

Gerald C. Weseen

Direct Testimony and Exhibits

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF NEW MEXICO GAS COMPANY, INC.)
FOR APPROVAL OF REVISIONS TO ITS)
RATES, RULES, AND CHARGES PURSUANT)
TO ADVICE NOTICE NO 96)**

Case No. 23-00255-UT

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

DIRECT TESTIMONY AND EXHIBITS

OF

GERALD C. WESEEN

September 14, 2023

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

I. INTRODUCTION

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

A. My name is Gerald C. Weseen, and my business address is 7120 Wyoming Boulevard, NE, Suite 20, Albuquerque, New Mexico 87109. I am Vice President – Regulatory, Strategy and External Affairs for New Mexico Gas Company, Inc., (“NMGC” or the “Company”). I am responsible for business strategy pertaining to the Company delivering long-term value to its customers, promoting initiatives that maximize value from our proximity to abundant natural gas resources in New Mexico, and for coordinating initiatives that cost-effectively reduce greenhouse gas (“GHG”) emissions from Company operations. I also have executive responsibility for Regulatory, Governmental and External Affairs.

Q. PLEASE BRIEFLY DESCRIBE YOUR BUSINESS EXPERIENCE.

A. Before I joined NMGC in January 2020, I spent 13 years with Emera Inc. (“Emera”) and held several executive positions with Emera and its largest Canadian affiliate, Nova Scotia Power. Immediately before NMGC, I was Vice President of Special Projects at Emera, with involvement in the development of large-scale regional electric transmission and renewable energy solutions to serve customers in Atlantic Canada and the U.S. Northeast. From early 2014 until August 2018, I was based in Boston, Massachusetts as the U.S. project lead for an Emera affiliate developing a subsea transmission cable that was proposed to deliver clean energy from Atlantic Canada to New England. For additional details relating to my professional background, please see NMGC Exhibit GCW-1.

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

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

A. Yes. I previously adopted written testimony and testified before the Commission in
NMPRC Case No. 19-00317-UT (“2019 Rate Case”) and NMPRC Case No. 21-00267-UT
 (“2021 Rate Case”).

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

A. In Section II of this Direct Testimony, I update the status of the GHG emissions reduction
initiatives that were part of the 2019 and 2021 Rate Cases.

**II. NMGC’S UPDATE ON ITS GHG INITIATIVES
PRESENTED IN THE COMPANY’S 2019 AND 2021 RATE CASES**

**Q. PLEASE SUMMARIZE NMGC’S INITIATIVES TO REDUCE GHG EMISSIONS
AND THE STATUS OF THOSE INITIATIVES.**

A. As a result of Executive Order 2019-003, in which Governor Luján Grisham expressed
support for the goals in the 2015 Paris Climate Agreement and articulated an objective of
reducing statewide GHG emissions by at least 45% by 2030 compared to 2005 levels,
NMGC began pursuing a review of initiatives to reduce emissions from Company
operations.

In its 2019 Rate Case, NMGC proposed to install solar panels on Company buildings; to
purchase compressed natural gas (“CNG”) fueled vehicles for its fleet and to construct

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

1 CNG vehicle facilities including at the Company's Edith Service Center; to repair all
2 legacy Grade 3 leaks; and replace Wizard Controllers – pneumatic pressure controllers at
3 NMGC compressor stations that use gas pressure to move a valve and which result in gas
4 being vented to the atmosphere. In the Stipulation settling the 2019 Rate Case ("2019 Rate
5 Case Stipulation"), NMPRC Case No. 21-00267-UT, the Company agreed that "In its next
6 rate case [2021 Rate Case], NMGC will provide a reasonable estimate of the reductions in
7 carbon dioxide and methane emissions (together "GHG Emissions") produced by NMGC's
8 initiatives, including those described in the Direct Testimony of NMGC Witness Gerald C.
9 Weseen, and will document the reduction in GHG Emissions produced by those initiatives.
10 NMGC will provide testimony addressing the cost effectiveness of its GHG initiatives".

