

**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**

**ALANA M. DE YOUNG**

**September 14, 2023**

**DIRECT TESTIMONY OF  
ALANA M. DE YOUNG  
NMPRC CASE NO. 23-00255-UT**

**I.     INTRODUCTION**

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

**A.**     My name is Alana M. De Young. My business address is 7120 Wyoming Boulevard, NE,  
Suite 20, Albuquerque, New Mexico 87109.

**Q.     BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

**A.**     I am Senior Legal Counsel for New Mexico Gas Company, Inc. (“NMGC” or the  
“Company”).

**Q.     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK  
EXPERIENCE.**

**A.**     I received a Bachelor of Arts in Interdisciplinary Studies/International Studies from the  
University of Arizona in 2008. I earned a Juris Doctorate degree from the University of  
New Mexico School of Law in 2012.

In 2012, I began my professional career as an associate at Modrall, Sperling, Roehl, Harris  
& Sisk, P.A. in Albuquerque, New Mexico. At the Modrall firm, my practice was devoted  
mainly to litigation matters.

In October 2016, I joined the Adams+Crow Law Firm as a partner, where my practice was  
devoted mainly to litigation matters.

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1 In October 2022, I joined NMGC as Senior Legal Counsel. Currently, I represent the  
2 Company in a variety of areas, including litigation, claims, employee relations, and  
3 compliance. My administrative responsibilities include assisting with supervision of in-  
4 house legal and compliance staff, and involvement in the oversight of the legal department  
5 budget, including reviewing and approving outside legal expenses.

6  
7 I am currently licensed to practice law in New Mexico.  
8

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

11 **A.** No.  
12

13 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

14 **A.** In Section II, I describe and quantify NMGC’s base period litigation-related expenses,  
15 demonstrate that they were reasonable and prudently incurred and therefore provide a  
16 reasonable basis for the Future Test Year level of litigation expense to be recovered in rates  
17 pursuant to Section 62-13-3 of the New Mexico Public Utility Act (the “PUA”) and  
18 17.10.630.7(O) NMAC (“Rule 630”). As used in this Direct Testimony, “Base Period”  
19 expenses mean expenses incurred in the twelve-month period ending March 31, 2023.  
20 “Future Test Year” expenses are the amounts, with or without adjustments, for the period  
21 of October 1, 2024, through September 30, 2025, considered to be a reasonable basis for  
22 setting revised base rates in this proceeding.

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1 In Section III, I describe and quantify NMGC's expected Future Test Year litigation-related  
2 expenses and demonstrate that they are expected to be reasonable and prudently incurred  
3 based on the Base Period litigation-related expenses. These Future Test Year litigation-  
4 related expenses are also included in NMGC's revenue requirement, which is sponsored  
5 by NMGC Witness Erik C. Buchanan.

6  
7 In Section IV, I identify expenses, including legal and consultant expenses, incurred (or to  
8 be incurred) in preparing and presenting this rate case, and demonstrate that they are  
9 reasonable and prudently incurred.

10  
11 In Section V, I discuss insurance expenses.

12  
13 In Section VI, I discuss NMGC's compliance with the requirements of 17.1.2.10(B)(2)(d)  
14 NMAC.

15  
16 **Q. HAVE YOU PREPARED ANY EXHIBITS?**

17 **A.** Yes. The exhibits I prepared, or that have been prepared under my supervision, are:

- 18 • NMGC Exhibit AMD-1 Summary of Litigation Expenses;
- 19 • NMGC Exhibit AMD-2 Tort Claim Litigation Expenses;
- 20 • NMGC Exhibit AMD-3 Commercial Litigation Expenses;
- 21 • NMGC Exhibit AMD-4 Human Resources Litigation Expenses;
- 22 • NMGC Exhibit AMD-5 NMPRC Litigation Expenses;

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- NMGC Exhibit AMD-6      FERC Litigation Expenses; and
- NMGC Exhibit AMD-7      Rate Case Expenses.

**II.      BASE PERIOD LITIGATION EXPENSES**

**Q.      WHAT IS THE STANDARD FOR ALLOWING RECOVERY OF LITIGATION EXPENSES?**

**A.**      Rule 630.7(O) authorizes recovery of expenses incurred for litigation, which is defined as “all contested matters before regulatory commissions, administrative bodies, and state or federal courts. Litigation also includes arbitration proceedings and other similar dispute resolution proceedings.” Litigation expenses are recoverable by a utility if they are reasonable and prudently incurred.

**Q.      PLEASE EXPLAIN THE TERM “REASONABLE AND PRUDENTLY INCURRED.”**

**A.**      Based on NMPRC precedent and generally accepted regulatory standards, reasonable and prudently incurred in this context means that a reasonable, ordinary businessperson would make the expenditure, based on the facts and circumstances known by the utility’s management at the time.

**Q.      BRIEFLY DESCRIBE WHAT COMPRISES THE COMPANY’S LITIGATION EXPENSES.**

**A.**      Litigation expenses consist primarily of the legal fees associated with outside counsel and their respective staff incurred specifically in connection with litigation as defined by Rule

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630.7(O). Litigation-related costs also include matter-related costs, such as expert witness fees, court reporter expenses, court fees, reproduction costs, and miscellaneous litigation-related charges.

**Q. HOW DOES NMGC TREAT INTERNAL LEGAL EXPENSES FOR LITIGATED MATTERS IN NMGC'S COST OF SERVICE?**

**A.** Internal costs associated with litigation work by attorneys and paralegals employed by the Company are included in the Company's administrative and general accounts, which are indirectly allocated to operations and maintenance accounts. Salaries and internal litigation-related costs are not considered part of the litigation expenses addressed in my Direct Testimony. Rather, this Direct Testimony relates only to outside legal fees and costs for litigated matters.

**Q. PLEASE DESCRIBE THE LITIGATION-RELATED OUTSIDE COUNSEL FEES AND COSTS INCURRED BY NMGC IN THE BASE PERIOD.**

**A.** Generally, the fees associated with outside counsel are based on hourly billing rates for outside counsel and paralegals. As noted, the Company also reimburses litigation-related costs incurred or paid by outside counsel in connection with their representation of NMGC in litigated matters. Outside counsel bills NMGC in a statement that shows what services were provided by attorneys and paralegals, the hourly rates for such services, and other costs incurred or paid by outside counsel. Litigation-related outside counsel fees and costs are directly charged to the appropriate internal NMGC account for that matter.

