



# Kevin I. Farr

Direct Testimony and Exhibits

**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. 96 )  
NEW MEXICO GAS COMPANY, INC. )  
Applicant. )**

**Case No. 23-00255-UT**

**DIRECT TESTIMONY AND EXHIBITS**

**OF**

**KEVIN I. FARR**

**September 14, 2023**

**DIRECT TESTIMONY OF  
KEVIN I. FARR  
NMPRC CASE NO. 23-00255-UT**

1

**I. INTRODUCTION**

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

3 **A.** My name is Kevin I. Farr. I am Director of Information Technology for New  
4 Mexico Gas Company, Inc. (“NMGC” or the “Company”). My business address is  
5 7120 Wyoming Boulevard, NE, Suite 20, Albuquerque, New Mexico 87109.

6

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

9 **A.** I earned a Bachelor of Information Technology at the University of Phoenix in  
10 Albuquerque, New Mexico; and a master’s degree in business administration at the  
11 University of New Mexico in Albuquerque, New Mexico. I have worked in the  
12 field of Information Technology Operations for over 25 years which have been in  
13 various roles ranging from Technician, Software Engineer, Human Resources  
14 IT&T Data Analyst, Program Manager, Manager and most recently as Director.

15

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO  
17 PUBLIC REGULATORY COMMISSION (“NMPRC” OR “THE  
18 COMMISSION”) OR SIMILIAR REGULATORY AGENCY.**

19 **A.** No.

20

21 **Q. PLEASE DESCRIBE YOUR DIRECT TESTIMONY.**

22 **A.** My Direct Testimony describes NMGC’s information technology and  
23 telecommunications (“IT&T”) capital investments, and IT&T inter-company

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1 charges in 2024 and the first three quarters of 2025 (hereinafter “the period covered  
2 by this case”):

- 3 • In Section II, I describe NMGC’s IT&T capital investments placed in  
4 service during the period covered by this case. These investments total  
5 approximately \$17.0 million.
- 6 • Section III describes intercompany charges from Tampa Electric Company  
7 (“TEC”) shared services to NMGC during the period covered by this rate  
8 case. These costs total approximately \$9.4 million of which \$5.4 million is  
9 included in the Future Test Year which is the period that includes the fourth  
10 quarter of 2024 and the first three quarters of 2025 (hereinafter “Future Test  
11 Year”).
- 12 • Section IV describes the intercompany IT&T charges from NMGC to its  
13 affiliates during the period covered by this case. For the Future Test Year,  
14 these charges total approximately \$393,000.

15  
16 **II. NMGC’S IT&T CAPITAL INVESTMENT DURING THE PERIOD**  
17 **COVERED BY THIS CASE**

18  
19 **Q. PLEASE DESCRIBE HOW IT&T INVESTMENTS ARE MADE BY NMGC.**

20 **A.** IT&T related capital projects are part of NMGC’s overall capital investment  
21 evaluation process through which projects are compared with other projects (a  
22 process called optimization) so that not all projects are approved, but instead, only  
23 certain projects proceed within the Company’s overall operational strategy and  
24 budget. This process is explained in more detail in the Direct Testimony of NMGC

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1           Witness Tom C. Bullard who has overall responsibility for the capital budgeting  
2           and optimization process.

3  
4           The total of the IT&T investments made by the Company during the period covered  
5           by this case total \$17 million. This amount is included within the exhibits to the  
6           Direct Testimony of NMGC Witness Bullard who provides detail on all NMGC's  
7           capital investments, month-by-month throughout the period covered by this case.  
8           These numbers do not include investment in the customer information system  
9           ("CIS;), which is discussed by NMGC Witness Tommy H. Sanders.

10

11   **Q.   PLEASE DESCRIBE THE BUSINESS PURPOSE BEHIND THE**  
12   **COMPANY'S INVESTMENTS IDENTIFIED ABOVE.**

13   **A.**   There are five primary business reasons for most of NMGC's IT&T investments  
14   included in this case. These are:

15

16       **1.    Business Continuity and Disaster Recovery**

17       Business Continuity and Disaster Recovery ("BCDR") facilities help organizations  
18       minimize the risks associated with natural and man-made disasters. During a  
19       disaster, BCDR facilities enhance an organization's ability to continue to function  
20       with little to no disruption. In 2019, NMGC IT&T completed a risk assessment  
21       review and found that the growth in IT&T services was outpacing our existing  
22       BCDR facility capabilities. In response, NMGC has built a BCDR facility at its  
23       Edith Service Center in Albuquerque that will serve as our BCDR datacenter. The

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1 IT&T investments in BCDR in this case will complete networking connectivity and  
2 populate the facility with new equipment to allow NMGC to run its critical and core  
3 applications when needed.

4  
5 In addition to keeping the Company operational and having the ability to supply  
6 gas to customers during an event impacting the main data center at the Wyoming  
7 Business Center, this facility and hardware ensures compliance with industry  
8 regulations recently enacted by the Transportation Security Administration  
9 (“TSA”) to reduce the risk of compliance violations and operational issues related  
10 to data loss and downtime. For example, a recent, independent, risk assessment  
11 completed on our operational technology systems recommended that we create a  
12 physical, versus the existing logical, separation of our corporate and Operational  
13 Technology (“OT”) networks. The BCDR project addresses this. Having a long-  
14 term BCDR solution reduces recovery times and provides data security. For  
15 customers, this ensures the Company’s ability to provide a cost-effective  
16 emergency option for uninterrupted gas flow.

