

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF NEW MEXICO GAS COMPANY, INC.</b>	)	
<b>FOR APPROVAL OF REVISIONS TO ITS</b>	)	
<b>RATES, RULES, AND CHARGES PURSUANT</b>	)	<b>Case No. 23-00255-UT</b>
<b>TO ADVICE NOTICE NO. 96</b>	)	
	)	
<b>NEW MEXICO GAS COMPANY, INC.</b>	)	
	)	
<b><u>Applicant.</u></b>	)	

**DIRECT TESTIMONY AND EXHIBITS**

**OF**

**DENISE E. WILCOX**

**September 14, 2023**

**DIRECT TESTIMONY OF  
DENISE E. WILCOX  
NMPRC CASE NO. 23-00255-UT**

**I. INTRODUCTION AND PURPOSE**

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

**A.** My name is Denise E. Wilcox. I am Vice President of Human Resources and Corporate Security 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 BRIEFLY DESCRIBE YOUR BUSINESS EXPERIENCE AND EDUCATIONAL BACKGROUND.**

**A.** My business experience and education are described in NMGC Exhibit DEW-1.

**Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF HUMAN RESOURCES AND CORPORATE SECURITY FOR NMGC.**

**A.** I am responsible for all human resources functions at NMGC, including employee and labor relations, compensation, benefits, hiring, performance review, discipline, and workforce development. I also oversee the Company’s security measures, other than those that are information technology and telecommunications (“IT&T”) related, such as physical security of NMGC’s offices and facilities, including pipelines.

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

4   **A.**    Yes. I provided written testimony in NMGC’s last two rate cases, NMPRC Case  
5           No. 19-00317-UT (“2019 Rate Case”) and NMPRC Case No. 21-00267-UT (“2021  
6           Rate Case”).

7

8   **Q.    WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
9           **PROCEEDING?**

10   **A.**    In Section II, I explain the Company’s compensation and benefits philosophy and  
11           describe the basis for compensation paid and benefits provided to employees  
12           including base pay, benefits, and incentive pay, which together make up the  
13           Company’s total compensation to its employees. I discuss the conditions in the  
14           employment market that the Company saw during and has seen since the last rate  
15           case, which have created challenges and impacted the human resources decisions  
16           made by the Company. I also explain how the Company has determined the “labor  
17           escalator” which is then applied by NMGC Witness Erik C. Buchanan in the cost  
18           of service (“COS”) model.

19

20           In Section III, I discuss anticipated vacancies in the Company going forward.

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1 In Section IV, I discuss the Company's security measures undertaken in response  
2 to regulation and in order to protect its employees, customers, and facilities  
3 throughout the State.

4  
5 Lastly, in Section V, I discuss the Company's compliance with the human resources  
6 related provisions of NMPRC Case No. 15-00327-UT (the "Emera Stipulation")  
7 including headcount, both current and planned, over the period covered by this case.

8  
9 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF HOW THE COMPANY IS**  
10 **CURRENTLY OPERATING FROM AN EMPLOYMENT STANDPOINT.**

11 **A.** In NMGC's 2021 Rate Case, I filed supplemental testimony describing how NMGC  
12 experienced a sudden change in the employment market in March 2022 when  
13 certain NMGC employees were being heavily recruited by competing employers.  
14 Since that time, the labor market has continued to be challenging, requiring the  
15 Company to expend additional effort and funds. The Stipulation for the 2021 Rate  
16 Case settlement reflects \$69.5 million of total compensation for 2023. The  
17 Company is currently on track to spend more than that in 2023 due to the  
18 challenging labor market in New Mexico and the Company's ongoing efforts to  
19 attract and retain employees and ensure the work of the business is getting done.  
20 As described in my Direct Testimony, the Company is working to fill positions and

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1           thereby decrease vacancies, in order to help reduce overtime, improve retention,  
2           and provide employees with a better work life balance.

**II.   COMPENSATION AND BENEFITS**

5   **Q.   PLEASE   DESCRIBE   NMGC’S   GENERAL   APPROACH   TO**  
6           **COMPENSATING ITS EMPLOYEES.**

7   **A.**   NMGC’s compensation philosophy remains as before. The Company’s goal is to  
8           compensate employees at or near the middle of the market for a particular job,  
9           taking into consideration each of the components of compensation. Middle of the  
10          market compensation for each position is determined through an analysis of  
11          national compensation data in a process called compensation benchmarking.

13   **Q.   WHAT IS COMPENSATION BENCHMARKING AND HOW IS IT USED**  
14          **BY NMGC?**

15   **A.**   Compensation benchmarking is the process by which jobs at NMGC are compared  
16          to similar jobs at other companies for the purpose of comparing the market salary  
17          data. Tampa Electric Company Inc.’s (“TEC”) Human Resources Department  
18          participates in annual salary surveys and subscribes to an online service that  
19          provides national compensation data accumulated by two compensation  
20          consultants, Mercer and Willis Towers Watson. TEC works in conjunction with  
21          NMGC to match NMGC’s positions to the same or similar positions in this national

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1 data. The middle of the market or midpoint compensation for NMGC's positions  
2 is derived from the position's benchmark match in the national data. In addition to  
3 giving us a comparison of how our compensation packages compare to other  
4 employers nationally, benchmarking helps provide periodic measurement against  
5 market baseline data and thus helps define reasonable salary ranges and incentive  
6 award levels for employees. All components of total compensation are evaluated  
7 using benchmarking data.

8  
9 **Q. WHAT ARE THE COMPONENTS OF TOTAL COMPENSATION?**

10 **A.** NMGC determines and pays total compensation to employees consistent with the  
11 market. As used by NMGC, total compensation is generally the sum of three  
12 interrelated components: base salary, benefits, and incentive pay. The Company also  
13 has a supplemental pay program which allows it to supplement components of  
14 compensation in order to retain and attract certain employees. This is paid as  
15 needed at NMGC's discretion and is currently paid for approximately 130  
16 employees.

17  
18 **Q. PLEASE DESCRIBE THE COMPONENTS OF COMPENSATION IN**  
19 **MORE DETAIL.**

20 **A.** Base salary is the cash compensation employees regularly receive in their  
21 paychecks. All Company employees receive base salary. Also, based on certain

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1        job classifications, some employees are eligible for overtime and/or shift  
2        differential pay.