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**Q. BRIEFLY DESCRIBE THE TYPE OF LITIGATION IN WHICH NMGC HAS BEEN INVOLVED DURING THE BASE PERIOD.**

**A.** NMGC is routinely involved in the following kinds of civil litigation: 1) personal injury and property damage cases (referred to as “Tort Claims”); 2) general civil litigation, including contract disputes and land disputes (referred to as “Commercial Litigation”); and 3) employment, labor, and workers’ compensation cases (referred to as “Human Resources Claims”). In addition, as a regulated public utility, NMGC is regularly involved in regulatory proceedings before the NMPRC and the Federal Energy Regulatory Commission (“FERC”) (referred to as “NMPRC Matters” and “FERC Matters”).

**Q. DOES NMGC EXPECT TO BE INVOLVED IN SIMILAR KINDS OF LITIGATION MATTERS DURING THE PERIOD RATES WILL BE IN EFFECT?**

**A.** Yes, in general. In my experience, these types of matters are representative of the litigation in which NMGC will likely be involved on an ongoing basis.

**Q. WHAT IS THE AMOUNT OF LITIGATION EXPENSES INCURRED DURING THE BASE PERIOD?**

**A.** The amount of litigation expenses NMGC incurred during the Base Period is \$2,062,845. Please see NMGC Exhibit AMD-1 for a summary of these expenses.

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**Q. OF THIS AMOUNT, WHAT IS THE AMOUNT OF LITIGATION EXPENSES INCLUDED IN THIS CASE?**

A. As discussed by NMGC Witness Buchanan and as identified through footnotes in Exhibits AMD-2, -3, -4, -5 and -6, of the total amount of litigation expenses incurred during the base period, the amount of litigation expenses in this case consists of \$663,043.91 as O&M litigation expenses (identified by footnote 1 references in each exhibit, and also summarized in Exhibit AMD-1); \$189,085.92 as plant for specific projects (identified by footnote 2 references in Exhibit AMD-3); \$448,199.77 through a regulatory asset (identified by a footnote 3 reference in Exhibit AMD-5); and \$15,514.92 incurred for credit financing expenses as a separately forecasted item (identified by a footnote 4 reference in Exhibit AMD-5).

Of the total litigation expenses set forth above, the amount of litigation expenses not in this case for recovery consists of the \$707,002.43 for LNG Facility litigation expenses which are reserved for potential recovery through a regulatory asset (identified by a footnote 5 reference in Exhibit AMD-5).

**Q. HAVE YOU DETERMINED WHETHER NMGC'S BASE PERIOD LITIGATION EXPENSES ARE REASONABLE?**

A. Yes. I have determined that the litigation expenses NMGC incurred during the base period are reasonable and were prudently incurred. I and members of NMGC's Legal department reviewed data retrieved from the NMGC accounting systems against billings for the base period to ensure accuracy and to determine the applicability of Rule 630.7(O) to such



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1 recoverable litigation expenses. I carefully reviewed the litigation expenses related to the  
2 categories of claims discussed earlier in my direct testimony. My evaluation of the  
3 prudence of these expenses and a brief description of these matters are summarized in this  
4 direct testimony and in NMGC exhibits AMD-1 through AMD-6. All these expenses  
5 shown on these exhibits were incurred in the base period.

6  
7 **Q. WHAT STANDARD DID YOU USE TO DETERMINE THAT THE COMPANY'S**  
8 **BASE PERIOD LITIGATION EXPENSES ARE REASONABLE AND PRUDENT?**

9 **A.** The reasonableness of the Base Period litigation expenses must be determined by  
10 evaluating generally whether the Company has instituted reasonable procedures for  
11 controlling litigation costs and, thus, has a prudent litigation management system. Further,  
12 I considered whether the level of litigation expenses was reasonable in light of NMGC's  
13 overall business operations and the business, legal, and regulatory environments in which  
14 the Company operates. In addition, the Base Period litigation expenses should be  
15 reasonable for use as a Future Test Period estimate of rate-effective period costs. In other  
16 words, Base Period litigation expenses are a proxy for rate-effective period expenses and  
17 thus should not be evaluated solely by the nature of the claims or even the results of the  
18 litigation.

19  
20 By New Mexico standards, NMGC is a relatively large, well-capitalized and well-insured  
21 company doing business in an environment in which litigation is a frequently used method  
22 for resolving disputes. Company personnel interact routinely with customers and other  
23 members of the public in providing service and conducting business generally. NMGC

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operates in a heavily regulated industry. NMGC will be sued, and will bring suit, in the regular course of its business. In addition, NMGC, as a utility, will necessarily and routinely initiate, defend, or intervene in proceedings before state and federal regulatory bodies. In all these matters, NMGC must be represented by counsel.

**Q. WHAT GENERAL MEASURES HAS NMGC TAKEN TO MANAGE AND, WHERE POSSIBLE, REDUCE LITIGATION EXPENSES?**

**A.** The mission of the NMGC Legal Department is to provide high quality, cost-effective and efficient legal services to assist NMGC in achieving its business goals. Qualified and experienced in-house counsel have been employed by the Company to: 1) provide legal advice, including taking steps to avoid or mitigate the risks of litigation before lawsuits or other litigation is initiated and, where appropriate, to represent the Company in litigated matters; 2) select cost-effective, qualified outside counsel to represent NMGC in litigation; 3) oversee what outside counsel does in representing the Company, to help ensure that matters are handled efficiently; 4) make strategic and important tactical decisions in all litigation; 5) establish budgets for certain matters; and 6) control legal fees and costs in all legal matters, including routinely reviewing invoices for litigation-related legal services.

**Q. DID YOU CONSIDER ANYTHING ELSE IN EVALUATING THE COMPANY'S LITIGATION EXPENSES?**

**A.** Even though litigation expenses should be evaluated in the aggregate, I also considered several factors commonly used by New Mexico courts to determine if the attorneys' fees incurred by NMGC in the Base Period were reasonable. These factors include the level of

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1 skill required, the nature and character of the controversy, the amount of damages claimed,  
2 the importance of the litigation, and the benefits derived from the litigation. This listing is  
3 not exhaustive, and other considerations may come into play in any given case, such as the  
4 amount of time spent on the case and the importance of the litigation for precedential  
5 purposes.