17

18 **2. Refreshed Hardware**

19 NMGC is continuing to invest in the refresh of many of its infrastructure  
20 components such as servers, load balancers, network routers, switches, firewalls,  
21 wireless access points, Automated Meter Reading (“AMR”) radios, backup tape  
22 library and conference room remote collaboration technology. Servers host the  
23 applications that drive the organization. Load balancers ensure that the data is

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1           evenly processed across the application servers for optimum performance. Routers  
2           and switches efficiently route data traffic safely throughout the organization.  
3           Firewalls protect the organization’s data from outside threats by allowing only  
4           trusted transactions into the Corporate network. Wireless Access Points provide  
5           secure, wireless connectivity throughout NMGC locations across the state. AMR  
6           radios provide a cost-efficient means of meter reading. The backup tape library is  
7           used to automatically exchange tapes for backup and restore operations eliminating  
8           the need for an individual to manually exchange tapes. Finally, conference room  
9           collaboration technology is used to reduce the need for travel for business. This  
10          infrastructure is critical because over time, increased load and decreased efficiency  
11          take their toll on the performance of infrastructure components and they must be  
12          replaced in alignment with their useful lifecycle.

13  
14          Each NMGC infrastructure component typically has a five-year lifecycle to ensure  
15          that the technology is current, optimal, warrantied, and vendor supported.  
16          Refreshing each component every five years helps minimize downtime, optimize  
17          performance and reliability, and drives workforce productivity and efficiency.  
18          Ultimately, this allows NMGC to minimize service disruptions and lower costs, all  
19          to the benefit of ratepayers. Not all infrastructure components are being replaced  
20          during the period covered by this case, each component remains on its own five-  
21          year lifecycle schedule to reduce replacement time and prevent major IT&T service  
22          disruptions.

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**3. Replacement or Upgrade of Gas Supply Software**

“Quorum” is NMGC’s gas supply and transportation suite of software applications. Quorum is used by NMGC for the critical functions of scheduling and administrating the supply of gas in the pipelines to our customers, negotiating and setting up contracts for supply, accounting for all the above, and reporting on these activities. Quorum is critical for providing reliable service to our customers. In 2022, NMGC completed a marketplace review of tools that offered similar functionality to Quorum. A request for proposals was completed as part of that process. NMGC found that upgrading our existing Quorum suite of applications remained the best, most cost-effective option. It was contemplated that this upgrade would occur in 2023; however, vacancies have delayed implementation until 2024. The upgrade reduces risks associated with incompatibility with emerging technology and cyber security threats, thus ensuring that we have the safest, most reliable, cost-effective system to meet our gas supply and gas management needs.

**4. Integrity Management Program (“IMP”) Implementation**

IMP is a program for the proactive improvement and replacement of components on our natural gas delivery system to maintain, or enhance system integrity, reliability, and safety. As part of this, the Company’s IT&T team is charged with working with engineering, pipeline safety management, field technicians and their supervisors to implement IT&T solutions to help meet our overall IMP needs. The Company’s IMP investment is ongoing, and there are several IT&T capital investments that facilitate the Company’s engineering efforts in this regard and help



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1 ensure compliance with new and evolving Pipeline and Hazardous Materials Safety  
2 Administration (“PHMSA”) regulations:

- 3 • Maximum Allowed Operating Pressure (“MAOP”) System Certification  
4 software, also known as “MaxOp”. There are changes to regulations (Mega  
5 Rule, as discussed by NMGC Witness Tom C. Bullard) that require a  
6 formalized MAOP validation and materials verification program. NMGC  
7 has selected the MaxOp software for these purposes. This software will  
8 help ensure that supporting documentation is traceable, verifiable, and  
9 complete as defined by the Mega Rule. The project involves the digitization  
10 of paper documents currently used for system certification and the  
11 configuration of the software system to store this information. It will  
12 centralize information providing a more efficient means of record retention  
13 and retrieval. This mitigates the risk of the inability to locate as-built  
14 records in a timely manner and keeps available for the life of the pipeline  
15 any record that establishes the material, pressure test, welder/fuser, and  
16 location of assets.

- 17 • The Electronic Field Data Collection Project shifts data collection and  
18 retrieval system from paper to electronic records generated as close to the  
19 point of measurement as possible. For example, with cathodic protection,  
20 NMGC is implementing a solution that allows field technicians to record  
21 measurements in the field that are placed automatically into a compliance  
22 system of record. With Advanced Mobile Leak Detection (“AMLD”), the  
23 Company is implementing a solution that utilizes a highly sensitive analyzer

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1 to detect methane and ethane in the air from a mobile unit that can be driven  
2 along our distribution leak detection routes more quickly than traditional  
3 walking surveys.

- 4 • The Geographic Information System (“GIS”) is utilized to identify  
5 Company assets and installation locations and store relevant information  
6 about those assets including material properties, risk consequence  
7 information, and risk indicators. As better tools are developed and available  
8 to manage risks associated with pipeline operations, the use of the GIS  
9 becomes more integral to support these tools. For example, field data  
10 collection tools utilize GPS positioning and data in the GIS to ensure  
11 inspections are occurring at the right location and that inspection results are  
12 tied to the correct assets for analysis. To ensure the seamless performance  
13 of these critical functions, it is necessary to update the data models used and  
14 improve systems architecture to support continued growth in this space.

15  
16 **5. Business Operations Capital Investments**

17 Additional investments in business operations include:

- 18 • Update to Enterprise Resource Planning (“ERP”) software: Since 2014,  
19 ERP has been the centralized management system that allows all employees  
20 to communicate effectively about data and information. In short, ERP is  
21 the software the Company currently uses to manage day-to-day business  
22 activities such as accounting, procurement, risk management and  
23 compliance, human resources, and supply chain operations. In 2024 and

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1           the Future Test Year, NMGC is investing in improvements to this ERP  
2           software that will help with the management, stability, and health of the  
3           SAP/ERP solution. These improvements also include the installation of the  
4           latest SAP support pack which ensures compliance with cybersecurity and  
5           application updates.