3  
4        Benefits include all indirect and non-cash compensation provided to employees  
5        such as paid time off, holidays, 401(k) contributions, health insurance, and benefits  
6        mandated by law. All employees receive benefits.

7  
8        The Company's Short-Term Incentive Plan ("STIP") is, as the name suggests, an  
9        incentive plan that compensates employees for the achievement of annual Company  
10       objectives. The achievement of the objectives of the STIP is intended to benefit  
11       customers, directly and indirectly. All employees are eligible to participate in the  
12       STIP. The Company's annual short-term incentive compensation plan is a key  
13       component of the Company's compensation program.

14  
15       The Company's other incentive program, the Long-Term Incentive Plan ("LTIP"),  
16       compensates certain eligible employees for the achievement of 3-year performance  
17       objectives. The achievement of these objectives is intended to benefit customers,  
18       directly and indirectly. LTIP compensation is available to certain management  
19       employees at NMGC. Although LTIP is part of market-based compensation for  
20       certain positions and therefore needed to attract and retain qualified employees, and

1           thus is arguably a recoverable expense, NMGC is not seeking recovery of LTIP in  
2           this rate case.

4 Supplemental Pay is the program that NMGC uses at its discretion, to temporarily  
5 supplement the general components of compensation for employees who work in a  
6 job market or geographic area in which the Company determines that other  
7 employers are providing materially higher wages and/or benefits than those offered  
8 by the Company for similar skillsets, and this pay difference is having an adverse  
9 effect on the ability of the Company to attract and retain a sufficient number of  
10 qualified employees.

13 **Q. PLEASE DESCRIBE BASE SALARY.**

14     **A.**     As previously described, base salary is the cash compensation all employees  
15             regularly receive in their paychecks. Employees in certain job classifications are  
16             eligible for overtime and/or shift differential pay.

18     **Q.     DOES NMGC TYPICALLY PROVIDE ANNUAL MERIT INCREASES TO**  
19     **EMPLOYEE BASE SALARIES?**



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1    **A.**    Yes.  NMGC typically reviews salaries, employee performance, and other  
2            compensation related data and increases employee base salaries twice a year: in  
3            January and again later in the year.

4  
5    **Q.    IN NMGC’S 2021 RATE CASE, YOU FILED SUPPLEMENTAL**  
6            **TESTIMONY DISCUSSING A SUDDEN CHANGE THE COMPANY**  
7            **EXPERIENCED IN THE EMPLOYMENT MARKET. CAN YOU PLEASE**  
8            **BRIEFLY DESCRIBE WHAT THAT CHANGE WAS?**

9    **A.**    In March 2022, NMGC experienced a sudden change in the employment market in  
10           the north central region when NMGC team members began being recruited to work  
11           at Los Alamos National Labs (“LANL”). I understand that the contractors for  
12           LANL were offering wage and benefit packages significantly higher (as much as  
13           30% - 40%) than those offered by NMGC for comparable positions.

14  
15           As a result of these offers, multiple NMGC team members resigned in the north  
16           central region with little to no notice to NMGC. In one instance, five NMGC team  
17           members resigned on the same day, to take positions with LANL’s contractor, with  
18           no notice to NMGC. These departures primarily affected Española and Santa Fe.  
19           In Española, NMGC had four service technicians and lost all of them to LANL’s  
20           contractor. Santa Fe was left with three service technicians, when it should have

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1           had six. NMGC was also aware of contractors making similar offers to NMGC  
2           team members in Albuquerque and Farmington.

3  
4           In response to this sudden change, NMGC temporarily assigned service technicians  
5           from Albuquerque to the north central region to cover the areas affected by the loss  
6           of employees. NMGC also enacted a supplemental pay plan in the third week of  
7           March 2022 in the north central region, which includes Santa Fe, Española, and  
8           Taos. I will discuss supplemental pay in more detail in section II(d) of this Direct  
9           Testimony.

10  
11   **Q.    WAS NMGC’S RESPONSE TO THE SUDDEN CHANGE IN THE**  
12   **EMPLOYMENT MARKET EFFECTIVE?**

13   **A.**    Yes. By enacting the supplemental pay plan, NMGC was able to significantly slow  
14           the loss of employees in the north central area. This, combined with the temporary  
15           reassignments, ensured that NMGC was able to continue providing customers with  
16           safe and reasonable service. Since that time, the situation in the north central region  
17           has mostly stabilized and employees in that region continue to receive supplemental  
18           pay.

19  
20   **Q.    WHAT IMPACT DID THIS SUDDEN CHANGE HAVE ON NMGC’S 2021**  
21   **RATE CASE?**

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1    **A.**     In the 2021 Rate Case, NMGC originally requested recovery of a 5% merit increase  
2           for 2023. In light of dramatic changes in the market experienced in March 2022,  
3           the Company filed an errata requesting an additional 4% to pay for the supplemental  
4           pay program and to proactively address these employment issues on an as needed  
5           basis.

6  
7    **Q.     DID THE COMPANY USE ALL OF THE ADDITIONAL 4% AND, IF SO,**  
8           **HOW?**

9    **A.**     Yes, NMGC used all of this money to assist with employee retainment and  
10           recruitment. By way of reference, the Stipulation for the 2021 Rate Case reflected  
11           \$69.5 million in compensation expenses for the Future Test Year, which included  
12           the additional 4%. For 2023 (the Future Test Year) we are tracking to spend more  
13           than that amount which is reflective of the challenging labor market in New Mexico  
14           and the Company's ongoing efforts to attract and retain employees and ensure the  
15           work of the Company gets done. The additional 4% was spent in a variety of ways  
16           with the following areas being the most significant:

- 17           • Supplemental pay to provide more competitive salaries for highly sought  
18           positions;  
19           • Mid-year merits that were above the historic norm aimed primarily at  
20           employees paid at the low end of their pay range;

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- 1           • Retention bonuses to incentivize certain employees to remain with the
- 2           Company;
- 3           • Overtime pay for employees covering for vacant positions; and
- 4           • Raising STIP pay for certain grades that were below market.

5           In addition to amounts spent directly on compensation, the Company has also been  
6           incurring incremental costs in the following areas to help attract employees and  
7           ensure the work of the business is getting done:

- 8           • Relocation expenses to bring new employees to New Mexico when
- 9           required;
- 10          • External recruiters to assist with filling vacant positions; and
- 11          • Hiring third-party contractors to supplement internal labor.

