the appropriate management
18 team members, and then by the executive team. For example, I review and approve
19 all services related to IT&T as the interim IT&T Director of NMGC and review
20 them with the vice president responsible for IT&T, Tommy Sanders, Vice President
21 of Customer and Support Services, and Jimmie Blotter, Vice President of Finance

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1 of NMGC. Then, throughout the year the charges are billed to NMGC by affiliates
2 and each invoice is reviewed before being approved and paid. Throughout the year
3 we continue to look for ways to control costs and expenses from both affiliates and
4 within NMGC.

5
6 **Q. PLEASE DESCRIBE HOW NMGC HAS COMPLIED WITH PARAGRAPH**
7 **28.b. OF THE EMERA STIPULATION.**

8 **A.** As a team, we consider what services can be provided in-house as opposed to from
9 an affiliate. We provide services within New Mexico where feasible and cost
10 effective. Some areas to highlight include:

- 11 • IT&T infrastructure installation, maintenance and support;
- 12 • desktop installation, maintenance and support;
- 13 • data center management (installation, maintenance and support);
- 14 • database administration;
- 15 • business analysis;
- 16 • project management;
- 17 • support for all NMGC application functionality;
- 18 • telecommunications installation, maintenance and support;
- 19 • SCADA maintenance and support;
- 20 • radio installation, maintenance and support; and
- 21 • security and badging maintenance and support.

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Since 2014, the overall IT&T employee count in New Mexico has increased from 34 to 38 team members. This has occurred even as NMGC has leveraged centralized email, ERP, Service Desk, and other services provided by the Shared Services Company. The services provided by the Shared Services Company are those that are common to affiliates. Rather than developing redundant systems and resources to provide these services, NMGC has chosen to participate in the cost-sharing benefits, leverage best practices, and receive the value of a deeper resource pool, which provides greater continuity and consistency in the quality of these services. This approach has allowed local NMGC IT&T resources to focus on providing more strategic value to the business as can be witnessed by the increased investment in IT&T capital projects at NMGC which provide more business functionality. This increase has been steady and consistent with good operations and governance.

Q. PLEASE DESCRIBE HOW NMGC HAS COMPLIED WITH PARAGRAPH 28.c. OF THE EMERA STIPULATION.

A. As reflected in my testimony and in NMGC Exhibits KDS-2 through KDS-9, we are providing transparency and detail on all the affiliate charges for IT&T services to and from NMGC’s affiliates. NMGC continues to emphasize the use of direct charges, but in many instances, assessments under the CAM are more cost effective

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1 for NMGC and a better way for NMGC to receive value while still receiving high
2 quality services.

3

4 **Q. HOW ELSE HAS NMGC'S IT&T DEPARTMENT BENEFITED FROM**
5 **BEING PART OF EMERA?**

6 **A.** There are two primary ways: the first is that NMGC is able to provide services to
7 other affiliates which reduces NMGC's O&M, and I will discuss this below in
8 Section III. The second is that through economies of scale, Emera and NMGC are
9 able to procure goods and services at a lower cost.

10

11 **Q. PLEASE PROVIDE EXAMPLES OF HOW NMGC BENEFITED FROM**
12 **THE ECONOMIES OF SCALE RELATED TO PROCUREMENT OF IT&T**
13 **RELATED PRODUCTS.**

14 **A.** NMGC has a recent example of the benefit related to the economies of scale
15 associated with procurement. In 2018, TSI renegotiated its services contract with
16 AT&T for the circuits being provided for Florida, and during negotiations added
17 the NMGC circuits to the scope. Due to the buying power of the bigger
18 organization, and with an agreement to increase the term to three years, NMGC
19 received a larger discount on the monthly circuit costs (25%) and a refund in the
20 amount of \$180,000.

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1 In 2017, TSI and NMGC employees installed 468 computers throughout New
2 Mexico to facilitate the upgrade to Windows 10. These computers were acquired
3 by TSI, on NMGC's behalf, as part of a larger order that included computers for
4 TSI, Tampa Electric, Peoples Gas and other smaller TECO affiliates. Given the size
5 of the order, over 4,000 computers in total, these computers were acquired at a 34%
6 discount to market pricing. Our next refresh of computers is scheduled for the
7 Future Test Year and we anticipate we will have comparable savings. These cost
8 savings reduce the impacts on the rate base and related depreciation that lowers the
9 overall cost of service revenue requirement as part of this rate case and
10 demonstrates a direct benefit to customers. While these are two of the larger
11 discounts we have received due to the economies of scale, we have also received
12 savings on many other purchases of hardware, software and maintenance services.