- 6           • Updates to the Business Intelligence suite of programs that the Company is  
7           currently using to collect, organize, search and use all the data the Company  
8           accumulates on a daily basis regarding business operations. As NMGC  
9           continues to modernize and digitalize its information technology footprint,  
10          the efficient use of the data gathered becomes more important. The  
11          forthcoming improvements to Business Intelligence will automate the  
12          collection of data from multiple systems; eliminate costs associated with  
13          manual extraction; transformation and analysis of data from these systems;  
14          and reduce security risks.

- 15          • It has been approximately 14 years since our system gas flow modeling  
16          software was implemented. During the period covered by this rate case the  
17          Company intends to replace or upgrade our current gas flow modeling  
18          software.

19  
20  
21   **Q.   HAVING JUST DISCUSSED THE BUSINESS PURPOSES FOR IT&T**  
22   **INVESTMENTS DURING THE PERIOD COVERED BY THIS CASE,**  
23   **PLEASE IDENTIFY THE SPECIFIC IT&T PROJECTS/INVESTMENTS**

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1           **THAT ARE IN THIS CASE AND EXPLAIN HOW THEY BENEFIT THE**  
2           **COMPANY AND ITS CUSTOMERS.**

3    **A.**   Attached as NMGC Exhibit KIF-1 is a table listing, by project/investment, all  
4           capital projects for the period covered by the rate case in the areas previously  
5           described. Each of these projects fits into one of the areas identified above and  
6           helps the Company by achieving one of the following objectives for reasonable and  
7           prudent IT&T investments. These are the benefits that such IT&T investments  
8           bring to the table:

9           •   **Mitigating Risks** – using IT&T solutions to reduce exposure to internal and  
10           external threats to our business operations and enhance our reliability. This  
11           includes projects that help monitor critical infrastructure, improve asset up-  
12           time, secure NMGC’s data and digital assets, minimize impacts of  
13           unfortunate events, and help us to protect against cyber security threats. For  
14           example, the upgrade of our wireless access points is driven, in part, by our  
15           Cyber Security Framework and will provide more secure and reliable  
16           network connectivity for our employees.

17           •   **Enhancing the Customer Experience** – using IT&T solutions to improve  
18           how customers interact with NMGC. Projects in this area include  
19           enhancements to our website to improve customer self-help experiences,  
20           empower them to better find information about their bills or about payment  
21           centers, facilitate the ability for customers to use their phone to access their  
22           accounts, and with the addition of webchat allow customers real-time access  
23           to NMGC customer service representatives.

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- 1           • **Driving Efficiency** – using IT&T solutions to reduce costs, streamline and  
2           automate processes, or increase collaboration. Projects in this area include  
3           application enhancements that improve interfaces so employees can more  
4           efficiently interact with various applications, implementation of tools that  
5           ease or improve accuracy of data capture, and projects that reduce overall  
6           operating costs.
- 7           • **Supporting Business Intelligence/Analytics** – using IT&T solutions to  
8           supply technologies to analyze our business information. This includes  
9           projects to help us explore data from historical, current, and predictive  
10          views of business operations to help better understand past business  
11          performance and drive business planning, provide budget analytics, and  
12          includes tools that help to produce dashboards or snapshots of data that  
13          support proactive monitoring and informed business decisions.
- 14          • **Maintaining the Company’s Systems** – includes the day-to-day activities  
15          required to support, maintain, or improve our IT&T assets. This includes  
16          IT&T projects that center around break/fix solutions, keeping assets up to  
17          date, and proactive hardware replacements and software upgrades.

18

19   **Q     IN NMGC EXHIBIT KIF-1 THERE IS A CATEGORY OF INVESTMENTS**  
20   **DESCRIBED AS “AFFILIATE SPLIT CAPITAL ASSETS”. PLEASE**  
21   **DESCRIBE THIS CATEGORY.**

22   **A.**   The majority of capital investments required to meet NMGC’s IT&T needs are  
23   made directly by NMGC. Alternatively, in situations where IT&T software is

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1           acquired or developed for the benefit of and use by multiple TECO Energy Inc.  
2           (“TECO”) affiliates, a portion of the initial cost of the software investment is paid  
3           for by each affiliate and reflected as an asset in the affiliate’s books and records.  
4           Ultimately, each TECO affiliate records their portion of the software asset in their  
5           books and calculates and records the depreciation associated with the asset in  
6           depreciation expense. In 2021, it was determined that this method of accounting  
7           for these types of investments made more sense from an accounting and regulatory  
8           perspective because investments that were capital in nature were properly reflected  
9           in each affiliate’s books as an asset and depreciated. Prior to 2021, these assets  
10          were reflected on the books of TEC and TEC charged each affiliate an asset usage  
11          fee to recover the costs associated with the asset, including depreciation and the  
12          rate of return. The asset usage fee charged to NMGC by TEC is included in  
13          NMGC’s Operations and Maintenance (“O&M”) expense. These split assets were  
14          first established in 2021 as discussed in NMGC’s 2021 Rate Case and are included  
15          in this case as reflected in NMGC Exhibit KIF-1.

16

17   **Q.   HOW IS IT DETERMINED WHAT AMOUNT OF THESE SPLIT CAPITAL**  
18   **ASSETS TO ATTRIBUTE TO NMGC?**

19   **A.**   The percentage of these capital assets attributed to and paid for by NMGC is equal  
20          to the percentage of users of the asset at NMGC, in relation to all other affiliates  
21          that benefit from the asset. For example, where NMGC represents approximately  
22          13.4% of the total affiliate users of an asset that benefits all affiliates, NMGC pays  
23          for 13.4% of the asset and reflects that amount as an asset in its books and records.

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1           This percentage may be different for investments that benefit differing mixes of  
2 affiliates.