12  
13   **Q.   WHAT CONDITIONS ARE NMGC CURRENTLY SEEING IN THE**  
14   **EMPLOYMENT MARKET?**

15   A.   While NMGC is not experiencing the exact same issue with LANL recruiting  
16   employees, the Company is still experiencing conditions that are causing the  
17   Company to have difficulty attracting and retaining employees. First, NMGC is  
18   seeing increased competition, both in New Mexico and from other states. In New  
19   Mexico, NMGC has experienced increased competition for talent from competitors  
20   such as private plumbing companies, the manufacturing industry, the national  
21   laboratories, the oil and gas industry, and other employers. These competitors

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1        cause NMGC difficulty attracting and retaining highly skilled technical and  
2        professional employees such as engineers, accountants, and field technicians. In  
3        addition, the competition with employers in other states has also grown as remote  
4        work opportunities have increased in large part due to the COVID-19 Pandemic.

5  
6        Second, since the COVID-19 Pandemic forced people to work from home in 2020,  
7        NMGC has seen an increased desire for and priority of remote work, which many  
8        people feel provides more flexibility and cuts out commuting. The acceptability  
9        and widespread availability of remote work has increased the pool of NMGC's  
10       competitors to include more employers across the Country. This prioritization of  
11       remote work can also decrease the desirability of work that cannot be done  
12       remotely, such as field and service technicians.

13  
14       Third, in both NMGC and the employment market generally, there is a less  
15       experienced workforce. The need for additional training and experience  
16       exacerbates the increased competition NMGC is seeing, as more experienced  
17       employees are in high demand for their level of skill and their ability to help train.  
18       This issue is prevalent at NMGC as many positions require specific skill sets,  
19       training, and licensure such that new employees can require years to get up to speed.  
20       For example, NMGC service technicians require a journeyman's gas license, which  
21       takes a minimum of two years' experience, at least 4,000 hours, plus NMGC

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1 specific training before they are qualified to provide services in customer homes.  
2 Moreover, once NMGC provides this training to employees, they become more  
3 attractive to other employers and more difficult for NMGC to retain.

4  
5 Due to these conditions I have described, NMGC is experiencing a high level of  
6 turnover. Although NMGC has hired many employees, a comparable number have  
7 left, resulting in difficulty lowering the vacancy rate. I will discuss this in more  
8 detail later in my Direct Testimony. Additionally, NMGC is experiencing a lot of  
9 internal movement. With many positions unfilled, employees within the Company  
10 often apply for promotional opportunities and positions in other departments. This  
11 results in one position being filled and another left empty with no net change in the  
12 vacancy number.

13  
14 **Q. DO YOU ANTICIPATE THAT THESE CONDITIONS WILL CONTINUE**  
15 **IN THE FUTURE?**

16 **A.** Yes. We anticipate that these will be ongoing conditions that NMGC will have to  
17 address for the foreseeable future.

18  
19 **Q. ARE THE SALARIES PROVIDED BY NMGC CURRENTLY**  
20 **COMPETITIVE WITH THOSE OFFERED BY SIMILARLY SITUATED**  
21 **EMPLOYERS TO ATTRACT AND RETAIN EMPLOYEES?**

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1    **A.**    NMGC always strives to offer competitive salaries and has a history of successfully  
2           doing so. After experiencing the employee retention and attraction difficulties  
3           described in my Direct Testimony NMGC engaged the help of an industry expert,  
4           Mercer. With this consultation, NMGC learned that its salaries are currently below  
5           the market median in New Mexico by approximately 10%.

6  
7    **Q.    PLEASE DESCRIBE YOUR CONSULTATION WITH MERCER**  
8           **REGARDING BASE SALARIES.**

9    **A.**    As described above, NMGC has been experiencing many conditions in the  
10           employment market causing difficulty attracting and retaining employees and  
11           resulting in increased vacancies. These conditions began in March 2022, as  
12           described in NMGC's last rate case, and have been and still are ongoing. To help  
13           NMGC address this challenging labor market, NMGC engaged Mercer, an industry  
14           consulting firm who has provided actuarial reports and forecasts for NMGC's  
15           health, dental, and pension costs in this and prior rate cases.

16  
17           NMGC asked Mercer to conduct an analysis of the competitiveness of NMGC's  
18           compensation levels. NMGC provided Mercer with national market data reviewed  
19           and organized by TEC.<sup>1</sup> Mercer reviewed the benchmarking data compiled by TEC

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<sup>1</sup> TEC has a subscription to access national market data collected by Mercer and Willis Towers Watson through surveys. TEC reviews information from these databases and determines what is relevant for NMGC compensation benchmarking then conducts benchmarking analysis.

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1 and compared it to the market in New Mexico and to NMGC's salaries. Mercer's  
2 analysis indicated that 1) median salaries in New Mexico are currently higher than  
3 those nationally and 2) that NMGC's salaries are approximately 10% below the  
4 New Mexico market median, even factoring in supplemental pay for certain  
5 employees. A copy of Mercer's analysis of the Market Competitiveness of  
6 NMGC's Compensation is attached to my Direct Testimony as NMGC Exhibit  
7 DEW-2. Mercer's analysis of the competitiveness of NMGC's compensation  
8 provides valuable insight into why NMGC is struggling to attract and retain  
9 employees. It confirms what NMGC has been experiencing in the New Mexico  
10 labor market - mainly, that NMGC's compensation levels are below market.

11  
12 Mercer also analyzed the current economic environment and provided projections  
13 for the 2024 and 2025 base salaries in the United States. Mercer's projections  
14 expect the 2024 national salary increase budget to be around 4% and the 2025  
15 national salary increase budget to be between 3% and 3.5%. A copy of Mercer's  
16 2024-2025 Salary Escalation Projections Memorandum is attached to my Direct  
17 Testimony as NMGC Exhibit DEW-3.

