

**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 )**

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

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

**DIRECT TESTIMONY AND EXHIBITS**

**OF**

**TOMMY H. SANDERS**

**September 14, 2023**

**DIRECT TESTIMONY OF  
TOMMY H. SANDERS  
NMPRC CASE NO. 23-00255-UT**

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

**A.** My name is Tommy H. Sanders. I am Vice President of Customer Service and Information Technology with New Mexico Gas Company, Inc. (“NMGC” or the “Company”). My business address is 7120 Wyoming Boulevard, NE, Suite 20, Albuquerque, New Mexico 87109. My resume is attached as NMGC Exhibit THS-1.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION (“NMPRC OR THE “COMMISSION”)?**

**A.** Yes, please refer to NMGC Exhibit THS-1 for a list of docketed cases in which I have provided testimony.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

**A.** In Section I of this Direct Testimony, I discuss the Company’s customer information system upgrade project; in Section II, I discuss the Company’s proposal regarding the recovery of credit card fee charges through rate base; in Section III, I discuss the impact of the COVID-19 Pandemic (“COVID-19”) on the Company’s bad debt situation as part of the Company’s filing for recovery of a COVID-19 Regulatory Asset; and in Section IV, I discuss the analysis of shared service costs incurred by the IT&T department.

**I. CUSTOMER INFORMATION SYSTEM (BANNER) UPGRADE**

**Q. WHAT DO YOU ADDRESS IN THIS SECTION OF YOUR DIRECT TESTIMONY?**

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1   **A.**     In this section of my Direct Testimony I discuss the Company’s plan to upgrade its  
2           Customer Information System (CIS), from its current Banner CIS (hereinafter “Banner 2.2  
3           CIS” or simply “Banner CIS”) to the upgraded version of Banner CIS provided by Hansen  
4           Technologies (“Hansen CIS”).<sup>1</sup>

**A.   NMC’s Current CIS**

7   **Q.**     **WHAT IS A CIS AND WHY IS A CIS IMPORTANT TO OPERATION OF A**  
8           **UTILITY SUCH AS NMGC?**

9   **A.**     Service, safety and the customer experience are key to our core values as New Mexico’s  
10          leading natural gas utility. A CIS is the primary system for accessing customer and account  
11          information necessary for the provision of safe and reliable service to customers as well as  
12          to enhance the customers' interactions with NMGC. A CIS is the primary source of  
13          information relating to customer service/relationship management, obtaining meter  
14          information, billing information, revenue, tax collection, tax reporting, and back-office  
15          functionality. NMGC needs to quickly access information when our customers call or use  
16          self-service functions and a CIS is the vehicle to do so. Whether the inquiry is related to a  
17          move, a bill, or a service order, efficient access to accurate customer information is critical  
18          to serving our customers and to efficient utility operations.

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<sup>1</sup> Hereafter I will be referring to NMGC’s new CIS as the Hansen CIS. Although referred to hereafter as the Hansen CIS, it is in reality an upgrade to the Banner CIS (the Banner CIS having been acquired by Hansen) and is not an alternative system such as could be obtained from other providers such as SAP or Oracle. In this regard, the Hansen CIS is an upgrade to Banner CIS despite the name change.

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1   **Q.    WHAT CUSTOMER INFORMATION SYSTEM DOES NMGC CURRENTLY**  
2       **USE?**

3   **A.**    Since its formation in 2009, NMGC has used Banner 2.2 CIS.  
4

5   **Q.    PLEASE DESCRIBE HOW THE BANNER CIS CAME TO BE THE CUSTOMER**  
6       **INFORMATION SYSTEM CURRENTLY IN USE AT NMGC.**

7   **A.**    In 1998, Public Service Company of New Mexico (“PNM”) acquired and implemented  
8       Banner CIS for both its electric and gas services. When NMGC acquired the gas assets of  
9       PNM in 2009, NMGC acquired the Banner CIS from PNM for use with the gas assets.  
10      Since then, Banner CIS has remained in place as NMGC’s CIS.  
11

12   **Q.    WHAT IS NMGC PLANNING ON DOING WITH ITS CIS AS IT RELATES TO**  
13       **THIS RATE CASE?**

14   **A.**    As detailed below, NMGC is upgrading its Banner CIS to the upgraded version of Banner  
15       CIS, now called Hansen CIS, and is seeking recovery of this investment in this rate case.  
16       NMGC Witness Tom C. Bullard covers the project in his discussion of the Company’s  
17       capital budget.  
18

19   **Q.    SINCE 1998 HAS THE BANNER CIS VERSION 2.2 IN USE FOR THE GAS**  
20       **UTILITY, BEEN UPGRADED?**

21   **A.**    No. While NMGC has customized the Banner 2.2 CIS on several occasions to meet its  
22       needs, NMGC has not completed an upgrade such as is being proposed below.

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**B. Basis For NMGC's Decision to Upgrade its Banner CIS to Hansen CIS  
Rather Than Replace it With a New Product From Another Vendor**

**Q. TO GET STARTED ON THIS SECTION OF YOUR DIRECT TESTIMONY,  
PLEASE BRIEFLY DESCRIBE THE EVOLUTION OF THE BANNER CIS AT  
NMGC.**

**A.** In 1998, PNM installed and began using Banner CIS (for both Gas and Electric Services).  
Between 1998 and 2009, various modifications and customizations to the Banner CIS were  
implemented by PNM into and around the system for both gas and electric services. Since  
2009, NMGC has made various modifications and customizations to the Banner CIS.

**Q. PLEASE DESCRIBE SOME OF THE CUSTOMIZATIONS THAT HAVE BEEN  
MADE BY PNM AND/OR NMGC AND EXPLAIN THE REASON FOR, AND  
EFFECT OF, THE CUSTOMIZATION.**

**A.** Over the years there were multiple customizations to NMGC's Banner CIS including:

- To the billing calculation module which calculates bill charges to customers to align  
Banner with New Mexico regulatory rules, rates, tax rules, business procedure and  
accounting policy;
- To NMGC's bill print modules to format the bill for specific bill printing requirements;
- To the part of the program that tracks and accounts for gas transportation transactions  
along with customizations made to adhere to regulatory requirements specifically  
related to customer notification of disconnection for non-payment, and handling  
medical certification;

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- 1       • For service order processing to allow for proper billing of connection fees, scheduling
- 2           and efficiency; and
- 3       • To facilitate for the Company's adoption of the Gas Advantage Program ("GAP") in
- 4           2015.