3

4 **Q.    WAS NMGC INVOLVED IN THE DECISION TO INVEST JOINTLY AND**  
5 **PAY FOR A PORTION OF THE INVESTMENT AS A CAPITAL COST?**

6 **A.**    Yes. NMGC was engaged throughout the process and as described below, NMGC  
7 believes that having its portion of these assets included in its books and records and  
8 in its rate base, is the appropriate way to account for the investments.

9

10 **Q.    PRIOR TO 2021, HOW WERE THESE TYPES OF ASSETS TREATED?**

11 **A.**    These assets were owned by TECO and NMGC paid a usage fee for their use.  
12 These pre-2021 assets will continue to depreciate and generate a usage charge to  
13 NMGC until they are fully depreciated. The affiliate charges for these shared assets  
14 are included in NMGC's O&M expense in this case. They total approximately \$1.2  
15 million and \$1.7 million in January through September 2024 and the Future Test  
16 Year respectively.

17

18 **III.   IT&T INTERCOMPANY O&M CHARGES TO NMGC**

19 **Q.    HOW IS THIS SECTION OF YOUR DIRECT TESTIMONY ORGANIZED?**

20 **A.**    I will first identify what the affiliate O&M charges to NMGC are, and then I will  
21 identify the steps NMGC takes to make sure these affiliate charges are reasonable  
22 and appropriately assessed to NMGC.

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1 **Q. PLEASE DESCRIBE WHAT IT&T AFFILIATE CHARGES NMGC**  
2 **RECEIVES.**

3 **A.** First, it should be noted that many of the IT&T services supporting daily operations  
4 at NMGC are provided by local NMGC employees. For example, NMGC provides  
5 its own infrastructure and telecommunications support, business applications  
6 support, gas management support, and local desktop services. These costs are  
7 included in this case as part of NMGC's normal operations.

8  
9 In addition to these locally provided IT&T services, there are IT&T services and  
10 applications (programs) provided by TEC under the shared service model to NMGC  
11 and other Emera affiliates. These IT&T affiliate charges are direct charged or  
12 assessed to NMGC consistent with the provisions of the Cost Allocation Manual  
13 ("CAM") on file with the NMPRC. As detailed below, NMGC analyzes whether  
14 these programs are more cost effectively provided through the shared services  
15 organization, or here at NMGC, as part of its review of these costs.

16  
17 In deciding which services to provide locally and which to receive from its shared  
18 service provider, NMGC works with TEC on a service-by-service basis to arrange  
19 for the best and most cost-effective method of receiving the IT&T service or  
20 program. Consistent with the terms of the Final Order in NMPRC Case No. 15-  
21 00327-UT, (the "Emera Stipulation"), if the service can be done more cost  
22 effectively in New Mexico, considering both cost and quality of service, then the  
23 service is provided by NMGC employees. Alternatively, if the service can be most



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1 efficiently provided by TEC (or Emera), then the service is provided as part of the  
2 established shared services model. When assessed to the Company from its shared  
3 service provider, these services are charged as O&M expenses to the Company.

4

5 **Q. PLEASE PROVIDE A BREAKDOWN OF THE IT&T AFFILIATED**  
6 **CHARGES TO NMGC FOR THE FIRST NINE MONTHS OF 2024 AND**  
7 **THE FUTURE TEST YEAR PERIOD.**

8 **A.** During the period covered by this rate case, the total charges from TEC and other  
9 affiliates for IT&T Services are as follows:

10

11 Table 1: Projected IT&T Charges from TEC Shared Services and Emera

<b>Timeframe</b>	<b>IT&amp;T Costs Charged to NMGC</b>
First Nine Months of 2024	\$3,957,697
Future Test Year Period	\$5,423,341

12

13 **Q. PLEASE DESCRIBE THE BUSINESS AREAS WHERE IT&T SERVICES**  
14 **ARE CHARGED TO NMGC.**

15 **A.** Generally, TEC provides shared IT&T services in the following areas:

16 

- Software Maintenance and Support:

17 IT&T applications cannot be sustained without significant support and  
18 ongoing maintenance. Software costs vary depending upon the buying  
19 power of the organization, which equates to its end-user base in most  
20 instances. NMGC participates in Emera Enterprise Software Agreements  
21 that support applications and software used at NMGC. The costs that

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1 NMGC incurs under this arrangement are less than the pricing NMGC could  
2 receive as a 700+ employee organization.

3  
4 An example of how this works, and one of the biggest ticket items we  
5 leverage from our Emera/TEC Enterprise Software Agreement (“ESA”)  
6 arrangement is Microsoft licensing. TEC recently negotiated a new ESA  
7 with the following results. If NMGC were to purchase licensing on its own,  
8 the three-year contract pricing would be approximately \$1.8 million.  
9 Combined with Emera/TEC, our buying power provides the same licensing  
10 at approximately \$1.6 million, a \$200,000 savings to NMGC.

- 11 • Cybersecurity Operations Center (“CSOC”): As the global economy's  
12 dependency on cyber resources becomes more robust, organizations such as  
13 NMGC are increasingly being targeted by cyber criminals, cyberterrorists,  
14 hackers, and nation state actors such as China, Russia, Iran, and North  
15 Korea.