6  
7 In evaluating Base Period litigation expenses in individual cases for prudence and to  
8 ascertain whether Base Period litigation expenses are reasonably representative of Future  
9 Test Year conditions, I considered these factors and the circumstances of each matter in  
10 making my determination. No one factor is dispositive in my analysis, as litigation  
11 expenses reflect both events within NMGC's control as well as those outside the  
12 Company's control. I have not included the details of settlements in the description of the  
13 matters identified in my exhibits because: 1) a settlement may be subject to court  
14 confidentiality orders and/or there may be confidentiality provisions in the settlement  
15 agreements themselves; and 2) public disclosure of the settlement amounts and the way in  
16 which the Company reached a particular settlement figure may make it more difficult for  
17 NMGC to negotiate settlements in future cases or may provide information that could be  
18 used to undermine the Company's settlement strategy in pending or future matters.

19  
20 **Q. ARE THE BASE PERIOD LITIGATION EXPENSES PERTAINING TO TORT**  
21 **CLAIMS REASONABLE AND PRUDENT?**

22 **A.** Yes. These expenses are summarized in NMGC Exhibit AMD-2. These claims involve  
23 property damage and personal injury claims filed by and against NMGC. For claims filed

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1 against NMGC, the Company hired qualified defense counsel experienced in personal  
2 injury and property damage litigation. On the other side of the equation, the Legal  
3 Department contracted with commercial practitioners to collect money from third parties  
4 who damaged NMGC's property. NMGC also hired qualified counsel to seek temporary  
5 restraining orders to protect NMGC employees from customers who made threats of  
6 imminent harm or death while NMGC field employees were performing their duties. These  
7 litigation expenses are also necessary to achieve recoveries that reduce the overall costs of  
8 repairing NMGC's property and are, in my opinion, reasonable and prudent.

9  
10 **Q. ARE THE BASE PERIOD LITIGATION EXPENSES PERTAINING TO**  
11 **COMMERCIAL LITIGATION REASONABLE AND PRUDENT?**

12 **A.** Yes. These expenses are summarized in NMGC Exhibit AMD-3. The Legal Department  
13 retains qualified litigators with expertise in commercial disputes, land use disputes, and  
14 other specialized areas where necessary, and these expenses are, in my opinion, reasonable  
15 and prudent.

16  
17 NMGC was recently able to settle a commercial suit it brought against one of its vendors.  
18 The settlement called for a payment to NMGC. NMGC is recognizing this payment as a  
19 regulatory liability that is discussed further in the Direct Testimony of NMGC Witness  
20 Buchanan. I was lead in-house counsel at the time of the settlement, am very familiar with  
21 the litigation, and based on my experience as a litigation lawyer in New Mexico, believe  
22 that the settlement was a fair and reasonable settlement of the complex litigation.

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1   **Q.     ARE THE BASE PERIOD LITIGATION EXPENSES PERTAINING TO HUMAN**  
2       **RESOURCES LITIGATION REASONABLE AND PRUDENT?**

3   **A.**    Yes. These expenses are summarized in NMGC Exhibit AMD-4. The Legal Department  
4       retains qualified litigators with expertise in human resources and personnel disputes and  
5       other specialized areas where necessary, and these expenses are, in my opinion, reasonable  
6       and prudent.

7  
8   **Q.     ARE THE BASE PERIOD LITIGATION EXPENSES PERTAINING TO NMPRC**  
9       **MATTERS REASONABLE AND PRUDENT?**

10  **A.**    Yes. These expenses are summarized in NMGC Exhibit AMD-5. NMGC is required by  
11       law to file with the NMPRC to obtain approval to engage in various activities related to its  
12       business and to make filings with the NMPRC related to various rules or docketed matters.  
13       The Company must also respond to orders issued by the NMPRC. In some instances, it is  
14       necessary to intervene in proceedings that may set an important precedent applicable to  
15       NMGC in future cases. NMGC retains qualified counsel in state regulatory proceedings  
16       who have substantial experience with the PUA and regulatory law in general to represent  
17       NMGC in these matters. In my opinion, the litigation expenses pertaining to NMPRC  
18       matters are reasonable and prudent.

19  
20  **Q.     ARE THE BASE PERIOD LITIGATION EXPENSES PERTAINING TO FERC**  
21       **MATTERS REASONABLE AND PRUDENT?**

22  **A.**    Yes. These expenses are summarized in NMGC Exhibit AMD-6. The Legal Department  
23       retains qualified counsel in FERC law and procedures to represent NMGC in these matters.

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1 In my opinion, the litigation expenses pertaining to FERC matters are reasonable and  
2 prudent.

3  
4 **Q. IS NMGC REGULATED BY FERC?**

5 **A.** No, NMGC is not directly regulated by FERC. FERC regulates the interstate transmission  
6 of electricity, natural gas, and oil. As NMGC only transports natural gas within the state  
7 of New Mexico, it is not directly subject to FERC's regulation.

8  
9 **Q. IF NMGC IS NOT REGULATED BY FERC, WHY DOES IT HAVE LITIGATION**  
10 **COSTS FOR REGULATORY PROCEEDINGS BEFORE FERC?**

11 **A.** Due to New Mexico's vast geographic landscape, NMGC must contract for capacity with  
12 third-party interstate and intrastate pipelines in order to transport its gas supplies state-  
13 wide. El Paso Natural Gas Company ("EPNG") and Transwestern Pipeline Company  
14 ("TW") are the two major interstate pipelines crossing New Mexico that have pipeline  
15 interconnections with NMGC near major demand areas. NMGC also relies on EPNG, TW,  
16 and smaller gas pipelines such as West Texas Gas, to transport gas to communities located  
17 in its remote service areas of New Mexico where the Company owns local distribution  
18 systems, but no transmission pipelines.

19  
20 NMGC participates in the FERC rate cases filed by these companies to protect the  
21 Company's capacity rights and, insofar as possible, help ensure that the costs of  
22 transportation service on these pipelines are reasonable. Because the rates charged to  
23 NMGC by those pipelines are ultimately borne by NMGC customers, NMGC believes it

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1 is prudent to take an active role in settlement and, if necessary, litigation in each FERC rate  
2 case.