5

6   **Q.   DOES A CUSTOMIZATION OR EVEN A SERIES OF CUSTOMIZATIONS**

7           **ACCOMPLISH WHAT AN UPGRADE OR REPLACEMENT OF THE CIS**

8           **ACCOMPLISHES?**

9   **A.**   No, and they never could. A customization amounts to making changes within the

10           framework of the existing system to meet an immediate need but does not change the

11           operating framework to facilitate or improve overall CIS performance. In short, after a

12           period of time, the CIS needs to be updated entirely or replaced to advance and improve

13           the CIS operating network.

14

15   **Q.   DID NMGC DETERMINE THAT IT NEEDED TO MODERIZE ITS CIS BY**

16           **EITHER UPGRADING OR REPLACING ITS BANNER CIS?**

17   **A.**   Yes. Beginning in 2012, NMGC began to evaluate whether it needed to modernize its

18           Banner CIS system by either upgrading or replacing it. Attached to this Direct Testimony

19           as NMGC Exhibit THS-2 is a detailed chronology of NMGC's activities while evaluating

20           its Banner CIS. As discussed in my Direct Testimony below, and as detailed in NMGC

21           Exhibit THS-2, NMGC considered and evaluated both options: upgrade or replacement,

22           and concluded this analysis with the decision in 2021 to upgrade its Banner CIS to the

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1 latest version of Hansen CIS. As the Chronology shows, the upgrade to Hansen CIS is  
2 intended to be completed with a go-live in-service date in October 2024.

3  
4 **Q. PLEASE DISCUSS THE REASONS BEHIND THE DECISION TO MODERNIZE**  
5 **THE COMPANY'S CIS.**

6 **A.** Throughout the period of this evaluation, while Banner remained functional, it became  
7 more and more apparent that NMGC's version of Banner CIS presents operational risks,  
8 customer service limitations and operational inefficiencies that necessitate its update or  
9 replacement. I will now discuss these concerns in more detail:

10 1. Operational Risks with the current CIS – Both the age and customized nature of the  
11 Company's Banner CIS increasingly put system operation at risk, make it increasingly  
12 difficult to find support resources, and impairing the Company's ability to recover from  
13 system disruptions. These risks are of paramount concern to NMGC and were the key  
14 drivers for this decision to upgrade or replace its CIS. A utility such as NMGC cannot  
15 operate without a reliable CIS so let me detail the heightened operational risks which  
16 became increasingly concerning to NMGC:

17 a. The current Banner CIS version used by the Company is 25 years old. Equally  
18 important, as noted, the Banner CIS has been extensively customized which makes  
19 it increasingly difficult to find and resolve system problems without triggering  
20 failures in CIS operations. Because of the extensively customized nature of the  
21 CIS, it has become increasingly harder and harder to make even simple changes  
22 or fixes to the system without triggering unanticipated or unintended consequences



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1 throughout the system. NMGC has experienced increasingly severe failures in the  
2 CIS over the last several years and NMGC's IT&T Department foresees these  
3 difficulties only increasing with time.

4 b. Few companies use the version of Banner CIS being used by NMGC and, as a  
5 result, there are fewer and fewer IT&T companies with the knowledge to service  
6 the 2.2 version of Banner. In part this is due to the age of the system, but because  
7 the system is so customized, finding service providers capable of working on the  
8 customized NMGC system has become increasingly difficult. This service  
9 problem increases the risk of unanticipated or unintended consequences. In other  
10 words, there are no easy fixes or changes and any fix or change to the system can  
11 have far reaching consequences including up to system failure.

12 c. The current technology platform, both hardware and software, that NMGC's  
13 Banner CIS 2.2 runs on is itself becoming minimally supported. Support for  
14 specific software functionality ends in October 2025. Support for the report  
15 software has already ended. The database servers have had manufacturer  
16 engineering issues that have impacted stability and caused unscheduled downtime.  
17 The aged nature of the software and platform software makes it increasingly  
18 challenging to support the system. This increases the probability of more  
19 unscheduled downtime.

20 d. In addition to the increasing shortage of outsourced service technicians (discussed  
21 in b above), identifying and hiring NMGC employees who are experienced or

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1            knowledgeable sufficient to support the current version of Banner CIS 2.2 is  
2            increasingly challenging.

3            e. In addition to the system operational difficulties presented by the customized  
4            nature of the CIS program itself (discussed in (a) above), the customized nature of  
5            many of the business functions, such as billing, increase the probability of failure  
6            or disruption in the system when instituting normal or special billing changes  
7            through the CIS system.

8            2. Customer Service Limitations in current Banner CIS – NMGC’s current Banner CIS  
9            has operational limitations when it comes to customer interactions and meeting  
10           changing customer service expectations. Here are a few examples of these customer  
11           service limitations:

12           a. The Company’s current version of Banner CIS does not support customer service  
13           options that provide faster response to customer inquiries such as:

14           i. Advanced Screen Navigation tools which provide multiple ways to navigate  
15           to screens allowing a customer service representative (“CSR”) to navigate  
16           through the system much faster when working with customers.

17           ii. Advanced Search Option tools available to CSRs that provide more effective  
18           and configurable search capabilities.

19           iii. Customer Account Calendar of Event tools which provides a single screen to  
20           show all the actions occurring on the account at a glance that can be drilled  
21           down to the detail level.

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1           b. The current version of Banner CIS does not support various payment arrangement  
2           improvements such as the ability to update installment amounts without cancelling  
3           the original payment arrangement.