16  
17 It is critically important for organizations, especially electric and gas  
18 utilities that supply essential services, to protect themselves from the threat  
19 of scams, data theft, denial-of-service, malware, ransomware, and other  
20 cyber-threats. TEC has a mature, state-of-the-art CSOC that proactively  
21 monitors and remediates vulnerabilities, malware, viruses, and  
22 configuration changes that could potentially lead to data loss and/or system  
23 outages that would directly impact NMGC. By way of example, in the first

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1 quarter of 2023, the CSOC detected nearly one million access/probing  
2 attempts on NMGC from nation-state/non-nation-state actors. These  
3 attempts are blocked via multiple security controls. There were also  
4 132,312 potentially malicious or phishing emails discarded or quarantined  
5 by CSOC tools. CSOC's tools and applications were responsible for  
6 identifying and preventing slightly over 7.3 million connections originating  
7 from countries commonly known to host malicious cyber actors and  
8 malicious cyber activity. On an ongoing basis, if there is an issue related to  
9 a vulnerability, the CSOC immediately removes or mitigates the threat and  
10 then works with us to learn from the event. The support received from the  
11 TEC CSOC enables NMGC's data and assets to have fewer disruptions.

12  
13 Since TEC's CSOC already contains the infrastructure, process maturity,  
14 Security Information and Event Management tools, expertise, and personnel  
15 to easily scale its services to support NMGC, the annual charges are  
16 provided at a much lower cost than NMGC could achieve if it were to invest  
17 in its own local CSOC.

- 18
- 19 • IT Operations and Service Desk – Daily Operations Support, Monitoring,  
20 and Incident Management: As a critical utility provider, it is imperative that  
21 NMGC has 24-hour technical support for our employees. This is achieved  
22 by a combination of the Service Desk and IT Operations provided by TEC.

23

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1           The Service Desk is available 24/7 to assist NMGC users, escalate requests,  
2           and route incidents to appropriate support teams. All issues with systems  
3           are reported and logged by the Service Desk to ensure that support activity  
4           is readily available to our support teams.

5  
6           IT Operations provides 24-hour monitoring and technical support for issues  
7           associated with computer devices and infrastructure by TEC. It ensures that  
8           all servers, networks, and storage are available and up to date, provides  
9           video/voice conferencing capabilities, and provides advanced expertise for  
10          support of NMGC's Data Center, network, gas control system, branch  
11          office connectivity, patch management, and backup management operations  
12          processes. Also, whenever a major incident occurs that impacts NMGC  
13          technology, IT Operations leads the major incident response process to  
14          ensure all necessary resources in Florida and New Mexico are properly  
15          focused on restoring service. IT Operations proactively monitors and alerts  
16          on technology issues around the clock. When there is an interruption of  
17          service after hours or on weekends, the IT Operations often resolves the  
18          issue during non-business hours to minimize/eliminate impact to the  
19          business and/or customers. This service augments NMGC's infrastructure  
20          resources to provide additional subject matter expertise related to firewalls,  
21          architectural design, troubleshooting and implementation of servers,  
22          network connectivity equipment, storage and any other hardware installed  
23          at NMGC. The support provided by IT Operations and the Service Desk

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1 helps minimize system downtime which translates to fewer and less severe  
2 disruptions of services to our customers.

- 3
- 4 • Enterprise E-mail and Productivity Software Support: E-mail and  
5 productivity software is a vital component of business communication and  
6 information management; they require a significant front-loaded investment  
7 to implement and maintain the infrastructure, application licensing, and  
8 maintenance fees. To this end, NMGC leverages TEC’s e-mail  
9 infrastructure and enterprise licensing to enable e-mail delivery and  
10 productivity software at NMGC at a fraction of the cost we could achieve  
11 on our own. Additionally, as stated earlier, NMGC benefits from the  
12 CSOC’s e-mail filtering, perimeter protection, identity access management,  
13 threat intelligence, and insider threat management. Recently, the CSOC and  
14 Enterprise Information productivity software environments were used to  
15 automate information classification and enforce Data Loss Prevention  
16 (“DLP”) rules. This will further protect information at NMGC from release  
17 to unintended or malicious parties.

18

19 Business Process Automation/Digitalization: Digitalization at NMGC is the  
20 process of transforming the business with new ways of behaving, working,  
21 leading, in harmony with new technologies to deliver cleaner, safe,  
22 affordable, and reliable energy Digitalization aligns an organization’s  
23 business needs with available process automation capabilities to produce a

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1 more cost-effective and efficient workforce. NMGC participates in TEC’s  
2 Digital Support program, which promotes digitalization, and benefits from  
3 lessons learned and consulting expertise that will be essential to the  
4 development and growth of our own digital strategy.

5  
6 **Q. WITH THIS GENERAL BACKGROUND IN MIND, PLEASE IDENTIFY**  
7 **THE SPECIFIC IT&T SHARED SERVICES IN THIS CASE.**

8 **A.** The IT&T services and associated charges assessed to NMGC for the period  
9 covered by the rate case are identified in Table 2:

10  
11 Table 2 – Projected IT&T Affiliate Charges to NMGC by Function

<b>IT&amp;T Function</b>	<b>First Nine Months of 2024</b>	<b>Future Test Year</b>
High Performance Computing and Business Partner Support including Technical Operations, Cyber Security Operations, and Compute and Storage	\$1,156,241	\$1,585,014
Business Innovation Solutions: IT&T and Corporate	\$446,007	\$611,402
Technology Delivery, Performance Optimization & Compliance	\$1,379,455	\$1,891,002
IT&T Administration	\$200,664	\$275,076
IT&T Allocable Costs (Telecom/Facilities Overhead)	\$308,952	\$423,522
Advance Digital Solutions	\$27,204	\$37,292
Strategy, Solutions, Security and Governance	\$232,803	\$319,134
<b>Subtotal</b>	<b>\$3,751,325</b>	<b>\$5,142,442</b>
Emera Office of Chief Digital Officer, Enterprise Risk Management	\$206,372	\$280,900
<b>Total</b>	<b>\$3,957,697</b>	<b>\$5,423,341</b>

12

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1 **Q. PLEASE IDENTIFY THE SPECIFIC SERVICES NMGC RECEIVES**  
2 **UNDER THE CATEGORIES OF SHARED SERVICES IDENTIFIED IN**  
3 **TABLE 2 ABOVE.**

4 **A. “High Performance Computing and Business Partner Support”:** This category  
5 of shared services includes:

6 • **Technical Operations:** This group of employees at TEC provides 24/7  
7 coverage by TEC of NMGC’s IT&T infrastructure and includes security,  
8 support of firewalls, and Service Desk Support.