13

14 **III. IT&T SERVICES PROVIDED BY NMGC TO AFFILIATES**

15 **Q. DOES NMGC PROVIDE SERVICES TO AFFILIATES?**

16 **A.** Yes. As described below, NMGC has expertise in areas that have allowed us to
17 provide IT&T related services to its affiliates at Emera Inc. and charge these
18 affiliates for these services. These charges have reduced the cost of service to
19 NMGC customers.

20

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1 **Q. PLEASE PROVIDE A BREAKDOWN OF THE CHARGES FROM NMGC**
2 **TO AFFILIATES FOR THE BASE PERIOD, LINKAGE PERIODS AND**
3 **FUTURE TEST YEAR WHICH ARE INCLUDED IN O&M.**

4 **A.** The following table summarizes the charges from NMGC to affiliates during the
5 Base Period, Linkage Periods, and Future Test Year:

6
7 **Table 4 – NMGC Charges to Affiliates**

Timeframe	TECO					Total
	TEC	PGS	Partners	TSI	EBP	
Base Period	\$327,936	\$86,452	\$7,511	\$62,175	\$88,188	\$572,262
*Linkage Period 1	\$278,919	\$74,541	\$6,370	\$30,273	\$128,951	\$519,054
*Linkage Period 2	\$230,790	\$61,679	\$5,271	N/A	\$176,369	\$474,109
Future Test Year	\$237,713	\$63,529	\$5,429	N/A	\$154,710	\$461,381

8 *The dollar amounts for Linkage Periods 1 and 2 reflected in Table 4 contain
9 some duplication due to the overlap of these two periods. That amount is
10 \$237,054. The use of four periods in this table is for the same reasons set forth in
11 the note to Table 1 and the earlier explanation in this testimony.
12

13 The total charges in all periods (July 1, 2018 to December 31, 2021) is \$,1,789,752.
14

15 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED TO TSI, TAMPA**
16 **ELECTRIC, TECO PARTNERS AND PEOPLES GAS (“PGS”) BY NMGC.**

17 **A.** NMGC assists in providing support to employees who call the Service Desk by
18 providing a local Service Desk Analyst who takes calls and provides technical
19 support. Additionally, affiliates use a common document management system
20 (called OpenText). NMGC has an employee with OpenText Experience who

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1 supports NMGC and the other affiliates who use this tool. Affiliates benefit from
2 the network connectivity provided in New Mexico so they can send/receive email,
3 make phone calls, and collaborate with employees in the state, so they receive a
4 share of the costs to support the NMGC network. NMGC provides local IT&T
5 security support which benefits all affiliates.

6

7 **Q. PLEASE EXPLAIN THE DECREASE IN CHARGES TO THE TAMPA**
8 **ELECTRIC, PGS, TECO PARTNERS AND TSI AFFILIATES FROM THE**
9 **BASE PERIOD TO THE FUTURE TEST YEAR.**

10 **A.** Due to the volume of technology-related resources needed to support NMGC, team
11 members who had historically provided support to benefit affiliates have been
12 consumed by work that only benefits NMGC. Therefore, the resources being
13 allocated and/or their percentages have been changed to reflect this. This resulted
14 in a \$177,403 reduction in the assessment to these affiliates from the base year to
15 the test year.

16

17 **Q. PLEASE DESCRIBE THE IT&T SERVICES PROVIDED BY NMGC TO**
18 **EMERA BRUNSWICK PIPELINE (“EBP”).**

19 **A.** NMGC provides gas control system (SCADA), compliance management system
20 (Inspection Manager) and gas supply and marketing system (Quorum) services to
21 EBP. NMGC charges EBP for the use, support and maintenance of the systems

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1 providing these services. The amounts allocated by NMGC to EBP for the Base
2 Period was \$88,188 and the Future Test Year was \$154,710.

3

4 **Q. HOW DOES NMGC DETERMINE THE AMOUNT OF IT&T-RELATED**
5 **CHARGES TO BE ASSESSED TO AFFILIATES?**

6 **A.** Consistent with the CAM, NMGC's IT&T-related charges are calculated to
7 determine the cost of providing the services to affiliates. Since there are more
8 affiliates for the Shared Services Company, the costs are assessed based on
9 headcount. As EBP is a single affiliate, the costs are assessed directly to EBP.

10

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes, it does.