4           c. The current version of Banner CIS does not support wizard functions which are  
5           common business functions for other utilities. These functions allow for  
6           streamlining common/standard business functions, by combining the needed fields  
7           from multiple screens into a single Wizard. Wizards are configurable and allow  
8           the utility to define what is needed for a particular function.

9           d. The current version of Banner CIS does not adequately support data encryption  
10          and limits NMGC's ability to remain Personally Identifiable Information ("PII")  
11          compliant. In contrast, modern CIS improves the ability to mask and encrypt PII  
12          data.

13        3. Operational Inefficiencies in the current Banner CIS which affect Business Operations  
14        – The current version of Banner CIS hinders efficient business operations of NMGC  
15        which impacts customer interaction and satisfaction. Some examples include:

16        a. Billing: Making any changes to the Company's billing operations is difficult and  
17        inefficient because of the complexity of making changes to this heavily  
18        customized system. This is true for routine changes as well as the correction of  
19        billing errors. Invariably, any change to billing practices triggers significant  
20        manual billing requirements which limit the Company's ability to efficiently  
21        adjust bills and correct errors. Even the simple act of enacting new rates, or

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1           changing existing rates is inefficient and triggers multiple attempts to achieve the  
2           correct results.

3           b. Customer interactions: Described above in section 2 of this answer are the adverse  
4           impacts the current Banner CIS has on interactions with customers. Whereas the  
5           focus above was about the impact on the Company's customers, here I focus on  
6           the inefficiencies this presents for the Company's operations. The inability of the  
7           Company's current Banner CIS to support advanced options including, search,  
8           screen navigation, account calendars and wizards slows down the response time  
9           of CSRs while increasing the time to handle customer concerns as well as the  
10          chance for mistakes to occur. This affects the overall efficiency of utility  
11          operations.

12          c. Reports: The current version of Banner CIS does not have basic reporting tools  
13          that allow employees to create and analyze self-service reports from the system.  
14          In most instances employees must send a request to the IT&T department to  
15          generate even normal and simple reports. Additionally, the ability of employees  
16          to generate real time reports is limited.

17          d. Auditing Capabilities: The current Banner CIS has limited and restricted auditing  
18          abilities. For example, the ability to audit and determine the source of input of  
19          data, changes to data, or removal of data is limited under the current system. This  
20          is both inefficient and ineffective for good business practices.

21          e. Digitalization – The current version of Banner CIS does not have application  
22          programming interfaces ("APIs") capability that unlock future digitalization

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capabilities related to customer self-service features and improved communications between CIS and other systems.

**Q. HAVING CONCLUDED THAT IT NEEDED TO MODERNIZE ITS CIS, WHAT DID NMGC DO NEXT?**

**A.** As detailed in the attached Chronology, NMGC Exhibit THS-2, NMGC did two things: first, in consultation with others, NMGC proceeded to evaluate the following options for upgrading or replacing its CIS.

- Upgrade Banner – Upgrade Banner 2.2 CIS to the current version of Hansen CIS.
- Replace Banner with a new system; such as SAP or Oracle.

Second, in order to create the time needed to carefully perform the analysis necessary and determine whether to upgrade or replace its Banner CIS, NMGC undertook to extend the life of its Banner CIS while carefully considering which option to proceed with. As detailed in paragraphs 10 – 11 of the Chronology, and summarized here, those efforts included the following:

- In October 2017 and November 2017, NMGC worked with MAK Solutions to perform a “Banner CIS Risk Assessment” to determine what risks were present in the current system and evaluate options to extend the life of NMGC’s existing Banner CIS.
- In November 2017, NMGC determined that a Technical Uplift, which is upgrading the screen presentation software, database and servers, would mitigate risk and extend the life of the system at least five more years.

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- 1       • Between January 2018 and December 2018, NMGC and Hansen Technologies  
2       completed a “Banner Technical Uplift” project to implement a new technology  
3       platform, which eliminated various risks to operations, improved system performance  
4       and extended the lifespan of our aging Banner CIS.
- 5       • Between January 2019 and December 2019, NMGC completed a “Banner Functional  
6       Enhancements” project to provide much needed software improvements. These  
7       included the ability to mask Social Security numbers, meter testing software  
8       enhancements, second responsible party to print on bills, Gross Receipts Tax changes,  
9       automated return payment processing, plus many other efficiency improvements.
- 10      • Between March 2020 and December 2020, working with Centroid, NMGC installed  
11      Oracle S7 Application Servers for efficiency and downtime reduction. Once installed,  
12      these new servers provided more flexibility and reliability.
- 13      • Between November 2020 and May 2022, NMGC completed a “Banner Archive/Purge”  
14      project. Using new software developed for this purpose, NMGC archived and purged  
15      old data in its system. This improved and extended overall system performance of the  
16      Banner CIS and set the groundwork for the upgrade of the Banner CIS.

17  
18   **Q.     WHAT HAS BEEN THE EFFECTS OF THESE RECENT EFFORTS BY NMGC?**

19   **A.**   As noted, these efforts extended the life of NMGC’s Banner CIS while we determined the  
20   best strategy, and took necessary actions to upgrade or replace the CIS. These efforts did  
21   not alleviate the need to upgrade or replace the Company’s CIS but helped to stabilize the  
22   system during the interim phase.