9 • **Cyber Security Operations:** This group of employees at TEC provides  
10 24/7 centralized cyber security service to NMGC. This service includes  
11 security monitoring, vulnerability management, threat intelligence, policy  
12 and compliance monitoring, security incident management, identity and  
13 access monitoring, content and malware monitoring, configuration  
14 monitoring, security analytics, cyber threat management, insider threat  
15 management, and testing.

16 • **Compute & Storage:** This group of employees at TEC provides support  
17 for several IT&T programs used to support storage and data management  
18 for NMGC. These programs include the Storage Area Networks, and  
19 Infrastructure Architecture which manage the framework of the network’s  
20 physical components and their organization and configuration, as well as  
21 communication protocols used to create and maintain hardware standards  
22 and configurations. Also included are the management of server hardware,

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1           operating systems and software packaging, virtualized systems, and data  
2           backup of enterprise systems.

3  
4           In addition to the three primary groups identified above, there is support provided  
5           by TEC in the areas of digital collaboration which supports solutions that allow  
6           workgroups to work together regardless of location; compliance operations which  
7           assures compliance with the on-going and evolving cyber security obligations, both  
8           internal and external; database management which supports various databases  
9           underlying almost all applications used throughout NMGC and across the affiliates;  
10          network engineering which includes routing, switching, enterprise Wi-Fi, web  
11          application and firewalls; and TEC’s Service Desk.

12  
13          **“Business Innovation Solutions: IT&T and Corporate”:** In this category of  
14          shared services, there are four groups of employees at TEC that support business  
15          functions at NMGC. These groups provide the following services to NMGC:

- 16           • **IT&T Corporate Operations:** This group at TEC provides overarching  
17           support of the SAP/ERP program used at NMGC for various functions  
18           throughout our organization.
- 19           • **Identity and Access Management (“IAM”):** This group at TEC provides  
20           support for IT&T programs that leverage TEC’s Active Directory and IAM  
21           to provide proper security and access controls for many systems utilized at  
22           NMGC including badge security systems and other security programs  
23           throughout our facilities.



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- 1           • **Finance and Supply Chain:** This group at TEC supports the SAP/ERP  
2           program used at NMGC for various functions including HR/payroll, supply  
3           chain, and various finance functions.
- 4           • **Corporate Applications:** This group at TEC supports IT&T and corporate  
5           technology solutions for NMGC including SharePoint, OpenText, and 55  
6           other applications.

7

8           **“Technology Delivery, Performance Optimization and Compliance”:** There  
9           are three groups of employees at TEC that provide these services:

- 10           • **Business Operations - IT&T Maintenance:** This is the largest group of  
11           employees at TEC in this category of shared services and this group  
12           provides maintenance, licensing and services for all IT&T infrastructure,  
13           cyber security, and IT&T applications.
- 14           • **Quality Assurance and Compliance:** This group at TEC provides the  
15           labor for IT&T’s assurance and compliance function supporting Sarbanes-  
16           Oxley (“SOX”), Payment Card Information, regulatory requirements, such  
17           as the TSA Security Guidelines/Directives, and is the liaison for internal  
18           and external audit activities.
- 19           • **Business Operations – Assets & Vendor Management:** This group at  
20           TEC provides support tracking software license compliance, response to  
21           license audits, telecom billing, and the procurement of hardware, software,  
22           and other IT&T Assets.
- 23

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1       **“IT&T Administration”**: This category of shared service includes the managerial  
2       oversight associated with TEC services NMGC utilizes. IT&T Administration  
3       provides strategic direction and corporate governance and includes support of the  
4       financial aspects of IT&T, providing budgeting and planning services preparation  
5       of detailed management reports on affiliate costs. Such managerial oversight and  
6       the day-to-day administration of the IT&T department is required for NMGC to  
7       avail itself of the other services.

8

9       **“IT&T Maintenance Microsoft Enterprise Agreement (“MEA”)**: This  
10      category of shared service, through the use of the MEA, offers larger organizations  
11      a licensing program that gives them the flexibility to buy cloud services and  
12      software licenses under one agreement. The MEA provides volume discounts and  
13      licensing manageability to NMGC. Software products licensed under the contract  
14      include Windows 10, Microsoft Office 365, Windows Server, Exchange, System  
15      Center and SharePoint. The three-year MEA calls for an initial payment and then  
16      allows for annual true-ups for adding or subtracting users, devices, products, or  
17      services from the original MEA numbers. The MEA gives NMGC rights to new  
18      software releases during the term of the agreement, at no additional cost. NMGC  
19      employees utilize this software daily.

20

21      **“IT&T Allocable Costs (Telecom/Facilities Overhead)”**: This category of  
22      shared service reflects the overhead costs associated with managing the  
23      telecommunications and IT&T facilities.

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1           **“Advanced Digital Solutions”**: This group of employees at TEC supports  
2           enterprise-level data, reporting and analytics needs of the entire TECO  
3           organization, including NMGC, and includes support across several platforms. In  
4           addition, this group also supports the governance of cloud-based solutions, cloud  
5           application management and robotic process automation.

6  
7           **“Strategy Solutions, Security and Governance”**: This group of employees at  
8           TEC provides support for the IT&T system architecture design supporting business  
9           strategy and delivery of service in a cost-effective way. They provide cyber risk  
10          management for all technology procurements and project implementations. This  
11          group is also responsible for IT&T related disaster recovery and business continuity  
12          plans including the development of procedures and exercise planning.