3  
4 In addition to participation in FERC rate cases, NMGC also completes routine compliance  
5 filings with FERC. NMGC is required to provide transportation services under New  
6 Mexico Statutes Annotated 1978, Section 62-6-4.1A. As such, while NMGC is not directly  
7 regulated by FERC, NMGC has FERC filing obligations related to certain transportation  
8 services offered by NMGC. These filings can be complex and voluminous due to the nature  
9 of the services offered, and NMGC is represented by specialized counsel in relation to such  
10 filings.

11  
12 **III. FUTURE TEST YEAR LITIGATION EXPENSES**

13 **Q. WHAT IS THE TOTAL AMOUNT OF LITIGATION EXPENSES INCLUDED**  
14 **FOR RECOVERY IN THE COST OF SERVICE?**

15 **A.** To arrive at its Future Test Year litigation expenses, NMGC brought forward the  
16 reasonable and prudent Base Period litigation expenses as found in NMGC Exhibits AMD  
17 1-6, and then applied the inflationary escalator (as testified to by NMGC Witness  
18 Buchanan) to the Base Period litigation expenses in order to estimate its Future Test Year  
19 litigation expenses. The total amount of litigation expenses included for recovery in the  
20 Cost of Service as O&M is \$714,850 which reflects an escalation of the \$663,043 identified  
21 in NMGC Exhibit AMD-1.

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**Q. IS THE AMOUNT OF FUTURE TEST YEAR LITIGATION EXPENSE INCLUDED IN THE COST OF SERVICE REASONABLE AND PRUDENT?**

**A.** Yes, it is. My opinion is based on the historic costs involved in litigation matters, the cost-saving measures described above that NMGC employs in engaging and supervising outside counsel, the level of ongoing and anticipated activity, and anticipated increases in expenses. This confirms my opinion that NMGC's estimate of Future Test Year litigation expense is reasonable and representative of the level of expense that NMGC will incur when new rates become effective, and that the amount expected to be spent on litigation is prudent.

**IV. RATE CASE EXPENSES**

**Q. DOES THE COMMISSION TYPICALLY LOOK AT ANYTHING SPECIFIC TO DETERMINE WHETHER RATE CASE EXPENSES ARE RECOVERABLE?**

**A.** Yes. In *In re PNM Gas Services*, 2000-NM-12, ¶¶ 68-75, 129 N.M. 1, 1 P.3d 383, the New Mexico Supreme Court recognized that reasonable and prudently incurred rate case expenses are recoverable as a part of a utility's operating expenses. Typically, when considering such expenses, the Commission starts with estimated rate case expenses. Because rate case expenses are part of a utility's operating costs, a utility ordinarily provides projected rate case expenses in a rate case in order to avoid constant adjustments in the proposed revenue requirement during the proceedings. The Commission then must base its decision on the evidence about the expenses. Historically, the Commission has considered evidence of actual expenditures provided at the end of the case, efforts to minimize legal expenses, and the Commission's own expertise and experience with



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1 amounts of rate case expenses typically incurred by a utility in a comparable rate case  
2 proceeding. Under standards described by the New Mexico Supreme Court in *In re PNM*  
3 *Gas Services*, the Commission is not bound to or limited to considering those factors and  
4 can consider other types of information such as those reviewed by courts in awarding  
5 attorneys' fees. *Id.*

6  
7 **Q. WHAT AMOUNT OF RATE CASE EXPENSES IS NMGC SEEKING TO**  
8 **RECOVER IN THIS CASE?**

9 **A.** The total projected rate case expenses in this case are \$2,303,500, which are summarized  
10 in NMGC Exhibit AMD-7. These expenses include costs of retaining outside experts,  
11 consultants, accounting firms, and attorneys engaged in preparing and litigating this rate  
12 case, and include costs for copying, travel and lodging, and miscellaneous expenses. At  
13 the time I testify in this proceeding, I will provide an update to NMGC Exhibit AMD-7  
14 that will reflect expenses incurred up to that date and a projection of the costs to be incurred  
15 through the remainder of the case. This information can also be found in Rule 630  
16 Schedule I-1, sponsored by NMGC Witness Buchanan.

17  
18 **Q. ARE THE CURRENT PROJECTIONS OF RATE CASE EXPENSES CONTAINED**  
19 **IN NMGC EXHIBIT AMD-7 REASONABLE AND PRUDENT?**

20 **A.** Yes. The expenses already incurred and expected to be incurred in litigating this  
21 proceeding have been prudently incurred or, in the case of projected amounts, are a  
22 reasonable estimate of future costs and are consistent with other Future Test Year cases  
23 filed in New Mexico. The rate case expenses detailed in NMGC Exhibit AMD-7, and

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discussed below are reasonable due to the complexity of the issues in this case, the number of expected parties and witnesses in this case, the anticipated level of discovery and interrogatories, and the anticipated length of the hearing.

**Q. ON WHAT BASIS WERE THE PROJECTED AMOUNT OF RATE CASE EXPENSES IN NMGC EXHIBIT AMD-7 DETERMINED?**

**A.** NMGC's engagement of these outside services for this case is a necessary and cost-effective means to meet the requirements of complex rate case filings such as this one. NMGC also considered and evaluated other costs associated with filing a rate case such as those for reproduction and providing notice. As discussed herein, NMGC has implemented processes and mechanisms to effectively control the expenses, including the development of Company resources and the assignment of qualified in-house counsel to oversee and participate in proceedings and the selection of qualified outside counsel from Jennings Haug Keleher McLeod LLP, who have substantial experience with the PUA and regulatory law in general, to handle this proceeding. It is reasonable to retain outside experts and consultants to advise and testify on specific issues in a general rate case proceeding.

**Q. IN GENERAL, HOW DID NMGC GO ABOUT CONTRACTING FOR SERVICES AND RETAINING EXPERTS AND CONSULTANTS IN THIS CASE?**

**A.** NMGC's Fleet and Sourcing Handbook (herein, the "Handbook"), provides the guidelines for procurement for NMGC. The Handbook provides for purchases of goods or services through a request for proposal ("RFP") process (formal and informal depending on the size of the purchase), a Preferred Source process, and a Specific Source process. The Handbook

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1 also contains exceptions for certain circumstances, and applicable to this situation is the  
2 exception for transactions within the purview of the Company's legal department. The  
3 rationale for this exception is that these types of services, retaining outside counsel and  
4 expert testimony, does not easily fall within the guidelines of the handbook since the  
5 quality of performance of these types of services is difficult to compare solely on a cost  
6 basis. Regardless of this exception to the applicability of the Handbook to many of the  
7 services identified in NMGC Exhibit AMD-7, the provisions in the Handbook regarding  
8 procedures for procurement of services do provide guidance to use to explain how the  
9 services for experts and consultants in this case were obtained reasonably and prudently.  
10 For this reason, as I discuss the experts and consultants retained for this case, I will refer  
11 to various provisions of the Handbook as being illustrative to establish prudence and  
12 reasonableness.