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1   **Q.   PLEASE DESCRIBE THE ANALYSIS PERFORMED BY NMGC TO**  
2       **DETERMINE WHAT ACTION TO TAKE TO UPGRADE OR REPLACE ITS CIS.**

3   **A.**   As detailed in the Chronology, NMGC Exhibit THS-2, and summarized here, NMGC  
4       undertook the following efforts to specifically evaluate whether to replace its CIS with an  
5       alternative product or upgrade its CIS to a more current version of the Banner CIS (the  
6       Hansen CIS):

- 7       • Throughout 2016, NMGC worked with TMG Consulting (“TMG”) to develop  
8       Business Requirements for the possible implementation of a replacement or upgraded  
9       CIS;
- 10      • Between April 2017 and July 2017, NMGC worked with Deloitte Consulting  
11      (“Deloitte”)<sup>2</sup> to facilitate a Fit-Gap and Pricing analysis to evaluate the ability of an  
12      SAP CIS to meet NMGC’s requirements for a CIS;
- 13      • In August 2017, having received the cost and requirements needs for a replacement  
14      CIS, and being concerned with the high cost and resource needs of the replacement  
15      system, NMGC met with its consultant to evaluate whether the price and resource  
16      requirements of the replacement CIS could be reduced to make it a viable option. The  
17      outcome was that the cost, resource requirements, and risks remained high;
- 18      • Between March 2021 and April 2022, NMGC performed additional analysis and  
19      developed a Banner Upgrade Business Case to consider the options of either upgrading

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<sup>2</sup> Deloitte Consulting is a Solutions Integrator for SAP. A Solutions Integrator is a company focused on leading, architecting, developing and testing a solution that coordinates and communicates effectively with all other internal and external connected systems.

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1           Banner CIS 2.2 to a newer version, implementing a new system, or even keeping the  
2           existing Banner CIS.

- 3           • In March 2021, NMGC consulted with TMG regarding estimates on what it would cost  
4           to implement a new CIS solution versus the cost to conduct a Banner CIS upgrade.

5  
6           All of this analysis culminated in the Business Case prepared by NMGC, and supported by  
7           TMG, and led NMGC to the conclusion that the best, and most feasible, option was to  
8           upgrade to the Hansen CIS.

9  
10   **Q.   PLEASE DISCUSS IN MORE DETAIL THE BUSINESS CASE PREPARED BY**  
11   **NMGC, AND DISCUSS SOME OF THE FACTORS CONSIDERED IN MAKING**  
12   **ITS DECISION.**

13   **A.**   The Business Case is an analysis document that includes a statement of value, background,  
14           current state, analysis of the options and a recommendation. The Banner Upgrade Business  
15           Case identified the current state of the Banner CIS system as high risk. It then reviewed  
16           three options: upgrade the Banner CIS, replace the Banner CIS with a new system, or  
17           maintain the status quo. The advantages and disadvantages of each option were identified.

18  
19           Keeping the current system was ruled out as a viable option. This was primarily due to the  
20           aging system being higher risk related to system reliability and maintainability.  
21           Additionally, as described above the Business Case discussed that the current CIS lacks  
22           many customer efficiencies and business improvements built-in to the upgraded Hansen



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1 CIS or a new system. The upgrade option had more advantages than implementing a new  
2 system. Some of the advantages are lower initial and ongoing support costs compared to a  
3 new system, lower number of internal resources needed to implement, less business process  
4 change, less organizational change, and less training and thereby lower cost.

5  
6 As discussed above and detailed in NMGC Exhibit THS-2, NMGC prepared a  
7 Requirements document based on discussions throughout the Company and let its  
8 requirements analysis drive its decision. When the Business Case compared the previously  
9 determined requirements with the attributes of the Hansen CIS, the Company determined  
10 in 2021 that the upgrade to the Hansen CIS would meet its needs.

11  
12 One of the important considerations was awareness that the Hansen CIS is not as prevalent  
13 as some to the other CIS from other better-known suppliers. The Business Case concluded  
14 that despite this, there were more advantages in upgrading to the Hansen CIS than  
15 implementing an entirely new system.

16  
17 During its investigation into upgrading or replacing its CIS, NMGC worked with TMG to  
18 conduct interviews with 3 different Hansen CIS customers that had upgraded from an older  
19 Banner CIS version to the newer Hansen CIS version. All interviewees indicated favorable  
20 results. Additionally, Hansen reports that 11 companies have upgraded to a newer version  
21 of Hansen CIS over the last three plus years.

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1       The document provides a recommendation to upgrade to the Hansen CIS and discusses the  
2       economic feasibility of the selected option.

3  
4   **Q.   WHAT ULTIMATELY LED TO NMGC’S DECISION TO UPGRADE ITS**  
5       **BANNER CIS AS OPPOSED TO REPLACING IT WITH A PRODUCT FROM A**  
6       **NEW PROVIDER?**

7   **A.**   The upgraded Hansen CIS was determined to be able to meet the Company’s CIS needs.  
8       The increased cost, increased internal staffing requirements, increased business process  
9       changes, large organizational change, and enhanced future support costs of a replacement  
10      CIS were determined to be unnecessary to accomplish what the Company sought to achieve  
11      with a new CIS. All of these factors combined to lead NMGC to conclude that an upgrade  
12      made more sense than the purchase of a new replacement system. Specific aspects of these  
13      factors include:

- 14      • First, the price of a new system from another provider would cost approximately twice  
15      the price of the Banner/Hansen CIS upgrade.
- 16      • Second, the upgraded Hansen CIS satisfied the Company’s requirements from the  
17      perspective of operational risk, operational limitation, and operational inefficiencies  
18      currently being experienced by NMGC as described above. These included:
  - 19          ○ ease of operation (including improved user and customer experience), enhanced  
20          customer and user experience (increased ability to utilize future user and customer  
21          experience improvements),

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- limited data conversion issues and costs (in-place database upgrade and reuse of database upgrade scripts from 2014 upgrade reduces risk of conversion issues and reduces cost of system),
- reduced time to convert to the upgraded system (including reduced time to convert for go-live and stage for testing due to data archive/purge),
- technological improvements (including newer technology to provide more flexibility to self-manage system rules and screens, and reducing the need for code customizations), and
- more stable technical support services (acquisition of inhouse and outside resources and training, and system vendor support.)

**Q. PLEASE DISCUSS THE ADVANTAGES TO NMGC AND ITS CUSTOMERS OF UPGRADING TO HANSEN CIS.**

**A.** There are many.

- First and foremost, an upgrade to Hansen CIS provides NMGC with a CIS that its consultants recommend but at a cost significantly less than a newly acquired competing CIS. For example, the estimated capital cost estimate to implement an SAP CIS is approximately \$76 million compared to the cost estimate to implement the Hansen CIS which is \$31.2 million. Ongoing licensing and support costs are also lower. It is estimated that annual licensing and support costs for an SAP CIS are approximately \$5.5 million compared to approximately \$2.3 million for the Hansen CIS.