11
12 In my Direct Testimony in the 2021 Rate Case, I reported on the success of the Company's
13 efforts and detailed how the Company's efforts had resulted in annual avoided CO2
14 emissions and avoided lifetime emissions. This report was not disputed by the intervenors
15 in the 2021 Rate Case.

16
17 By way of update, since that report in my Direct Testimony in the 2021 Rate Case, the
18 Company as of March 2023 had completed installation of solar generation on an additional
19 13 of its facilities, is still fully engaged in its policy to repair Grade 3 leaks as they are
20 discovered, and the Wizard controllers that were replaced remain in use.

21
22 One proposal in the 2019 Rate Case has not been fulfilled: As discussed below, in the 2021
23 Rate Case Stipulation, the Company agreed to provisions that limited the Company's

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

1 proposed CNG vehicle expansion as contemplated in the Company's 2019 Rate Case. As
2 such, NMGC has not and is not currently seeking to expand its use of CNG vehicles and
3 CNG fueling stations for Company operations.

4
5 **Q. PLEASE IDENTIFY NMGC'S INITIATIVES IN THE 2021 RATE CASE**
6 **REGARDING GHG EMISSION REDUCTIONS, AND THE STATUS OF THOSE**
7 **INITIATIVES.**

8 **A.** Working with outside consultants and internally with NMGC's Engineering and Technical
9 Services group, NMGC outlined in its 2021 Rate Case GHG emission reduction initiatives
10 including: the Company's purchase of equipment and taking actions that will further reduce
11 methane emissions from the Company's system including continuation of the Company's
12 efforts to repair Grade 3 leaks as they were discovered; purchasing mobile flare units to
13 avoid venting of gas during construction or retirement of lines; purchasing a trailer-
14 mounted compressor to be used during routine operations, maintenance and construction
15 activity; and making a capital investment and changing its procedure for starting
16 compressor stations specifically to reduce venting of natural gas.

17
18 In the 2021 Rate Case, the Company estimated that its capital investment around GHG
19 emission reductions would be almost \$1.5 million in 2022, and would be about \$250,000
20 in 2023. The Company estimated that as a result of this investment, the Company would
21 reduce annual GHG emissions by approximately 6,400 MT of CO₂e. Over an assumed 15-
22 year life, the proposed actions were projected to reduce the Company's GHG emissions by
23 approximately 96,000 MT of CO₂e, although some equipment could be anticipated to last

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

longer than 15 years which would increase emissions reductions and therefore the overall emissions reduction cost.

Q. WHAT IS THE STATUS OF THESE INVESTMENTS?

A. The Company elected to defer the purchase of a trailer mounted compressor. Instead, the Company allocated capital to purchase three mobile flare units to reduce venting natural gas and the Company has made changes in the procedure for starting compressor stations with the specific intent to reduce venting of natural gas. Current projections of the GHG emissions reductions from this investment are in line with the projections made in the 2021 Rate Case, and are set forth in the following table:

Table 1: Summary of 2021 Rate Case GHG Emissions Reduction Initiatives

2021 Rate Case Initiative	Upfront Incremental Investment	Annual Avoided Costs	Annual Avoided Emissions (MT CO₂e)	Lifetime Avoided Emissions (MT CO₂e)	\$ per MT CO₂
Mobile Flare Units	\$354,371	\$0	26,917	403,749	\$1.16
Compressor Station Investments	\$153,775	\$244	27	412	\$366.28

Q. WHAT OTHER GHG EMISSION REDUCTION PROPOSALS DID THE COMPANY PUT FORWARD IN THE COMPANY'S 2021 RATE CASE?

A. As I discussed in detail in my 2021 Rate Case Direct Testimony, NMGC proposed a pilot project to blend hydrogen with natural gas in an isolated segment of its distribution system serving a small number of customers, with a portion of the capital cost being recovered

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

1 from customers and the balance paid from the Research and Development (“R&D”) Fund
2 established with funds Emera provided as part of its acquisition of NMGC. The
3 displacement of natural gas with hydrogen was projected to reduce burner tip emissions.
4