18  
19 **Q. HOW IS NMGC PLANNING TO ADDRESS THE FACT THAT ITS**  
20 **SALARIES ARE BELOW THE MARKET MEDIAN?**



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1     **A.**     NMGC plans to bring its salaries in line with the market median between now and  
2             2025. Specifically, NMGC plans to raise base salaries overall by approximately 17%  
3             by January 2025, subject to the discretion of NMGC management and on an employee  
4             by employee basis. We have determined that this salary adjustment is necessary to  
5             get total compensation at or near the market so that NMGC can attract and retain talent  
6             through the period covered by this rate case.

7

8     **Q.     HOW IS BASE SALARY TREATED IN THE COMPANY’S FUTURE TEST**  
9             **YEAR MODEL?**

10    **A.**     Base salaries are escalated at a labor escalation rate. As described by NMGC  
11             Witness Buchanan, when the Company is not separately forecasting an amount, the  
12             Company applies escalators to advance operations and maintenance (“O&M”)  
13             costs from year-to-year to get to the O&M amounts in the Future Test Year period.  
14             The Company uses two types of escalators, one for labor expenses and one for non-  
15             labor. These two types of escalators are developed independently, based on  
16             different inputs and by different subject matter experts. Given the different factors  
17             that the labor analysis entails, the labor escalator is separate from and determined  
18             independently of the non-labor escalator.

19

20    **Q.     PLEASE EXPLAIN HOW THIS SALARY ADJUSTMENT WAS**  
21             **DETERMINED.**

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1     **A.**     NMGC executive leadership developed this salary adjustment after considering all  
2             the market data available, including the Mercer analyses. I was fully engaged in  
3             these discussions. NMGC executive leadership reviewed Mercer’s finding that  
4             base salaries are approximately 10% below the market median in New Mexico and  
5             found that it was consistent with and would help explain the problems NMGC is  
6             experiencing. NMGC also reviewed Mercer’s salary escalation projections and  
7             found them reasonable. Mercer’s projections are consistent with my understanding  
8             of what companies are seeing in year-to-year increases to base salaries.  
9  
10            In addition to Mercer’s analysis, many factors were taken into consideration,  
11            including inflation and general economic conditions, as well as anticipated wage  
12            and salary increases in similarly situated or competitive industries, labor wage and  
13            salary demands by employees, competition for employees including talent  
14            shortages, talent retention and talent movement, as well as benefit comparisons, and  
15            factors which employees and employers analyze when asking for and setting  
16            compensation.  
17  
18            Based on Mercer’s recommendation and on NMGC’s experiences in the  
19            unprecedented local market, NMGC determined that it would be prudent and  
20            reasonable to raise current base salaries overall by 10%, and then to escalate base

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1 salaries, based on Mercer's projections for 2024 and 2025, by 7% over 2 years, for  
2 a total adjustment of 17% between now and January 2025.

3  
4 **Q. WILL NMGC APPLY THIS SALARY ADJUSTMENT EQUALLY TO THE**  
5 **SALARIES OF ALL EMPLOYEES?**

6 **A.** No. This salary adjustment will be applied to employee's salaries as merit increases  
7 at the discretion of NMGC's management group. Merit increases are not generally  
8 applied uniformly to all employees. Rather, the Company evaluates salaries,  
9 employee performances, and other compensation related data to determine how  
10 much individual employees or grades of employees should be raised depending on  
11 the circumstances. The Company will also consider Mercer's analysis, which  
12 indicated that while overall, NMGC employees are approximately 10% below the  
13 market median in New Mexico, some grades are closer to market than others. This  
14 will factor into how this salary adjustment is applied across NMGC's employees.  
15 This examination of various compensation related factors is not new and is part of  
16 NMGC's normal business management process.

17  
18 **b. Benefits**

19 **Q. PLEASE DESCRIBE THE BENEFITS THAT ARE GENERALLY**  
20 **OFFERED TO FULL-TIME EMPLOYEES BY NMGC.**

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1    **A.**     Obviously, benefits are a necessary component of compensation to attract and  
2            retain a well-qualified workforce. We offer the following benefits to full-time  
3            employees: medical, dental, vision, retirement savings plan 401(k), pension plan,  
4            life insurance, accidental death & dismemberment insurance, short-term and long-  
5            term disability, flexible spending accounts, health savings accounts, educational  
6            assistance program, employee assistance program, paid time off, holiday pay,  
7            wellness program, and retiree medical plan (grandfathered plan).

8

9    **Q.     HOW ARE BENEFIT LEVELS SET?**

10   **A.**     The Company considers the appropriate design and administration of its benefits  
11            programs each year. The Company strives each year to provide employees with a  
12            benefits package that is competitive in the market while recognizing the importance  
13            of controlling the Company's expenses in this area. Among other things, our  
14            consumer-driven health plan options drive employee engagement by putting more  
15            responsibility and flexibility into the hands of employees to ensure that they make  
16            the most appropriate, cost-effective decisions when it comes to their healthcare.

17

18   **Q.     DOES THE COMPANY PROVIDE A 401(K) PLAN, AND IF SO, DOES THE**  
19            **COMPANY MATCH THE EMPLOYEES' CONTRIBUTIONS?**

20   **A.**     Yes. As part of the 401(k) plan, employees receive the Company fixed match  
21            which is \$0.75 for every dollar contributed to the 401(k) plan up to the first 6% of

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1           their eligible compensation. Based on the achievement of certain business financial  
2           goals, the Company will add a performance match up to \$0.25 for every dollar  
3           contributed up to the first 6% of eligible pay. Together, the fixed match and the  
4           performance match result in a potential match of \$1.00 for every \$1.00 the  
5           employee contributes, up to a maximum of 6% of the employee's eligible pay.  
6           Although the performance match is arguably a recoverable expense, for the  
7           purposes of this rate case, the Company is not seeking recovery of this performance  
8           match.

9  
10   **Q.    ARE THE BENEFITS PROVIDED BY NMGC COMPETITIVE WITH**  
11       **THOSE OFFERED BY SIMILARLY SITUATED EMPLOYERS TO**  
12       **ATTRACT AND RETAIN EMPLOYEES?**

13   **A.    Yes.**

14

15   **Q.    PLEASE EXPLAIN WHAT RULE 630 SCHEDULE H-4 PROVIDES WITH**  
16       **REGARD TO EMPLOYEE COMPENSATION, AND PLEASE IDENTIFY**  
17       **WHAT INFORMATION YOU PROVIDED FOR ITS PREPARATION.**

18   **A.    Rule 630 Schedule H-4 is sponsored by NMGC Witness Buchanan. Rule 630**  
19       **Schedule H-4 identifies the level of compensation provided to employees at NMGC**  
20       **including benefits, and projects forward such compensation and benefits through**

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1           the test period. I provided background compensation information for the  
2           preparation of Rule 630 Schedule H-4.