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- 1       • The upgrade provides more familiar data to our users and customers. NMGC will not  
2       be needing any major data conversion activities and three full years of historical  
3       information will remain in the system. Account, customer and transaction data will  
4       remain the same.
- 5       • A lower number of additional staff is required for implementation and ongoing support  
6       of an upgrade, compared to a higher number of additional staff for a new system  
7       implementation.
- 8       • The upgraded Hansen CIS will enable our internal support team to provide new  
9       functions and screens without actually performing software development. In some  
10      instances, the system allows for providing new screens and functions within the base  
11      system instead of developing new software using an external software development  
12      platform. Using these new features is advantageous by making it easier to perform  
13      future vendor-supplied system upgrades.
- 14      • The upgrade to Hansen CIS is using a “back to base” approach. Using this approach  
15      will reduce the number of customizations in the software application. In other words,  
16      the upgraded system already has many of the customizations made to NMGC’s system  
17      as part of its base system. Once implemented to the currently supported version,  
18      Hansen Technologies will support the Hansen CIS as part of our licensing agreement  
19      with Hansen. Since technological resources are challenging to find and retain, this will  
20      be a more reliable support method moving forward.
- 21      • The base Hansen CIS System functions in a similar way to Banner CIS. The base  
22      system data fields remain the same, therefore there is less business process re-

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1           engineering and training required compared to a new system implementation which  
2           would require a high amount of business process re-engineering and training.

3           • There should be a limited amount of organizational change that will take place  
4           compared to a new system implementation as users are comfortable with the base  
5           Banner system.

6           • The base system data will remain the same, there are no changes to account numbers,  
7           meter numbers or base transaction data. There will be a limited amount of data  
8           conversion needed. With a new system there would be a large data conversion needed.  
9           With the upgrade to Hansen CIS the database will be upgraded to work with the Hansen  
10          CIS. The Call Center should be able to use the upgraded system to retrieve historical  
11          customer information and transactions. There is also less impact on the systems that  
12          Hansen CIS communicates with. This includes the many internal systems and external  
13          interfaces that are connected to Banner CIS.

14          • NMGC's Gas Transportation system is built into the current Banner CIS. Our plan is to  
15          use the same or similar vendor customized functionality in the Hansen CIS system for  
16          this capability. Base Hansen CIS functionality will be used, plus some vendor  
17          customization will be needed to provide this capability. Gas Transportation is not  
18          normally part of a vendor offering, using the Hansen CIS for this solution, with some  
19          vendor customization would be a lower risk approach than building this into a new  
20          system. The current Banner CIS database already contains the fields needed to support  
21          Gas Transportation, however there may be some data conversion required.

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- 1       • Hansen CIS provides all the latest Hansen business functionality and technology  
2       improvements that have been added or changed over the last 20 plus years.
- 3       • The base software application will be supported by the vendor. This will be less costly  
4       over time compared to the status quo option or the new system option.
- 5       • The updated Hansen CIS is less dependent on some third-party tools such as Oracle  
6       WebLogic Form/Reports and Micro Focus COBOL. Oracle WebLogic Forms/Reports  
7       has been in existence since Banner CIS was implemented in 1998. Oracle is providing  
8       Premier Support for this product through 2025, however, its future is uncertain. Both  
9       Oracle Weblogic and Micro Focus COBOL have been replaced in Hansen CIS.
- 10      • NMGC has a new custom meter testing system that's built into the existing Banner CIS.  
11      This system will be brought over from the existing Banner CIS and built to the  
12      upgraded Hansen CIS. There would be more effort needed to build this into a new  
13      system.
- 14      • Currently in Banner CIS NMGC has custom software development for the GAP, our  
15      new approach will be to use the base Hansen CIS for this capability.
- 16      • Hansen has a user group for Hansen CIS that provides suggestions for system  
17      improvements. NMGC will have an opportunity to suggest system improvements to  
18      Hansen Technologies that may be incorporated into future versions of the Hansen CIS.
- 19      • There are many new functions in the Hansen CIS that NMGC will not use upon initial  
20      implementation. This is primarily to reduce the risk of the upgrade and complete the  
21      project in a timely manner. There are many future opportunities to improve our  
22      customer's digital experience once this upgrade is completed.

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- 1           • The upgraded Hansen CIS will provide functional and technical improvements related  
2           to business efficiency, thus enhancing our customers' experience. Some of the  
3           improvements are Account-at-a-Glance, Account Calendar of Events, move-in/out  
4           wizards, multiple browsers, enhanced business intelligence tools, enhanced security,  
5           data auditing and APIs that will enable future customer experience initiatives related  
6           to digitalization.

7  
8                           **C.     Details Surrounding Upgrade Project**

9   **Q.     WHAT IS THE CONTEMPLATED TIMEFRAME FOR COMPLETION OF THIS**  
10 **PROJECT?**

- 11 **A.**- Project start date was September 14, 2022  
12           - Proposed go-live date is October 14, 2024  
13           - Proposed hyper-care (enhanced support, stabilization) date is three months following  
14           implementation with an additional three months of warranty support.