5 **Q. PLEASE SUMMARIZE THE STATUS OF THE COMPANY’S HYDROGEN**
6 **BLENDING PROPOSAL AS PROPOSED IN THE 2021 RATE CASE.**

7 **A.** Consistent with paragraph 22 of the 2021 Rate Case Stipulation, NMGC withdrew its
8 proposal to blend natural gas in a segment of its distribution system serving customers. As
9 allowed in the 2019 Rate Case Stipulation, the Company has subsequently used containers
10 of pre-mixed hydrogen and natural gas to run controlled blending tests at its Edith Service
11 Center – not connected to the system serving customers. To date, these tests have focused
12 on the impact of various blends of hydrogen (5%, 10%, and 15%) with natural gas on
13 appliances typically used by NMGC’s residential customers. Tests of the impact of higher
14 blends of hydrogen (20% and possibly 25%) on appliances have yet to be performed.
15 Examination of the effect of various blends on piping and other components of the system
16 is part of the work being done. This series of tests is not completed, but as provided for in
17 paragraph 22 of the 2021 Rate Case Stipulation, upon completion of this program of
18 testing, NMGC will notify the parties to the 2021 Rate Case that Phase 1 is complete and
19 hold an informal meeting to discuss the results of Phase 1 with interested stakeholders.
20

21 **Q. PARAGRAPH 22 OF THE 2021 RATE CASE STIPULATION PROVIDED THAT**
22 **“PHASE 1 OF THE COMPANY’S HYDROGEN BLENDING PROJECT WILL**
23 **PROCEED AND BE PAID FOR OUT OF THE R&D FUND SUPPLIED BY**

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

**NMGC’S SHAREHOLDER”. PLEASE DESCRIBE THIS FUND, EXPLAIN ITS
PURPOSE, AND DISCUSS ITS STATUS.**

A. As mentioned by NMGC Witness Ryan A. Shell, in his Direct Testimony in this case as part of the Emera Stipulation entered into when Emera merged with TECO and acquired NMGC, NMGC agreed that Emera would make contributions for economic development initiatives in New Mexico including \$5 million for economic development, \$10 million for infrastructure expansion, \$5 million for an expanded pipeline to Mexico, and additionally increase community contributions for three years. NMGC Witness Shell discussed the status of these commitments and then deferred to me to explain the status of the commitment to spend \$5 million for an expanded pipeline to Mexico.

In 2019, the Company requested a variance from the NMPRC to repurpose the \$5 million initially intended to be used to build an expanded pipeline to Mexico and explained its reasoning for this request to the Commission. The Commission agreed, and the \$5 million was repurposed with Commission approval to support an R&D program directed at research and development aimed at developing more efficient low carbon uses and renewable sources for natural gas. This is the fund mentioned in paragraph 22 of the 2021 Rate Case Stipulation. At present, the R&D Fund has an unspent balance of approximately \$2,589,500. As provided for in the Order establishing the R&D Fund, the fund has a life of five years and the Company stands committed to expending the R&D Fund on schedule by late 2024.

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

Q. PLEASE UPDATE THE STATUS OF THE OTHER PROVISIONS REGARDING ENVIRONMENTAL ISSUES AGREED TO BY THE PARTIES IN THE 2021 RATE CASE STIPULATION.

A. Paragraph 23 of the 2021 Rate Case Stipulation provided:

“NMGC agrees to include electric and hybrid vehicles in its annual comparative analysis of proposed passenger vehicle and truck purchases and agrees that the Company’s analysis shall include at a minimum a life-of-vehicle comparison of cost, range, availability, and emission data for all passenger vehicles and trucks to be purchased. This comparative analysis shall be made available to stakeholders for review as the Company seeks recovery of the cost of passenger vehicles and trucks purchased. When feasible, based on the duty-cycle and daily mileage the particular vehicle will endure, the Company shall show a preference for electric passenger vehicles and trucks. NMGC commits that it is not currently including in this case the cost of any passenger vehicles operating on CNG.”