3

4   **Q.   PLEASE DISCUSS YOUR INPUT INTO THE HEALTH AND**  
5       **DENTAL BENEFIT COST INCREASES REFLECTED IN RULE 630**  
6       **SCHEDULE H-4.4.**

7   **A.**   The increases reflected in Rule 630 Schedule H-4.4 are predicated on an actuarial  
8           report prepared for NMGC by Mercer. At our request, Mercer prepared an actuarial  
9           forecast of NMGC's health and dental costs based on our past experience. A copy  
10          of this report is attached to my Direct Testimony as NMGC Exhibit DEW-4. The  
11          projections from Mercer are consistent with my understanding of what companies  
12          are seeing in year-to-year increases to medical and dental insurance costs.

13

14   **Q.   PLEASE DISCUSS YOUR INPUT INTO THE BASIS FOR THE INCREASE**  
15       **IN PENSION COSTS REFLECTED IN RULE 630 SCHEDULE H-4.4 IN**  
16       **THE FUTURE TEST YEAR.**

17   **A.**   NMGC has historically, and continues to, rely on outside actuaries to determine its  
18           pension calculations. At our request Mercer prepared a report regarding pension  
19           cost increases and a copy of the Mercer report related to pension calculations is  
20          attached as NMGC Exhibit DEW-5. The increase in pension costs in Rule 630

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1           Schedule H-4.4 are based upon the information contained in NMGC Exhibit DEW-  
2           5.

3

4   **Q.   PLEASE DISCUSS YOUR INPUT INTO THE REASON FOR THE**  
5           **INCREASES IN 401(K) BENEFITS REFLECTED IN RULE 630**  
6           **SCHEDULE H-4 IN THE FUTURE TEST YEAR.**

7   **A.**   The cost related to the Company's 401(k) plan will increase commensurate with  
8           the projected merit increases. For example, if an employee receives a 3% merit  
9           increase, they are also eligible for a 6% match up to \$0.75 cents per dollar, for that  
10          3% increase. This information was provided to NMGC Witness Buchanan, and  
11          changes were made in the COS model, and those changes flow through the COS  
12          model related to the 401(k) for 2024 and the first three quarters of 2025 along the  
13          lines described herein.

14

15   **Q.   IN RULE 630 SCHEDULE H-4, NMGC WITNESS BUCHANAN APPLIES**  
16           **AN ESCALATOR TO VARIOUS BENEFITS – OTHER THAN HEALTH,**  
17           **DENTAL, PENSION AND 401(K). BASED ON YOUR EXPERIENCE, IS**  
18           **THIS A REASONABLE ASSUMPTION?**

19   **A.**   Yes. Certain benefit expenses such as health and dental expenses, pension costs,  
20          or 401(k) are separately forecasted, as discussed above. For benefits other than  
21          those separately forecasted, we applied the non-labor escalators. In his Direct

1       Testimony, NMGC Witness Buchanan provides detail about how the non-labor  
2       escalators were determined. Based on my experience, I think such escalators are  
3       reasonable and appropriate and that it is a reasonable method to project future  
4       expenses for benefits that are not separately forecasted.

**7 Q. WHAT INCENTIVE PAY DOES THE COMPANY OFFER?**

10

12     **A.**     The Company’s STIP is, as the name suggests, an incentive plan that compensates  
13             employees for the achievement of annual Company performance objectives. The  
14             achievement of the objectives of the STIP is intended to benefit customers, directly  
15             and indirectly. All employees are eligible to participate in the STIP and the STIP  
16             is a key component of the Company’s compensation program.

17

20     **A.**     The Company’s STIP goals are centered around customer satisfaction, asset  
21     management and operational efficiency and safety, and include items such as call



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1 center metrics, safety-related metrics, system integrity and reliability measures, and  
2 cost containment measures. Payouts for the STIP are based on meeting goals in the  
3 following categories: 1) safety; 2) environmental; 3) people (employee); 4)  
4 customer; 5) asset management; and 6) financial.

5  
6 **Q. HOW ARE STIP PAYMENTS TREATED IN THE COMPANY'S FUTURE**  
7 **TEST YEAR MODEL?**

8 **A.** STIP expense is based on employees' target STIP and is escalated at the labor  
9 escalation rate.

10  
11 **Q. PLEASE DESCRIBE THE COMPANY'S LTIP.**

12 **A.** The Company's other incentive program, the LTIP, is an incentive plan to  
13 compensate certain eligible employees for the achievement of 3-year performance  
14 objectives. The achievement of these objectives is intended to benefit customers,  
15 directly and indirectly. LTIP compensation is available to certain management  
16 employees at NMGC. Although LTIP does help attract and retain qualified  
17 employees, and thus is arguably a recoverable expense, NMGC is not seeking  
18 recovery of LTIP in this rate case.

19  
20 **d. Supplemental Pay**

21 **Q. IS NMGC STILL UTILIZING THE SUPPLEMENTAL PAY PROGRAM?**

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1    **A.**     Yes.

2

3    **Q.**     **PLEASE DESCRIBE THE SUPPLEMENTAL PAY PROGRAM.**

4    **A.**     Supplemental Pay is the program that NMGC uses at its discretion, to temporarily  
5            supplement the general components of compensation for employees who work in a  
6            job market or geographic area in which the Company determines that other  
7            employers are providing materially higher wages and/or benefits than those offered  
8            by the Company for similar skillsets, and this pay difference is having an adverse  
9            effect on the ability of the Company to attract and retain a sufficient number of  
10          qualified employees.

11

12          NMGC has had a supplemental pay program since 2018 when the Company saw  
13          increased competition for employees with the oil and gas industry in the Permian  
14          Basin. When NMGC began experiencing the employment market changes in  
15          March 2022, the Company implemented the program in the north central region to  
16          try to retain employees who were being heavily recruited. Since then, the Company  
17          expanded the program to the Albuquerque area in November 2022, when it  
18          experienced increased competition for skilled workers there.