15  
16 **Q.     PLEASE EXPLAIN THE ACTIONS TAKEN BY THE COMPANY TO HELP**  
17 **ENSURE A SMOOTH TRANSITION TO THE UPGRADED HANSEN CIS?**

- 18 **A.**While there are always risks associated with implementing an upgrade such as  
19           contemplated here, and while anticipating all such issues and risks is difficult, NMGC has  
20           been engaged with its consultants, and focused internally to identify and mitigate risks.  
21           Here are some of the major risks we have identified and are working to mitigate:

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- 1       • NMGC has reviewed Project Lessons Learned from the TECO Energy, Inc. (“TECO”)  
2       SAP implementation and is working with Cognizant to follow Project Management  
3       Institute (“PMI”) standards for project management.
- 4       • NMGC has set up a robust project governance and advisory structure. Team members  
5       from Emera, TECO, Nova Scotia Power, and NMGC are on the Advisory Board and  
6       Steering Committee.
- 7       • We have been working with TMG to advise us on methods of implementation, risks  
8       that commonly arise during implementation, and generally regarding implementation  
9       procedures. NMGC has also contracted with TMG for Independent Quality Assurance  
10      services to monitor the project and report on any risks and issues arising from unknown  
11      risks, challenges, process issues and project management issues that arise as the project  
12      moves forward.
- 13      • To mitigate the risk of exceeding the projected timeframe for implementation, NMGC  
14      decided to minimize any software customizations. This approach will also enable  
15      NMGC to upgrade the system more easily in the future.
- 16      • NMGC has also staffed the project with expert-level resources including appropriate  
17      internal resources and external consulting resources.
- 18      • To mitigate the risk arising from the age and number of customizations in our current  
19      CIS, NMGC decided to work with the vendor of the product, Hansen Technologies, on  
20      this upgrade.
- 21      • NMGC has contracted with Cognizant, a Solutions Integrator, to facilitate  
22      communication and coordination between the multiple vendors working on the project.



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Cognizant has experience working with the Banner CIS system. Cognizant was engaged to supplement Hansen Technologies' role in this implementation.

- Cognizant is working with NMGC to mitigate risks of transferring to the upgraded system including addressing user acceptance, possible slow-down in call center call handling due to the new user interface and non-familiarization with new business processes, system stabilization and resiliency.
- NMGC has onboarded an Organizational Change Manager to work hands-on with the team and provide extensive training to mitigate the risk that CIS users may not readily adopt the upgraded CIS; and to provide internal and external communications to project stakeholders to facilitate their buy-in on this upgrade.
- NMGC has contracted with Centroid for their infrastructure expertise related to Oracle Cloud Computing to reduce the risk of server hardware issues.

**Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THIS PROJECT?**

**A.** \$31,241,270. These costs are detailed in NMGC Exhibit THS-3.

**Q. WHAT ARE THE ESTIMATED OPERATION AND MAINTENANCE (“O&M”) COSTS FOR THE PROJECT?**

**A.** \$2,273,632. These costs are detailed in NMGC Exhibit THS-4. This amount is primarily for training employees in the use of Hansen CIS. It includes training existing employees on the new system, and having trainers train new employees in the use of the old Banner system so new employees can support the call center as existing employees learn the new

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1 system. The cost is necessary to implement Hansen CIS without disrupting current  
2 operations and is included in this case as a regulatory asset.

3  
4 **Q. WHAT IS THE LIFE EXPECTANCY OF THE SYSTEM AFTER THE UPGRADE?**

5 **A.** Life expectancy is estimated to be 15 years based upon currently available information.  
6 The useful life of the upgraded Hansen CIS can be extended by keeping base products  
7 updated with the latest product releases.

8  
9 **Q. ARE THERE ANY OTHER ASPECTS OF THE BANNER UPGRADE GOING**  
10 **LIVE THAT YOU WOULD LIKE TO DISCUSS?**

11 **A.** Yes. The Company is proposing that the new rates requested in this case become effective  
12 for services rendered after October 1, 2024. The Company is working out the best way to  
13 implement the Banner upgrade to facilitate the implementation of these new rates.

14  
15 **II. CREDIT CARD FEE RECOVERY PROPOSAL**

16 **Q. WHAT DO YOU ADDRESS IN THIS SECTION OF YOUR DIRECT**  
17 **TESTIMONY?**

18 **A.** In this section of my Direct Testimony, I provide the Company's proposal to move service  
19 fees from individual customers when they choose certain payment options into base rates.  
20 As described below this change in practice aligns the Company with utility best practices,  
21 meets customer expectations, and will be beneficial to Company operations.

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1   **Q.   PLEASE PROVIDE DETAILS ON HOW MANY NMGC CUSTOMERS**  
2       **CURRENTLY PAY THEIR NMGC GAS BILLS BY CREDIT/DEBIT CARD OR**  
3       **ACH WHERE A SERVICE FEE IS ASSESSED.**

4   **A.**   In 2022, NMGC customers made a total of 5,683,712 payments, and 12.34% (701,104) of  
5       these payments were made via a credit/debit card or electronic fund transfer (a.k.a. ACH)  
6       through NMGC's authorized third party vendor, where a service fee is assessed.

7  
8   **Q.   PLEASE EXPLAIN THE BASIS FOR THE FEES PAID BY CUSTOMERS WHEN**  
9       **PAYING THEIR BILLS.**

10   **A.**   NMGC utilizes ACI/Speedpay, to process payments via credit card. ACI/Speedpay also  
11       has the capability to process a payment via ACH, if a customer chooses to do so. When  
12       customers pay by credit card or ACH regardless of whether they pay in-person at a payment  
13       center operated by the Company, or by phone, or on-line, they do so through ACI/Speedpay  
14       and are currently charged a \$1.95 convenience fee per payment which is assessed by  
15       ACI/Speedpay. Likewise, if they pay through Western Union, they pay a convenience fee  
16       of \$1.00 per cash or check payment to Western Union. These types of arrangements are  
17       standard in the industry. The convenience fee is a pass along charge from the third-party  
18       for processing expenses, also known as a "pay-to-pay" fee by the Consumer Financial  
19       Protection Bureau, a U.S. Government agency that ensures banks, lenders, and other  
20       financial companies treat consumers fairly. NMGC does not receive any portion of the  
21       convenience fees collected by ACI/Speedpay or Western Union.