13

14   **Q.    DOES NMGC ANTICIPATE ANY DIRECT CHARGES FOR IT&T**  
15   **SERVICES IN THE FUTURE TEST YEAR?**

16   **A.**    Yes. Included in the \$5.4 million identified in Table 2 for affiliate charges to  
17          NMGC in the Future Test Year is a projection that NMGC anticipates direct charges  
18          of approximately \$102,813 in the Future Test Year for IT&T services provided by  
19          an affiliate. These costs will be in the area of Quality Assurance and Compliance  
20          and High-Performance Computing and Business Partners.

21

22   **Q.    IN YOUR CAPACITY AS DIRECTOR OF IT&T FOR NMGC PLEASE**  
23   **EXPLAIN WHY YOU BELIEVE THAT THE IT&T SHARED SERVICES**

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1           **IT&T RECEIVES FROM TEC ARE MORE COST EFFECTIVELY**  
2           **RECEIVED FROM TEC THAN IF NMGC PROVIDED THE SAME**  
3           **SERVICES?**

4   **A.**    NMGC Witness Tommy H. Sanders describes the procedure NMGC uses to ensure  
5           the reasonableness of shared services incurred by NMGC’s IT&T department. I  
6           work with him in to provide technical information and support for his final approval  
7           decision. In this capacity I have advised that without these shared services, NMGC  
8           would have to either provide these services, or contract with third parties for these  
9           services. Since TEC has resources on hand, and provides these services to NMGC  
10          and other affiliates, it can do this more effectively than NMGC could do on its own.  
11          Economies of scale work in favor of TEC acquiring the equipment, program, or  
12          service, and then assessing a share of that cost to each affiliate. It is more efficient  
13          to stand these common support capabilities up once, along with the software and  
14          processes necessary to deliver the services, and then spread the costs across  
15          affiliates. Creating a separate infrastructure and functionality to replicate the  
16          services offered by the shared services provider would not be cost effective to a  
17          company like NMGC. For all these reasons, we have determined that NMGC on  
18          its own cannot cost-effectively provide these same services.

19  
20   **Q.**    **CAN YOU PROVIDE SOME EXAMPLES OF THE VALUE OF SHARED**  
21    **SERVICES TO NMGC?**

22   **A.**    Yes. One example is e-mail and Active Directory, which controls user access, are  
23          services where economies of scale are important. One main centralized system is

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1 more economical, and better, than smaller stand-alone systems for each affiliate.  
2 Additionally, network monitoring and alerting services such as the IT Operations  
3 and CSOC can often, and quickly, add sites to their monitoring oversight without  
4 the need for additional hardware or support personnel, and at a fraction of the cost  
5 for an affiliate to build out their own IT Operations or CSOC services. For these  
6 same reasons, NMGC cannot economically replicate the cyber security services we  
7 receive, the benefits of the Service Desk, and around-the-clock technology  
8 operations monitoring services we receive. This is true for each of the many areas  
9 identified above where TEC has a “group” of employees providing some shared  
10 service to NMGC – and other TECO affiliates. These groups provide experience  
11 that we cannot replace at a similar cost.

12  
13 In relation to the PC refresh, NMGC’s computers were acquired as part of a larger  
14 order that includes computers for Tampa Electric, Peoples Gas, and other TECO  
15 affiliates. This resulted in savings for all affiliates. While this is one of the larger  
16 discounts that we have received due to the benefits of increased buying power, we  
17 have also realized savings on many other purchases of hardware, software, and  
18 maintenance services.

19  
20 Another example of benefits to NMGC involves the ERP system which entails  
21 software that TECO and its affiliates (including NMGC) leverage to manage day-  
22 to-day business activities such as accounting, procurement, risk management and  
23 compliance, and supply chain operations. When NMGC had its own ERP system,

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1 we were spending over \$2.5 million a year for software maintenance, hosting  
2 services, and support. Currently, TEC is embarking upon an ERP Service Pack  
3 Upgrade that will result in improved cyber security standards, improved  
4 performance, and enhancements in functionality. In addition, NMGC will benefit  
5 from the diversity of experience at TEC that allows for more productivity,  
6 integration, and process efficiencies from the more robust ERP system. Examples  
7 of the benefits of this upgrade are that it will leverage latest system corrections  
8 released by SAP which will bring more stability to business operations.

9  
10 In contrast to all these shared services, in other areas such as application support,  
11 desktop support, business analysis, and support of New Mexico based  
12 infrastructure, it is more cost effective for services to be provided locally by  
13 NMGC. In these and many other IT&T areas, NMGC provides a better-quality  
14 service than can be obtained from the shared services company and these services  
15 are provided locally – albeit sometimes with backup from TEC. NMGC and its  
16 affiliates continue to evaluate the balance between shared and local services  
17 including consideration of cost and quality of services provided.

18

19 **IV. IT&T SERVICES PROVIDED BY NMGC TO AFFILIATES**

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

21 **A.** Yes. As described below, NMGC has expertise in areas that has allowed us to  
22 provide IT&T related services to our affiliates and to charge these affiliates for  
23 these services. The primary services supplied are gas transportation, Supervisory

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1 Control and Data Acquisition (SCADA) technology and other IT&T services like  
2 database administration, infrastructure, and support. These charges have reduced  
3 the cost of service to NMGC customers.

4

5 **Q. PLEASE PROVIDE A BREAKDOWN OF THE CHARGES FROM NMGC**  
6 **TO AFFILIATES WHICH ARE INCLUDED IN O&M.**

7 **A.** The following table summarizes the charges by NMGC to affiliates during the  
8 period covered by this rate case.