19

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1           Currently, the Company supplements the general compensation of approximately  
2           130 employees. These employees are primarily in operations positions, such as  
3           service technicians and construction forepersons.

4

5   **Q.   HOW DOES NMGC DETERMINE HOW MUCH TO SUPPLEMENT AN**  
6   **EMPLOYEE’S PAY?**

7   **A.**   The amount of supplemental pay varies based upon the Company’s assessment of  
8           what is required to attract and/or retain qualified employees in the relevant job  
9           market or geographic area. NMGC determines a percentage increase to a  
10          participant’s salary or hourly rate based on considerations such as the level of  
11          competition in a geographic area, the level of difficulty the Company has had  
12          recruiting in that area, and the level of technical skill and training required for that  
13          position.

14

15          For example, in the Carlsbad and Lovington areas, NMGC competes for employees  
16          heavily with the oil and gas industry in Permian Basin. Therefore, based on the  
17          considerations described, the Company determined that construction and  
18          maintenance positions in those areas get 40% supplemental pay, gas systems  
19          technicians get 30%, and other employees in those areas get 20%.

20

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1   **Q.   HAS THE SUPPLEMENTAL PAY PROGRAM HELPED NMGC RETAIN**  
2       **AND RECRUIT EMPLOYEES?**

3   **A.**   Yes, the supplemental pay program has been successful in the areas where it has  
4       been implemented. As the market continues to evolve the Company will continue  
5       to evaluate whether to extend it to other areas as necessary.

6  
7   **Q.   WHY IS THE SUPPLEMENTAL PAY PROGRAM STILL NECESSARY?**

8   **A.**   The supplemental pay program is still necessary because the Company is still  
9       experiencing many of the same pressures as it was in March 2022. Moreover, the  
10      Company is experiencing these pressures in new areas geographically and among  
11      various types of employees.

12  
13   **Q.   DO YOU ANTICIPATE THE COMPANY WILL CONTINUE TO NEED**  
14      **THE SUPPLEMENTAL PAY PROGRAM?**

15   **A.**   Yes. While the Company is still having difficulty attracting and retaining  
16      employees, the supplemental pay program is necessary to ensure that NMGC has  
17      enough employees to continue providing safe reasonable service to customers.

18

19                                   **III.   VACANCIES**

20   **Q.   HOW MANY VACANCIES DOES NMGC CURRENTLY HAVE AND HOW**  
21      **MANY VACANCIES HAS IT AVERAGED IN 2023?**

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1     **A.**     As of the filing of this Application, NMGC had 93.

2

3     **Q.     IS THIS MORE THAN THE COMPANY HAD FORECASTED FOR 2023?**

4     **A.**     Yes. In its 2021 Rate Case, the Company had projected that its vacancy rate in  
5             2023 would be approximately 36. The Company based this projection on its belief  
6             that the vacancy rate in 2023 would return to pre-COVID-19 Pandemic numbers.

7

8     **Q.     WHY IS THE ACTUAL VACANCY RATE HIGHER IN 2023 THAN WHAT**  
9             **THE COMPANY HAD PROJECTED FOR 2023?**

10    **A.**     In 2021 and 2022 we had approximately 749 positions at the Company. In 2022  
11             and 2023, we added 44 positions, for a total of 793 positions. We did this in an  
12             effort to better serve our customers. These additional positions are primarily in the  
13             call center and customer service, engineering, operations, inspection, safety as well  
14             as a number of positions in corporate services. NMGC opened these positions with  
15             the reasonable expectation that these positions would be filled. However, due to  
16             the challenging labor market as described above, we have had difficulty filling  
17             positions and retaining employees and the Company's headcount has remained at  
18             around 700. The difference between headcount and position level results in our  
19             current vacancy rate of approximately 93.

20

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1   **Q.   WHAT DOES NMGC INTEND TO DO TO REDUCE THIS VACANCY**  
2       **RATE?**

3   **A.**   First and foremost, it is our expectation that closing the pay-gap between what  
4       NMGC pays and the New Mexico pay scale will reduce this vacancy level. In line  
5       with Mercer's analysis, NMGC will bring salaries closer to the market in New  
6       Mexico. This will include increasing starting pay, continuing to provide the  
7       opportunity for merit increases and incentive pay, and continuing the supplemental  
8       pay program. Raising salaries is critical to NMGC being more competitive on both  
9       the State and regional level, which we believe will help retain and recruit talent.

10

11       Additional efforts that we have and will continue to undertake to reduce the vacancy  
12       rate includes engaging external recruiters to help find quality candidates and fill  
13       positions. NMGC is finding that posting positions is often not enough to find  
14       candidates in the current employment market. External recruiters have enabled the  
15       identification and hiring of quality candidates both from New Mexico and other  
16       states.

17

18   **Q.   WITH THESE EFFORTS IN MIND, WHAT VACANCY RATE IS NMGC**  
19       **AIMING FOR THE FUTURE TEST YEAR IN THIS CASE?**

20   **A.**   We anticipate that the Company's efforts, including the compensation increases  
21       requested in this case, will allow the Company to substantially reduce the number

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1 of vacancies. We anticipate that the vacancy rate in the Future Test Year will be  
2 approximately 63.

3  
4 Ultimately, the Company's goal is to get the vacancy rate back down to a level  
5 more consistent with its pre-COVID-19 Pandemic level; however, we anticipate  
6 that these efforts will need to continue past the time periods in this filing.

7

8 **Q. IN THE MEANTIME, IS NMGC ABLE TO PROVIDE SAFE RELIABLE**  
9 **SERVICE WITH THE CURRENT LEVEL OF HEADCOUNT?**

10 **A.** Yes. NMGC continues to provide safe and reliable service to its customers for  
11 several years with a similar level of headcount and will continue to do so. That  
12 said, the vacancy rate is higher than we would like and has caused NMGC to  
13 increase overtime and increase reliance on third-party contractors. While we can  
14 and are providing safe and reliable service, the level of overtime is financially  
15 challenging and operationally challenging, and not sustainable in the long term.

16

17 **Q. DOES NMGC'S REVENUE REQUIREMENT INCLUDE RECOVERY OF**  
18 **EXPENSES RELATED TO EXPECTED VACANCIES IN THE FUTURE**  
19 **TEST YEAR?**

20 **A.** No, the revenue requirement does not include expenses related to the projected  
21 vacancies for the Future Test Year.

