

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

KEVIN I. FARR

September 14, 2023

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

I. INTRODUCTION

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

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

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

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

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

A. No.

Q. PLEASE DESCRIBE YOUR DIRECT TESTIMONY.

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

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

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

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

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

A. IT&T related capital projects are part of NMGC’s overall capital investment evaluation process through which projects are compared with other projects (a process called optimization) so that not all projects are approved, but instead, only certain projects proceed within the Company’s overall operational strategy and 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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efficiently provided by TEC (or Emera), then the service is provided as part of the established shared services model. When assessed to the Company from its shared service provider, these services are charged as O&M expenses to the Company.

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

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

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

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

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

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

- Software Maintenance and Support:

IT&T applications cannot be sustained without significant support and ongoing maintenance. Software costs vary depending upon the buying power of the organization, which equates to its end-user base in most instances. NMGC participates in Emera Enterprise Software Agreements 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 hacktivists, 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.

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

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

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

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

IT&T Function	First Nine Months of 2024	Future Test Year
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
Subtotal	\$3,751,325	\$5,142,442
Emera Office of Chief Digital Officer, Enterprise Risk Management	\$206,372	\$280,900
Total	\$3,957,697	\$5,423,341

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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.

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

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

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

Table 3: Breakdown of charges from NMGC to Affiliates

Description	Charged to Affiliate	First Nine Months of 2024	Future Test Year
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
Total		\$287,614	\$393,253

Q. PLEASE DESCRIBE THE SERVICES PROVIDED TO TECO 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.