13  
14 **Q. WHICH CATEGORIES OF PROCUREMENT DESCRIBED IN THE HANDBOOK**  
15 **ARE HELPFUL HERE?**

16 **A.** The Handbook provides for procurement under an RFP Process or under a Preferred Source  
17 process. For purposes of this discussion, an RFP in the Handbook involves a more or less  
18 formalized competitive bid process and more formalized compliance with pricing and  
19 commercial terms. The Handbook also allows for the procurement of services under a  
20 "Preferred Source" arrangement which allows for retention of a service without bids in  
21 certain circumstances including unique business considerations.

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1 In retaining services and goods for this case, the Company used both a competitive bid  
2 process and a Preferred Source process as described below.

3  
4 **Q. HAVING DISCUSSED THIS BACKGROUND, PLEASE START BY DISCUSSING**  
5 **HOW THE “OTHER COSTS” IDENTIFIED IN NMGC EXHIBIT AMD-7 WERE**  
6 **INCURRED.**

7 **A.** As detailed in NMGC Exhibit AMD-7, the other costs requested in this filing include costs  
8 incurred to file the rate application including reproduction costs for documents including  
9 the notice to customers, forms updates as needed, and other voluminous rate case  
10 documents; travel, meals and lodging costs; administrative help; and other miscellaneous  
11 costs necessary for the filing and litigating the case.

12  
13 **Q. ARE THESE “OTHER COSTS” INCURRED BY THE COMPANY REASONABLE**  
14 **AND NECESSARY?**

15 **A.** Yes. As part of my duties, I work with our rate case team to ensure that “other costs”  
16 expenses incurred by the Company are incurred prudently and reasonably. The leadership  
17 of the rate case team works to ensure that only reasonable and prudent costs are incurred  
18 by the Company for rate case filings. Let me detail some of our efforts to control these  
19 costs:

- 20 • Reproduction services were both competitively bid (Notice to Customers) and  
21 obtained from a preferred source (Rate Case Documents) and considered cost, and  
22 performance including timeliness and reliability.

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- 1           • Costs for travel, meals, and lodging are compared and services are selected  
2           following a cost and quality comparison including availability. The amount  
3           included in NMGC Exhibit AMD-7 anticipates an in-person hearing. This amount  
4           would be reduced in the event the hearing is held virtually.
- 5           • Some administrative services are arranged through Manpower, the employee  
6           services firm used by NMGC. NMGC has an ongoing relationship with Manpower  
7           for employment services and relies on this firm to provide certain administrative  
8           support to the Company.

9

10          In general, for all the “other costs” contained in NMGC Exhibit AMD-7, the Company  
11          engages in a competitive bid process to ensure that lowest cost, best alternative services  
12          are chosen to support the Company’s filing.

13

14      **Q.     HAVING DISCUSSED THE OTHER COSTS, NOW DISCUSS WHAT OUTSIDE**  
15      **EXPERTS AND CONSULTANTS NMGC SPECIFICALLY ENGAGED FOR THIS**  
16      **RATE CASE PROCEEDING?**

17      **A.**     NMGC has retained the following outside consultants and experts in the current rate case  
18          proceeding. I will briefly describe these consultants and experts, the basis for their  
19          retention, and identify the prudence and reasonableness of their retention, given the scope  
20          and complexity of this filing. Other NMGC witnesses who are more directly involved in  
21          subject areas of the consultant and expert’s engagement will also testify about the subject  
22          matter of the consultant and expert’s testimony.

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1 All of these experts and consultants were retained for purposes of litigating this case, and  
2 because of the exception for legal services, the Company need not expressly comply with  
3 the Handbook requirements for hiring experts and consultants. However, here I refer to  
4 the categories of procurement in the Handbook as a guide to help establish prudence and  
5 reasonableness.

6  
7 **TMG Utility Advisor Services**

8 **Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY TMG**  
9 **UTILITY ADVISOR SERVICES (“TMG”) TO NMGC FOR THIS CASE.**

10 **A.** TMG is a consulting service that focuses on Customer Information System (“CIS”)  
11 upgrades. For this case, TMG has been retained to assist in the preparation of testimony  
12 in support of NMGC’s investment to upgrade the Company’s CIS system.

13  
14 **Q. HOW WAS TMG SELECTED?**

15 **A.** Given the complexity of the Company’s upgrade of its CIS, NMGC first engaged TMG in  
16 2018 to help advise the Company in evaluating the need for a CIS upgrade and to analyze  
17 the various options available to NMGC. Since then, TMG has also been retained by  
18 NMGC to assist the Company in a quality and control assessment of the upgrade as it is in  
19 progress. This includes ongoing review of performance and cost. Because TMG has been  
20 working with NMGC in these efforts, TMG is well-versed in all aspects of this undertaking.

21  
22 TMG is uniquely qualified to support the Company’s efforts to reasonably and prudently  
23 upgrade its CIS. Any other entity would necessarily have to be brought up speed on the

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entirety of the Company's efforts to date. For all these reasons, TMG is a Preferred Source provider.

**Q. WHAT IS THE EXPECTED COST TO RETAIN TMG IN THIS CASE, AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

**A.** TMG is charging NMGC approximately \$26,000.00 to support the Company's testimony regarding the Banner upgrade project. For the reasons set forth above, the cost for retaining TMG was reasonable and prudently incurred in light of the importance of this testimony, the complexity of the issues involved in a system upgrade, and TMG's unique expertise and experience with these issues.

**Concentric Energy Advisors, Inc.**

**Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY CONCENTRIC ENERGY ADVISORS, INC. ("CONCENTRIC") TO NMGC AS PART OF THIS CASE.**

**A.** Concentric is an energy and utility consulting firm that was retained in this case to provide support to NMGC with regard to developing the Company's Fully Allocated Cost of Service ("FACOS") and rate design for this case, and to provide rate case paralegal and administrative support.