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1    **Q.     WHAT IS NMGC PROPOSING?**

2    **A.**    NMGC is aware that another utility in New Mexico, PNM, which operates payment options  
3           similar to NMGC, is proposing in its pending rate case a program whereby the convenience  
4           fees paid by their customers will be moved from the individual to the base rates to be paid  
5           by all customers. As set forth in this Direct Testimony, NMGC is in a similar position with  
6           regard to convenience fees charged to certain customers. NMGC is therefore proposing  
7           that in the event PNM prevails on its argument for moving all or part of their customer's  
8           convenience fees from the individual making payment into the base rates that NMGC be  
9           allowed to work with its providers to determine the amount of convenience fees incurred  
10          by its customers in paying their bills for the period covered by the Commission's order in  
11          the PNM rate case, accrue that cost and relieve the individual bill payer from their  
12          convenience fee obligations, and create a regulatory asset for filing and recovery in  
13          NMGC's next rate case.

14  
15   **Q.     HOW WOULD NMGC ACCOUNT FOR THIS RELIEF IN THIS RATE CASE**  
16   **AND IN ITS NEXT RATE CASE.**

17   **A.**    First, there would be no rate impact of this decision in this rate case. Between this rate  
18          case and the next rate case, NMGC would work with the companies charging NMGC  
19          customers a convenience fee, specifically ACI/Speedway and Western Union, and work  
20          out an arrangement where the convenience fees charged to NMGC customers would be  
21          paid by NMGC instead of the individuals making the payment. NMGC would pay and  
22          record these amounts in a regulatory asset for later recovery.

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1 In its next rate case, NMGC would file for a regulatory asset and recovery for costs incurred  
2 as part of that process as well as put the estimated fees, based on historical data, into base  
3 rates and recover those costs.

**III. IMPACT OF COVID-19 ON NMGC'S LEVEL OF BAD DEBT  
AND BAD DEBT WRITE OFF**

4  
5  
6  
7  
8 **Q. NMGC IS SEEKING A REGULATORY ASSET IN THIS CASE FOR RECOVERY**  
9 **OF INCREASED BAD DEBT COSTS INCURRED BY THE COMPANY DURING**  
10 **THE COVID PANDEMIC. PLEASE DISCUSS YOUR INVOLVEMENT WITH**  
11 **THE COMPANY'S EFFORTS TO DETERMINE AND LIMIT THE AMOUNT OF**  
12 **BAD DEBT INCURRED BY THE COMPANY DURING THE COVID-19**  
13 **PANDEMIC.**

14 **A.** Throughout the COVID-19 Pandemic, I was the Vice President over the billing and  
15 collections departments at NMGC. As such, I have first-hand knowledge of the impact the  
16 COVID-19 Pandemic had on the Company's billing and collection efforts, and the resulting  
17 impact on the Company's level of bad debt losses during this period.

18  
19 **Q. WHAT IS BAD DEBT AND WHAT IMPACT DOES IT HAVE ON COMPANY**  
20 **OPERATIONS?**

21 **A.** Bad debt refers to money owed to the Company by customers that has been written off or  
22 that we expect to be written off as uncollectible. Bad debt can affect the operations of  
23 NMGC in several ways.

24 1. Financial loss to the Company.

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- 1           2. Reduced cash flow to the Company for other business operations.
- 2           3. Increased operational expenses to the Company in dealing with bad debt and in efforts
- 3           to follow-up with delinquent customers, negotiate payment arrangements, and work
- 4           with third party collection agencies.

5

6   **Q.   PLEASE DESCRIBE WHAT THE COMPANY NORMALLY DOES TO ASSIST**

7           **CUSTOMERS WITH PAYING THEIR UTILITY BILLS AND THEREBY**

8           **CONTROLLING AND LIMITING BAD DEBT WRITEOFFS BY THE**

9           **COMPANY.**

10   **A.**   The Company takes many actions to assist customers to pay their utility bill in an effort to

11           minimize bad debts. These efforts include:

- 12           • Encouraging participation in the Company's budget billing program which levelizes
- 13           customer payments over a 12-month period to avoid spikes in bills during the winter
- 14           months;
- 15           • Promoting and contributing to the Heat NM assistance program;
- 16           • Encouraging participation by customers in payment plans to pay outstanding bills;
- 17           • Placing reminder calls to customers after final bill to prompt payment;
- 18           • Working with customers to forward final bill from previous address to new address to
- 19           avoid unpaid bills; and
- 20           • Encouraging customer participation in LIHEAP and other payment assistance
- 21           programs when eligible.
- 22

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1    **Q.     DURING THE PERIOD OF THE COVID-19 PANDEMIC, DID NMGC**  
2           **UNDERTAKE ADDITIONAL EFFORTS TO ALLEVIATE THE INCREASE IN**  
3           **ARREARS IN AN EFFORT TO MINIMIZE BAD DEBT?**

4    **A.**    Yes. NMGC increased its contributions to Heat NM, and hired additional temporary  
5           personnel to work with customers in arrears and assist them applying to Heat NM for  
6           assistance with other programs.

7  
8    **Q.     WHAT IMPACTS DID THE COVID-19 PANDEMIC HAVE ON THE**  
9           **COMPANY’S ABILITY TO ASSIST CUSTOMERS TO PAY THEIR BILLS?**

10   **A.**    The COVID-19 Pandemic greatly impacted some customers’ ability to pay their bills. We  
11           saw this statewide and primarily with residential and small commercial accounts. The  
12           pandemic adversely impacted customers who previously struggled to pay their bills but  
13           also those who had previously had excellent payment history. From what we can tell, this  
14           was a result of the overall economic impact of the pandemic on customers’ finances and  
15           what we saw was that many customers stopped paying their bills. The Company worked  
16           with customers facing hardship by extending and negotiating payment terms, assisting  
17           customers in applying for payment assistance, and working directly with government  
18           entities and other organizations offering payment assistance.

19  
20   **Q.     IN YOUR OPINION DID THE COVID-19 PANDEMIC INCREASE THE LEVEL**  
21           **OF BAD DEBT LOSSES INCURRED BY NMGC?**

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1   **A.**    Yes. Our experience was that during the Ppandemic, and despite our best efforts to work  
2           with customers, the level of bad debt losses incurred by the Company increased  
3           dramatically. The amount of loss is identified in the testimony of NMGC Witness  
4           Buchanan.