9

10 Table 3: Breakdown of charges from NMGC to Affiliates

<b>Description</b>	<b>Charged to Affiliate</b>	<b>First Nine Months of 2024</b>	<b>Future Test Year</b>
Quorum Application Licensing & IT&T Support	Emera Brunswick Pipeline (“EBP”)	\$68,098	\$92,691
SCADA Licensing and IT&T Support	Emera Brunswick Pipeline	\$36,884	\$50,204
Database Administration, Infrastructure, Development and Service Desk Support	TECO Affiliates	\$182,632	\$250,357
<b>Total</b>		<b>\$287,614</b>	<b>\$393,253</b>

11

12 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED TO TECO**  
13 **AFFILIATES BY NMGC.**

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1 **A.** NMGC assists in providing support to employees of affiliates who call the Service  
2 Desk by providing a local Service Desk Analyst who takes calls and provides  
3 technical support to those affiliates. In addition, affiliates benefit from the network  
4 connectivity provided in New Mexico so they can send/receive e-mail, make phone  
5 calls, and collaborate with employees at NMGC, so they receive a share of the costs  
6 to support the NMGC network. NMGC provides local IT&T security support  
7 which benefits all affiliates.

8

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

11 **A.** NMGC provides gas control system (SCADA) and gas supply and transportation  
12 system (Quorum) services to EBP. NMGC charges EBP for the use, support and  
13 maintenance of the systems providing these services.

14

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

17 **A.** Consistent with the CAM, NMGC’s IT&T related charges are calculated to  
18 determine the cost of providing the services to affiliates. Since there are more  
19 affiliates for the Shared Services Company, the costs are assessed based on  
20 headcount. As EBP is a single affiliate, the costs are assessed directly to EBP.

21

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 **A.** Yes, it does.





# NMGC Exhibit KIF-1

Capital Investments by Business Purpose

**NEW MEXICO GAS COMPANY, INC.**

**Capital Investments by Business Purpose**

<b>Capital Investments by Business Purpose</b>	<b>Rate Case Period Clearings</b>
<b>Affiliate Split Capital</b>	<b>\$ 2,697,952</b>
TECO - TSA SD-2 Application Whitelisting	\$ 242,245
TECO - Benefits EE Experience 2.0	\$ 61,429
TECO - Compensation Job Architecture & Benchmarks	\$ 53,254
TECO - Compensation Job Architecture & Benchmarks 2024	\$ 46,072
TECO - ERP Enhancements 2023	\$ 118,895
TECO - ERP Enhancements 2024	\$ 204,762
TECO - ERP Portfolio Optimization 2023	\$ 60,067
TECO - ERP Portfolio Optimization 2024	\$ 614,287
TECO - HR Ops EE Experience 2.0	\$ 28,667
TECO - Open Text Upgrade 2024	\$ 102,381
TECO - SAP Business Process Design 2023	\$ 52,321
TECO - SAP Enhancements 2023	\$ 51,179
TECO - SAP Enhancements 2024	\$ 25,595
TECO - SAP Upgrade 2024 (Enhancement Pack)	\$ 458,841
TECO - ServiceNow Enhancements 2023	\$ 58,557
TECO - SF Enhancements 2023	\$ 25,069
TECO - SF Enhancements 2024	\$ 25,595
TECO - Tax RPA 2024	\$ 39,434
TECO - Threat Intelligence Platform	\$ 87,730
TECO - Total Rewards Statement	\$ 62,411
TECO - TSA - DNS Analytics	\$ 56,459
TECO - TSA – Multifactor Authentication	\$ 18,439
TECO - User Provisioning Automation 2023	\$ 204,262
<b>Business Continuity and Disaster Recovery</b>	<b>\$ 1,786,930</b>
Disaster Recovery Data Center Hardware	\$ 1,786,930
<b>Business Operations Capital Investments</b>	<b>\$ 2,333,785</b>
Business Intelligence - Finance & Accounting	\$ 540,750
Check Point Measurement, MPLS, PCI	\$ 53,498
Collaboration ESX Server	\$ 19,057
Electronic Field Data Capture (EFDC) - Year 5	\$ 253,914
Misc Infrastructure Hardware Blanket	\$ 705,381
PowerPlan Budget & Depreciation Forecasting	\$ 340,096
Quorum Upgrade / Replace	\$ 342,778
Technical Toolbox Upgrade (2022)	\$ 43,108
Vista/Measurement Web Upgrade	\$ 35,203

**NEW MEXICO GAS COMPANY, INC.**

**Capital Investments by Business Purpose**

<b>Capital Investments by Business Purpose</b>		<b>Rate Case Period Clearings</b>
<b>IMP</b>	<b>\$</b>	<b>10,204,463</b>
2 Units AMLD - ABB	\$	819,221
2020 - 2024 MAOP Software	\$	8,059,193
Asset Management EcoSystem Continuity	\$	766,570
Electronic Field Data Capture (EFDC) - Year 4	\$	434,102
ESRI/GIS Utility Network Discovery (2022)	\$	125,377
<b>Grand Total</b>	<b>\$</b>	<b>17,023,130</b>

**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. 96 )  
NEW MEXICO GAS COMPANY, INC. )  
Applicant. )**

**Case No. 23-00255-UT**

**ELECTRONICALLY SUBMITTED AFFIRMATION OF KEVIN I. FARR**

STATE OF NEW MEXICO )  
 )ss.  
COUNTY OF BERNALILLO )

In accordance with 1.2.2.10(E) NMAC, Kevin I. Farr, Director of Information Technology for New Mexico Gas Company, Inc., upon being duly sworn according to law, under oath, deposes and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Direct Testimony and Exhibits, and they are true and accurate based on my personal knowledge and belief.

**SIGNED** this 14<sup>th</sup> day of September 2023.

*/s/ Kevin I. Farr* \_\_\_\_\_  
Kevin I. Farr  
Director, Information Technology  
New Mexico Gas Company, Inc.