**Q. HOW WAS CONCENTRIC SELECTED?**

**A.** The individual at Concentric who will be working with the Company on the Company's FACOS, Patrick Goschke, is a former employee of NMGC who left the Company to work

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1 for Concentric within the last year. Prior to going to Concentric, Mr. Goschke worked on  
2 the Company's last rate case in the Company's Finance Department and has unique  
3 knowledge of the Company's systems and models. Mr. Goschke will be working with the  
4 Company's employees and with the ScottMadden, Inc. ("ScottMadden") rate design expert  
5 described below.

6  
7 Concentric has also provided paralegal and administrative support to NMGC in the last  
8 two rate cases. The individual at Concentric used in those last two cases, Connie Singer,  
9 is again available to assist the Company and, given her knowledge of the Company's prior  
10 rate case filings, and her overall familiarity with rate case filings in New Mexico, Ms.  
11 Singer is uniquely qualified to provide paralegal and administrative support to the  
12 Company in this rate case.

13  
14 Given the unique experience, knowledge, and insight of these two individuals, the  
15 Company has retained Mr. Goschke and Ms. Singer through Concentric as Preferred  
16 Source providers for their services. In doing so, NMGC considered alternative service  
17 providers and determined that the quality of services provided by these two individuals  
18 cannot be obtained from another source at the same cost or quality.

19  
20 **Q. WHAT IS THE EXPECTED COST TO RETAIN CONCENTRIC FOR THIS CASE,**  
21 **AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

22 **A.** For Mr. Goschke's work in support of this rate case, Concentric agreed to charge an hourly  
23 rate for all work in this case. NMGC estimates that it will cost a total of \$184,000 for Mr.



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1       Goschke's services in preparing the FACOS model, linking the COS and FACOS models,  
2       and prepared a significant portion of the 630 Schedules. The cost for retaining Mr.  
3       Goschke was reasonable and prudently incurred in light of the importance of areas in which  
4       he is involved, the complexity of the issues involved, and his expertise and experience with  
5       these issues. These issues are likely to be contested and subject to discovery, and Mr.  
6       Goschke brings unique skills and experience to support NMGC with respect to the same.

7  
8       NMGC estimates that it will cost approximately \$40,000 for Ms. Singer's services of  
9       administratively handling this rate case which includes costs and expenses. The services  
10      Ms. Singer provides cannot be replicated by another individual for the same cost, and  
11      because Ms. Singer brings substantial skills and experience to these matters, the cost for  
12      retaining Ms. Singer is both reasonable and prudently incurred.

13  
14      **PA Consulting Group Inc.**

15   **Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY PA**  
16   **CONSULTING TO NMGC AS PART OF THIS CASE.**

17   **A.** As discussed by NMGC Witness Buchanan, PA Consulting is a consulting and financial  
18      services firm that has been retained to assist NMGC with its cost-of-service model work  
19      and in the determination of the Company's revenue requirement in this case. PA  
20      Consulting is not developing a new future rate case model, rather it is working under the  
21      direction of NMGC to initially populate, update, vet, and provide results from model runs  
22      to be used in this case.

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**Q. HOW WAS PA CONSULTING SELECTED?**

**A.** The Company engaged in a competitive RFP process, involving several competing bidders, in order to retain services for these matters. PA Consulting was selected through this process to work with the Company on updating the Company's existing Future Test Year model.

**Q. WHAT IS THE EXPECTED COST TO RETAIN PA CONSULTING FOR THIS CASE AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

**A.** NMGC estimates that it will cost \$300,000 to retain PA Consulting in this case. The modeling work required to prepare the Application and respond to discovery in a Future Test Year case is extensive and complex. Additionally, determination of the Company's revenue requirement is an essential aspect of any rate case. PA Consulting has experience in both areas which will assist the Company at a cost that was competitive with proposals from other firms, or even with developing in-house resources for this rate case. As determined through the RFP process, the cost for retaining PA Consulting was both reasonable and prudent given that no Preferred Source was available.

**ScottMadden**

**Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY SCOTTMADDEN TO NMGC AS PART OF THIS CASE.**

**A.** ScottMadden is an energy and utility consulting company retained by NMGC in this case to assist in the preparation and presentation of the Company's anticipated rate design and

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1 to testify about the Company's FACOS, proposed return on equity ("ROE"), and capital  
2 structure.

3  
4 **Q. HOW WAS SCOTTMADDEN SELECTED?**

5 **A.** Two consultants from ScottMadden have been retained by the Company: Mr. Timothy C.  
6 Lyons has been retained to help prepare and then testify as to the Company's proposed rate  
7 design and FACOS; and Mr. Dylan W. D'Ascendis has been retained to help prepare and  
8 testify regarding the Company's proposed ROE and capital structure.

9  
10 In retaining both consultants, several potential firms were considered. In both instances,  
11 the respective ScottMadden consultants were independently selected based on their  
12 experience and expertise in their respective subject areas. Mr. D'Ascendis was selected  
13 following a competitive RFP process, and Mr. Lyons was selected based upon his  
14 experience, a recommendation from NMGC's prior rate design expert, and his ability to  
15 bring to bear the assets of an experienced and knowledgeable team. The choice of one did  
16 not influence the choice of the other.

17  
18 **Q. WHAT IS THE EXPECTED COST TO RETAIN THESE INDIVIDUALS AT**  
19 **SCOTTMADDEN, AND IS THIS COST REASONABLE AND PRUDENTLY**  
20 **INCURRED?**

21 **A.** The determination of the Company's FACOS and the proposed rate design is complex and  
22 essential to the Company's rate case. This issue is typically contested and subject to

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1 discovery. It is estimated it will cost \$100,000 to retain NMGC Witness Lyons throughout  
2 this case.

3  
4 The determination of a proposed ROE and capital structure is complex and essential to the  
5 filing of a rate case. These issues are typically contested and subject to extensive discovery.  
6 It is estimated it will cost \$130,000 to retain NMGC Witness D'Ascendis throughout this  
7 case.