5  
6   **Q.    HAS NMGC RETURNED TO NORMAL BILLING AND COLLECTION**  
7           **EFFORTS?**

8   **A.**    No, not completely. NMGC is still processing a large number of aged accounts receivable  
9           (accounts in arrears) that could turn into bad debt in the foreseeable future. NMGC is also  
10          continuing efforts to help customers pay their bills as described above.

11  
12  
13                   **IV.    REVIEW OF SHARED SERVICE COSTS INCURRED**  
14                               **BY NMGC'S IT&T GROUP**  
15

16   **Q.    PLEASE DESCRIBE YOUR ROLE IN REVIEWING AND APPROVING THE**  
17           **IT&T AFFILIATE SHARED SERVICE CHARGES INCURRED BY NMGC.**

18   **A.**    As the Vice President of Information Technology for NMGC, I am primarily responsible  
19           for reviewing the shared services charged to the Company by its affiliates. I work with the  
20           employees in my department who report to me to review these charges, including NMGC  
21           Witness Kevin I. Farr, as well as with the other Executives at NMGC, to approve these  
22           affiliate shared service charges.



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1   **Q.   PLEASE DESCRIBE THIS PROCESS.**

2   **A.**   Pursuant to the Cost Allocation Manual (“CAM”), costs generally are collected and  
3           charged using three different methods. Costs are either charged as direct costs (“Direct  
4           Charges”), assessed to more than one affiliate using one or more formulas for assessment  
5           (“Assessed Charges”), or allocated to multiple affiliates (“Allocated Charges”) using the  
6           Modified Massachusetts Method (“MMM”). IT&T charges are typically assessed to  
7           affiliates from the shared services provider on a per capita basis of users. Affiliate charges  
8           to NMGC in the IT&T area are mostly charged to NMGC under an assessed formula based  
9           on the number of employees, or users of the service.

10  
11   **Q.   WHAT DOES NMGC DO WHEN REVIEWING IT&T CHARGES FROM TAMPA**  
12   **ELECTRIC COMPANY (“TEC”) OR ANY OTHER AFFILIATE?**

13   **A.**   NMGC evaluates the cost effectiveness of the IT&T shared service, and also ensures it is  
14           complying with the terms of the Emera Stipulation (discussed below). This evaluation  
15           entails consideration of the alternative costs and qualities of the service to determine if it  
16           should be provided locally or from an affiliate. Each service is reviewed independently to  
17           make this determination.

18  
19   **Q.   APPLYING THIS GENERAL FRAMEWORK, HAVE YOU MADE THE**  
20   **DETERMINATION THAT THE IT&T SHARED SERVICES NMGC RECEIVES**  
21   **FROM TEC ARE MORE COST EFFECTIVELY RECEIVED FROM TEC THAN**  
22   **IF NMGC PROVIDED THE SAME SERVICES?**

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1    **A.**    Yes. First, without access to these shared services, NMGC would have to either provide  
2           these services, or contract with third parties for these services. Since TEC has resources  
3           on hand, and provides these services to NMGC and other affiliates, it can do this more  
4           effectively with better expertise than NMGC could do on its own or by contracting with a  
5           third party. Economies of scale work in favor of TEC acquiring the equipment, program,  
6           or service, and then assessing a share of that cost to each affiliate. It is more efficient to  
7           stand these common support capabilities up once, along with the software and processes  
8           necessary to deliver the services, and then spread the costs across affiliates. Creating a  
9           separate infrastructure and functionality to provide the capabilities of the shared services  
10          provider would not be cost effective to a company like NMGC. For all these reasons, we  
11          have determined that we cannot provide these same services cost effectively. NMGC  
12          Witness Farr provides testimony in support of the technical expertise TEC and its  
13          employees bring in these areas, and the value of the shared services to NMGC from his  
14          perspective.

15  
16    **Q.    AS IT RELATES TO IT&T SHARED SERVICES CHARGES, PLEASE**  
17          **DESCRIBE HOW NMGC HAS COMPLIED WITH THE STIPULATION**  
18          **ENTERED INTO IN NMPRC CASE NO. 15-00327-UT (“EMERA**  
19          **STIPULATION”).**

20    **A.**    In paragraphs 28a, 28b, and 28c of the Emera Stipulation in NMPRC Case No 15-00327-  
21           UT, NMGC agreed to three commitments related to the affiliate charges. First, in  
22           paragraph 28a of the Emera Stipulation NMGC agreed to “control and annually determine

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1       which if any services it will obtain from [the Shared Services Company].” In compliance  
2       with 28a, all proposed IT&T shared services and shared services charges are first reviewed  
3       and approved by the appropriate IT&T management team members, and then by the  
4       executive team. Then, throughout the year, as charges are billed to NMGC by affiliates,  
5       each invoice is reviewed before being approved and paid.

6  
7       In paragraph 28b of the Emera Stipulation NMGC agreed, consistent with good  
8       governance, to show a preference for services to be performed in New Mexico. In  
9       compliance with paragraph 28b, NMGC considers what IT&T services can be provided in-  
10      house as opposed to being provided by an affiliate. We provide services within New  
11      Mexico where feasible and cost effective. The services provided by TEC are those that are  
12      common to affiliates and for which there are economies associated with a central provision  
13      of those services. Rather than developing redundant systems and resources to provide these  
14      services, NMGC has chosen to participate in the cost-sharing benefits and receive the value  
15      of a deeper resource pool. NMGC still retains a large and active IT&T presence in New  
16      Mexico.

17  
18      In paragraph 28c of the Emera Stipulation, we agreed to make shared service charges,  
19      assessments, or allocations transparent, and to the greatest extent possible, use direct  
20      charges, as opposed to assessments or allocations. In compliance with paragraph 28c, as  
21      reflected in detail in this Direct Testimony and in the attached exhibits, we are providing  
22      transparency and detail as to all assessed shared services charges to NMGC for IT&T

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1 services. In most instances regarding IT&T charges, assessments under the CAM as  
2 opposed to direct charges are more cost effective for NMGC and a better way for NMGC  
3 to receive value while still receiving high quality services.  
4

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

6 **A.** Yes.