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1   **Q.   IF NMGC INCREASES HEADCOUNT, ARE YOU EXPECTING TO**  
2       **DECREASE OVERTIME?**

3   **A.**   Yes. I anticipate that as NMGC increases headcount, there will also be a decrease  
4       in the amount of overtime that employees work.

5

6                                   **IV.   SECURITY MEASURES**

7   **Q.   WHAT SECURITY MEASURES ARE YOU RESPONSIBLE FOR?**

8   **A.**   I am responsible for the Company's security measures, other than those that are  
9       IT&T related. This includes the Company's planning and implementation of  
10      physical security of NMGC's offices and facilities, including pipelines. My  
11      responsibilities also include ensuring compliance with requirements of the  
12      Transportation Security Administration ("TSA"). This area includes a component  
13      of cybersecurity as it directly relates to NMGC's pipelines and TSA compliance.  
14      However, cybersecurity more generally falls under the IT&T security measures  
15      discussed in the testimony of NMGC Witness Kevin I. Farr.

16

17   **Q.   WHAT IS NMGC DOING WITH RESPECT TO SECURITY EXPENSES IN**  
18       **THIS CASE?**

19   **A.**   NMGC has numerous offices and payment centers, approximately 12,400 miles of  
20      pipe, and hundreds of related facilities throughout the state. We take very seriously  
21      our obligation to protect our employees, our customers, and our facilities. Toward



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1           that end, and consistent with industry trends, and regulations, we have developed  
2           and are implementing enhanced plans and programs to increase the physical  
3           strength and security of our facilities, including offices and payment centers,  
4           pipelines, and pipeline related facilities.

5  
6           We discussed this in our 2019 Rate Case and consulted with security experts prior  
7           to that case. We are continuing this effort in this case as described below. I have  
8           provided these numbers to NMGC Witness Tom C. Bullard and NMGC Witness  
9           Buchanan for inclusion in the capital and O&M numbers in this case.

10  
11          NMGC is expending capital to continue to harden facilities throughout the State.  
12          Briefly, we are enhancing the physical security at our offices; improving security  
13          at critical sites on our pipeline facilities; and we will continue to evaluate expanding  
14          these services in coming years. In addition to enhanced physical security of offices  
15          and pipeline facilities, physically protecting the Company's IT&T assets is a critical  
16          component of the Company's security efforts.

17  
18      **Q.   WHAT IS NMGC PLANNING TO DO WITH SECURITY IN THE**  
19      **FUTURE?**

20      **A.**   NMGC will continue utilizing contracted security guards, hardening the physical  
21      security at each of its office locations, and deploying enhanced technology. As part

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1 of these efforts, NMGC has been implementing an integrated security solution at  
2 what we have identified as our critical pipeline facilities. This process is ongoing  
3 as security measures require updates every year in order to remain up to date.

4  
5 **Q. PLEASE EXPLAIN WHAT THIS INTEGRATED SECURITY SOLUTION**  
6 **IS.**

7 **A.** The integrated security solution is a perimeter detection and assessment solution.  
8 The intent of the solution is to minimize the physical infrastructure footprint while  
9 maximizing the surveillance performance. The security layers are designed to  
10 detect, delay or deter, and respond to any potential aggression directed at a critical  
11 facility. The end goal of the implemented layers of security measures is to bring a  
12 “defend and deter” posture to the defensiveness of a facility.

13  
14 **Q. HOW WAS THE INTEGRATED SECURITY SOLUTION DEVELOPED?**

15 **A.** In developing the integrated security solution, NMGC Corporate Security and  
16 Engineering personnel worked with representatives of TSA to create and  
17 implement a process whereby critical facilities were identified, and then  
18 vulnerabilities of those facilities were assessed. We consulted with other utilities  
19 in our geographical region. All of this evaluation, assessment and information was  
20 used when developing the integrated security solutions that we are deploying across  
21 the Company. Much of this information is confidential in as much as it would be

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1 counterproductive to publicly identify high security assets or actions taken to secure  
2 these assets. In fact, the Company is precluded from providing this information  
3 generally.

4  
5 **Q. HAVE THE INTEGRATED SECURITY SOLUTIONS ENHANCED THE**  
6 **SECURITY AT NMGC FACILITIES?**

7 **A.** Yes, within the confines of what we can disclose, at the facilities where the  
8 integrated security solution has been installed, the security of the facility is now in  
9 what is referred to as a “defend and deter” posture, which is where we want to be.  
10 The funds we have expended have placed us in this position. Also, we continue to  
11 implement the integrated security solution at other critical facilities.

12  
13 **Q. BRIEFLY IDENTIFY THE COSTS INCURRED FOR COMPANY**  
14 **SECURITY FOR WHICH YOU ARE RESPONSIBLE.**

15 **A.** The cost of the Company’s security investments at its pipeline facilities, including  
16 the integrated security solutions for 2024 and the first three quarters of 2025 is  
17 projected at \$1,070,249.

18  
19 At Company facilities other than pipelines, the cost of security investments to  
20 harden such facilities is projected to be \$852,092 for 2024 and the first three  
21 quarters of 2025.

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1   **Q.   RECENTLY THE TSA ISSUED SECURITY DIRECTIVES RELATED TO**  
2           **CYBER SECURITY. PLEASE DESCRIBE THESE DIRECTIVES.**

3   **A.**   Under the provision of the U.S. Aviation and Transportation Security Act, the U.S.  
4           Department of Homeland Security’s TSA has broad security responsibilities over  
5           “modes of transportation.” Since 2002, TSA has exercised oversight of pipeline  
6           security efforts. Historically, TSA’s oversight has involved issuance of guidelines  
7           and performing corporate security reviews and critical facility reviews. In 2021, in  
8           response to recent events and changing risks in the world of cyber security, TSA  
9           issued two cyber security directives aimed at pipelines and pipeline systems. These  
10          directives are applicable to NMGC. I will briefly describe what the directives  
11          require us to do.

12  
13          In May 2021, TSA issued Pipeline Cyber Security Directive 01. It required that  
14          owners and operators of critical pipelines: (1) report confirmed and potential cyber  
15          security incidents; (2) designate a Cybersecurity Coordinator; (3) review current  
16          practices; and (4) identify any gaps and related remediation measures to address  
17          cyber-related risks and report the results.