8  
9 As mentioned, the Company selected these experts in part based on an evaluation of their  
10 experience and expertise, as well as their ability to bring to bear the assets of an experienced  
11 and knowledgeable team to this case. This team concept was deemed important to the  
12 Company's determination of best available service in these areas. Given the need for their  
13 services and their expertise, as well as given the selection process used, the cost for  
14 retaining these two ScottMadden experts were separately determined to be prudent and  
15 reasonable.

16  
17 **Expergy**

18 **Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY EXPERGY**  
19 **TO NMGC FOR THIS CASE.**

20 **A.** Expergy is a consulting firm whom NMGC has engaged to prepare the Company's lead  
21 lag study.

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**Q. HOW WAS EXPERGY SELECTED?**

**A.** Expergy has worked with the Company for years on the Company's lead lag studies, is a well-recognized expert in this field, is competitively priced, and is uniquely qualified to provide these services to NMGC. Given its unique experience, knowledge, and insight, the Company has retained Expergy as a Preferred Source provider for this case. In doing so, NMGC considered alternative service providers and determined that the quality of services provided by Expergy could not be obtained from another source at the same cost or quality.

**Q. WHAT IS THE EXPECTED COST TO RETAIN EXPERGY FOR THIS CASE, AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

**A.** NMGC estimates that it will cost \$47,000 to retain Expergy throughout this case. The cost for retaining Expergy is both reasonable and prudent in light of their experience and expertise regarding these matters. Moreover, this cost is similar to prior expenses NMGC has incurred for similar lead lag studies.

**Marquette Energy Analytics**

**Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY MARQUETTE ENERGY ANALYTICS ("MARQUETTE") FOR THIS CASE.**

**A.** Marquette is a forecasting and consulting firm that was retained by NMGC to provide a sales forecast for use in this case.

**Q. HOW WAS MARQUETTE SELECTED?**

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1    **A.**     Marquette is a well-recognized expert in this field and has worked with the Company for  
2           years on the Company's forecasting. Marquette performed the design day study analysis  
3           used in NMGC's 2020 Integrated Resource Plan ("IRP") and maintains the forecasting  
4           model and software used for NMGC's daily gas supply planning and operations.  
5           Marquette has been engaged to update the design day study for the Company's 2024 IRP  
6           using data and forecasting conventions that are common to the sales forecast analyses.  
7           Marquette is uniquely qualified to provide support to NMGC in this case given their history  
8           of advising NMGC on forecasting. Utilizing the same consultant for this rate case who is  
9           also consulting with the Company the IRP analysis provides cost and administrative  
10          efficiencies. Given its unique experience, knowledge, and insight, the Company has  
11          retained Marquette as a Preferred Source provider for this case. In doing so, NMGC  
12          considered alternative service providers and determined that the quality of services  
13          provided by Marquette could not be obtained from another source at the same cost or  
14          quality.

15  
16    **Q.**     **WHAT IS THE EXPECTED COST TO RETAIN MARQUETTE FOR THIS CASE,**  
17           **AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

18    **A.**     NMGC estimates that it will cost \$80,000 to retain Marquette for this case. Given the need  
19           for their service and their experience and expertise, the cost for retaining Marquette for this  
20           case was both prudent and reasonable.

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1        **Ernst & Young**

2        **Q.    PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY ERNST &**  
3        **YOUNG TO NMGC FOR THIS CASE.**

4        **A.**    Ernst & Young is an accounting firm whom NMGC has engaged to provide an independent  
5        public accountant opinion in compliance with 17.10.630.13(R)(7) NMAC.

6  
7        **Q.    HOW WAS ERNST & YOUNG SELECTED?**

8        **A.**    Ernst & Young has worked with the NMGC for years on the Company's accounting needs  
9        and is the principal financial auditor for NMGC. Ernst & Young is a well-recognized firm  
10       in this field, is competitively priced, and is uniquely qualified to provide these specific  
11       services (agreed procedures analysis) to NMGC in this case. Given its unique experience,  
12       knowledge, and insight, the Company has retained Ernst & Young as a Preferred Source  
13       provider for this case. In doing so, NMGC considered alternative service providers and  
14       determined that the quality of services provided by Ernst & Young could not be obtained  
15       from another source at the same cost or quality.

16  
17       **Q.    WHAT IS THE EXPECTED COST TO RETAIN ERNST & YOUNG FOR THIS**  
18       **CASE, AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

19       **A.**    NMGC estimates that it will cost \$82,000 to retain Ernst & Young for this matter. Given  
20       the need for their service and their expertise, the cost for retaining Ernst & Young was both  
21       prudent and reasonable.

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**ICF Resources, LLC**

**Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY ICF RESOURCES, LLC TO NMGC FOR THIS CASE.**

**A.** ICF is a consulting firm whom NMGC has engaged to analyze the outcome of greenhouse gas (“GHG”) emissions reductions initiatives proposed in NMPRC Case No. 21-00267-UT, NMGC’s 2021 Rate Case.

**Q. HOW WAS ICF SELECTED?**

**A.** ICF has worked with the Company previously, both in recommending possible emissions reductions initiatives as well as analyzing the outcome of such initiatives proposed in NMPRC Case No. 19-00317-UT, NMGC’s 2019 Rate Case and reported on in NMGC’s 2021 Rate Case. Given this history, and access to historical context and information, NMGC has retained ICF as a Preferred Source provider for this case. In doing so, NMGC considered alternative service providers and determined that the quality of services provided by ICF could not be obtained from another source at the same cost or quality.

**Q. WHAT IS THE EXPECTED COST TO RETAIN ICF FOR THIS CASE, AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

**A.** NMGC estimates it will cost \$49,500 to retain ICF throughout this case. The cost for retaining ICF is both reasonable and prudent considering their experience and expertise regarding these matters. This cost is similar to prior expenses NMGC has incurred for similar GHG emissions reduction analysis.



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**GT Ortiz Energy Consulting, LLC**

**Q. PLEASE DESCRIBE THE CONSULTING SERVICES PROVIDED BY GT ORTIZ ENERGY CONSULTING, LLC. (“GTO CONSULTING”) TO NMGC FOR THIS CASE.**

**A.** GTO Consulting is a utility consulting company that provides advice and guidance on the complex issues to which witnesses must testify in a rate case in New Mexico. Gerard T. Ortiz, the principal of GTO Consulting, has extensive regulatory experience, which includes both overseeing rate cases and testifying numerous times before the Commission.