NMGC is in the final stages of developing a new process for performing its annual comparative analysis of proposed fleet vehicle purchases that will comply with paragraph 23 of the 2021 Rate Case Stipulation and provide for inclusion of electric and hybrid vehicles in the analysis. Unfortunately, vacancies within the fleet program have delayed completion of the project.

Since entering into the 2021 Rate Case Stipulation, NMGC has not replaced any passenger vehicles in its fleet. Supply chain issues precluded the purchase of electric service trucks

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

1 until mid-2023 when NMGC was able to procure two electric service trucks, one of which
2 has been delivered at the time the case was filed. The Company has purchased electric
3 vehicle charging infrastructure which will be installed at the Company's Business Center
4 in the fall of 2023.

5
6 Paragraph 24 of the 2021 Rate Case Stipulation provided:

7 "In any future ratemaking proceeding, NMGC will have the burden of
8 demonstrating that any future expansion or construction of any CNG station for use
9 with Company vehicles for which recovery is sought was the most reliable, cost-
10 effective option for the Company and its ratepayers. NMGC agrees to conduct an
11 analysis of the need for the station and the feasibility of the investment, including
12 but not limited to an analysis of alternative development. NMGC will notify the
13 parties to this proceeding within 30 days of its decision to expand or construct such
14 a CNG station. NMGC agrees to make this analysis available to stakeholders upon
15 request and prior to seeking recovery of the cost of any expansion or construction
16 of CNG facilities. NMGC agrees to limit the use of these Company-owned CNG
17 stations to Company-owned vehicles or seek prior approval by the Commission of
18 any mixed use of such facilities. This paragraph does not limit the Company's usage
19 of CNG and CNG facilities for operational needs."

20 Since entering into the 2021 Rate Case Stipulation, NMGC has not pursued expansion or
21 construction of additional CNG facilities and is limiting the use of its Company-owned
22 CNG stations to Company operations. No new CNG vehicles have been purchased as an
23 addition to the NMGC fleet since April 2021.

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

1 Paragraph 25 of the 2021 Rate Case Stipulation provided:

2 “NMGC agrees to conduct an analysis of the feasibility of electrifying some or all
3 Company-owned compressor stations and agrees to make this analysis available to
4 stakeholders for review prior to seeking the recovery of such costs.”
5

6 Pursuant to paragraph 25 of the 2021 Rate Case Stipulation, NMGC has conducted an
7 initial analysis which indicates that it is not feasible to electrify any Company-owned
8 compressor station. The analysis is outlined in NMGC Witnesss Tom C. Bullard’s Direct
9 Testimony in this case. No costs for recovery of electrifying some or all the Company-
10 owned compressor stations in included in this case.
11

12 As well, NMGC and several of the intervenors entered into a Memorandum of
13 Understanding (“MOU”) (which was not made part of the Stipulation) that called for the
14 signatories of the MOU to work together to draft reasonable and appropriate legislation to
15 introduce in the 2023 New Mexico legislative session that would ameliorate the energy
16 burden on low-income customers, and which was to include language authorizing the
17 Commission to review and approve low-income utility rates. Unfortunately, despite best
18 efforts, the proposed legislation was not approved by the Legislature.
19

**DIRECT TESTIMONY OF
GERALD C. WESEEN
NMPRC CASE NO. 23-00255-UT**

1 **Q. IN THE 2021 RATE CASE, NMGC DISCUSSED ITS INTEREST IN THE**
2 **POSSIBLE USE OF CERTIFIED LOW-EMISSION NATURAL GAS. WHAT IS**
3 **THE STATUS OF THIS EFFORT?**

4 **A.** NMGC continues to monitor the availability of existing natural gas suppliers about the
5 potential availability of certified low emissions gas for delivery to the Company for its
6 customers. NMGC included certified low emission natural gas in one request for proposal
7 for gas supply. To date, although no purchases of certified low emissions gas have been
8 made by the Company, given developments in other states and efforts by suppliers in New
9 Mexico to reduce emissions from production and be accountable for those results, NMGC
10 remains optimistic about the potential for certified low-emission natural gas.

11

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

13 **A.** Yes.