18  
19          In July 2021, TSA issued Pipeline Cyber Security Directive 02  
20          which required owners and operators of critical pipelines to implement protections  
21          against cyber intrusions. Specific mitigation measures are required to protect

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1           against ransomware attacks and other known threats to information technology and  
2           operational technology (“OT”) systems. Additionally, pipelines must develop and  
3           implement a cyber security contingency and recovery plan and conduct a cyber  
4           security architecture design review.

5  
6           In July 2022, TSA issued Security Directive 02-C, which canceled and superseded  
7           the prior directives. Under this directive, pipeline owners are required to:

- 8           1) establish and execute a TSA-approved Cybersecurity Implementation Plan  
9           (“CIP”) that describes the specific cybersecurity measures the pipeline  
10          owners and operators are utilizing to achieve the security outcomes set forth  
11          in the Security Directive;
- 12          2) develop and maintain a Cybersecurity Incident Response Plan (“CIRP”) to  
13          reduce the risk of operational disruption or significant business degradation  
14          caused by a cybersecurity incident; and
- 15          3) establish a Cybersecurity Assessment Program (“CAP”) to proactively test,  
16          assess, and regularly audit the effectiveness of cybersecurity measures and  
17          identify and resolve vulnerabilities within devices, networks, and systems.

18  
19          In July 2023, TSA issued Security Directive 02-D, which is a continuation of the  
20          Security Directive series and canceled and superseded Security Directive 02-C.  
21          This directive added new requirements for CIRP exercises, submitting CAP

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1 updates for review and approval, providing a CAP schedule for assessing and  
2 auditing measures, and submitting an annual CAP report, all in accordance with  
3 TSA guidelines.

4

5 **Q. PLEASE DESCRIBE WHAT THE COMPANY IS DOING TO RESPOND**  
6 **TO THESE ADDITIONAL AND NEW DIRECTIVES.**

7 **A.** Security Directives 01 and 02 had specific 30/90/120/180-day implementation  
8 requirements, which NMGC complied with.

9

10 With respect to Security Directive 02-C, NMGC has completed all three  
11 requirements. NMGC worked with affiliates at TEC and Peoples Gas System to  
12 develop a CIP, which was submitted to and approved by TSA in December 2022.  
13 NMGC also developed and submitted its CIRP to TSA in April 2023. The CAP  
14 was established and submitted to TSA in April 2023. TSA acknowledged receipt  
15 of the CAP, and NMGC will be required to submit an annual update to TSA.

16

17 A review of Security Directive 02-D is in progress, as it came out very recently.  
18 NMGC will develop a plan to ensure compliance with this directive.

19

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1           Additionally, NMGC is participating in American Gas Association activities  
2           including security directive inspection forums and informational sessions providing  
3           clarification on directives.

4  
5   **Q.   HAS THE COMPANY SEEN INCREASED COSTS IN RESPONDING TO**  
6   **THE TSA DIRECTIVES?**

7   **A.**   Yes. NMGC is actively working with TEC to respond to the directives. The shared  
8           service work that is being performed by TEC is being assessed to NMGC based on  
9           headcount as is consistent with the Cost Allocation Manual. The full scope of the  
10          TSA security directives, and the obligations they place on companies is somewhat  
11          uncertain at this time, so we took the Base Period TSA costs of approximately  
12          \$150,000 and escalated them at the non-labor escalation rate. I believe these  
13          numbers are reasonable and have provided them to NMGC Witness Buchanan.

14  
15               **V.   REQUIREMENTS FROM PRIOR COMMISSION ORDERS**

16   **Q.   IN THE EMERA STIPULATION, AT PARAGRAPH 6, NMGC AGREED**  
17   **“THAT THE NUMBER OF FULL-TIME POSITIONS IN NEW MEXICO**  
18   **AT NMGC WILL BE MAINTAINED AT NO LESS THAN 675 FULL-TIME**  
19   **POSITIONS FOR THREE YEARS AFTER CLOSING, AND ON A GO-**  
20   **FORWARD BASIS WILL NOT DROP BELOW THIS LEVEL WITHOUT**  
21   **EXPRESS PRIOR NMPRC APPROVAL.” NMGC ALSO AGREED THAT**

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1           **IT WOULD “EXERCISE BEST EFFORTS TO MINIMIZE THE NUMBER**  
2           **AND LENGTH OF VACANCIES ... [AND THAT IF THE] UNPLANNED**  
3           **VACANCIES CAUSE A REDUCTION IN WORKFORCE BELOW 675 FOR**  
4           **MORE THAN THREE CONSECUTIVE MONTHS, NMGC AGREES TO**  
5           **INFORM THE SIGNATORIES AND MAKE BEST EFFORTS TO**  
6           **RESTORE THE WORKFORCE TO 675.” IS NMGC IN COMPLIANCE**  
7           **WITH THIS PROVISION?**

8       **A.**     Yes, NMGC is in full compliance with this paragraph of the Stipulation. Since the  
9           Emera Stipulation we have maintained at least 675 positions in New Mexico.

10

11       **Q.**     **IN THE EMERA STIPULATION, AT PARAGRAPH 12, NMGC AGREED**  
12           **THAT IT “WILL MAINTAIN WAGES, BENEFITS AND OTHER TERMS**  
13           **AND CONDITIONS OF EMPLOYMENT FOR NMGC EMPLOYEES**  
14           **THAT ARE AT LEAST SUBSTANTIALLY COMPARABLE TO THOSE**  
15           **CURRENTLY EXISTING FOR NMGC EMPLOYEES.” IS NMGC IN**  
16           **COMPLIANCE WITH THIS PROVISION?**

17       **A.**     Yes. Since 2016, NMGC has taken this commitment into account when making any  
18           changes to wages, benefits and other terms and conditions of employment for  
19           NMGC employees. It is our understanding that this provision was never intended  
20           to freeze the employee wages, benefits, and conditions of employment as they were  
21           in 2016, and since 2016, wages, benefits, and conditions of employment have been



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1           routinely evaluated and changes have been made. We have made all such changes  
2           while maintaining substantial comparability in wages, benefits and other terms and  
3           conditions of employment.

4

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

6   **A.     Yes.**