**Q. HOW WAS GTO CONSULTING RETAINED?**

**A.** GTO Consulting has unique expertise regarding witness preparation for regulatory proceedings in New Mexico and has worked with NMGC in its last two rate cases. Given its unique experience, knowledge, and insight, the Company has retained GTO Consulting as a Preferred Source provider for this case. In doing so, NMGC considered alternative service providers and determined that the quality of services provided by GTO Consulting could not be obtained from another source at the same cost or quality.

**Q. WHAT IS THE EXPECTED COST TO RETAIN THEM, AND IS THIS COST REASONABLE AND PRUDENTLY INCURRED?**

**A.** GTO Consulting will assist NMGC in preparing witnesses to provide testimony in relation to this case. NMGC estimates that it will cost \$25,000 to retain GTO Consulting. The cost for retaining GTO Consulting was both reasonable and prudent in light of GTO

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1 Consulting's skill and expertise and its charges are competitively priced based on the  
2 Company's prior experience with others in this field.  
3

4 **Jennings Haug Keleher McLeod LLP**

5 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED BY JENNINGS HAUG**  
6 **KELEHER MCLEOD LLP ("JHKM") TO NMGC FOR THIS CASE.**

7 **A.** JHKM is the outside law firm retained by NMGC to handle this rate case.  
8

9 **Q. HOW WAS JHKM SELECTED?**

10 **A.** JHKM (formerly Keleher and McLeod) has been the lead outside law firm for NMGC since  
11 the Company's formation in 2009. JHKM handles all regulatory matters for the Company  
12 as well as many of the other legal needs of the Company. JHKM's attorneys have unique  
13 knowledge of NMGC's business and legal affairs. JHKM was retained based on its unique  
14 experience and expertise as a regulatory law firm in New Mexico. JHKM's rates are  
15 competitive with other law firms in New Mexico. Given its unique experience, knowledge,  
16 and insight, the Company has retained JHKM as a Preferred Source provider for this case.  
17 In doing so, NMGC considered alternative service providers and determined that the  
18 quality of services provided by JHKM could not be obtained from another source at the  
19 same cost or quality.  
20

21 **Q. WHAT IS THE EXPECTED COST TO RETAIN JHKM IN THIS CASE, AND IS**  
22 **THIS COST REASONABLE AND PRUDENTLY INCURRED?**

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1    **A.**     NMGC estimates that it will cost \$925,000 to retain JHKM throughout this rate case.  
2           Given the need for their service and their expertise, the cost for retaining JHKM is both  
3           prudent and reasonable.

4  
5    **Q.**     **SHOULD RECOVERY OF THE RATE CASE EXPENSES THAT YOU HAVE**  
6           **DESCRIBED BE AUTHORIZED IN THIS PROCEEDING?**

7    **A.**     Yes. The costs provided in NMGC AMD-7 reflect fair and proper expense amounts which  
8           are reasonable and will be prudently incurred in presenting this rate case.

9  
10                                   **V.     INSURANCE EXPENSES**

11   **Q.**     **WHAT INCREASES IS THE COMPANY SEEING IN ITS COSTS RELATING TO**  
12           **INSURANCE?**

13   **A.**     NMGC has seen an increase in its cost for essentially all lines of business insurance. These  
14           projected amounts are provided by our Risk Department at Tampa Electric Company  
15           (“TEC”), and I have provided these numbers to NMGC Witness Buchanan for inclusion in  
16           the model.

17  
18   **Q.**     **CAN YOU EXPLAIN WHY THESE COSTS ARE INCREASING?**

19   **A.**     Yes, I work with the Risk Department at TEC and have discussed the placement of the  
20           coverage with the Risk Manager and the Company’s insurance broker. The insurance  
21           markets are cyclical, and the market has become a “restricted market” over the past three  
22           years, where there is more demand for insurance than there is supply. This alone has  
23           increased the cost of coverage across all lines of insurance. Company-specific factors also

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1        come into play in pricing, such as loss history. Additionally, some lines of insurance, such  
2        as cyber insurance, have seen significant price increases as industry claims under such  
3        policies have increased.

4  
5        **Q.    ARE THE AMOUNTS THE COMPANY EXPECTS TO PAY FOR PROPERTY,**  
6        **GENERAL LIABILITY, AND OTHER INSURANCE IN THE FUTURE TEST**  
7        **YEAR REASONABLE?**

8        **A.**    Yes. We evaluate the Company's coverage needs to put together a package of insurance  
9        policies that together limit or reduce the exposure of the Company to any given insurable  
10       event. The Risk Manager uses multiple insurers to cover our risks and works with our  
11       insurance broker to ensure that the terms and conditions of our insurance placement are  
12       fair and reasonable, and consistent with prevailing insurance market conditions. We also  
13       review our deductible levels and purchase limits to ensure they are appropriate.

14  
15       It is a prudent management decision to purchase appropriate insurance to protect the assets  
16       and operations of the Company and thus, it is reasonable and prudent to incur these  
17       expenses. This is a benefit to the financial health and stability of NMGC, which is  
18       beneficial to its customers.

19  
20       **VI.    COMPLIANCE WITH 17.1.2.10(B)(2)(d) NMAC – PRIOR FINAL ORDERS**

21       **Q.    WHAT DOES 17.1.2.10(B)(2)(D) NMAC REQUIRE OF UTILITIES?**

22       **A.**    17.1.2.10(B)(2)(d) NMAC requires all utilities applying for new rates to provide a  
23       statement setting forth the utility's compliance or failure to comply with each part of the

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Commission's final orders in each of the utility's cases decided during the preceding five years.

**Q. IS NMGC IN COMPLIANCE WITH THE COMMISSION'S FINAL ORDERS IN EACH OF NMGC'S CASES DECIDED DURING THE PRECEDING FIVE YEARS?**

**A.** Yes, NMGC is in compliance with all Commission final orders in each of NMGC's cases decided during the preceding five years. Pursuant to the provisions of 17.1.2.10(B)(2)(d) NMAC, NMGC files with the Commission annually its Annual Final Order Report pursuant to the 17.1.2.10(B)(2)(d) NMAC" (the "Final Order Report"). NMGC last filed its Final Order Report on May 1, 2023. The Final Order Report details all final order requirements from the preceding five years applicable to NMGC and demonstrates that NMGC is in compliance with those requirements.

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

**A.** Yes.