



A Natural Choice.

December 31, 2024

Ms. Melanie Sandoval  
New Mexico Public Regulation Commission  
P. O. Box 1269  
Santa Fe, New Mexico 87504-1269

**RE: New Mexico Gas Company, Inc.'s Advice Notice No. 105  
Second Revised Rule No. 16 - Line Extension Policy**

Dear Ms. Sandoval:

New Mexico Gas Company, Inc (“NMGC”) submits Advice Notice No. 105, effective for service on January 30, 2025. NMGC’s Advice Notice No. 105 includes the following:

- Table of Contents – Rules
- Second Revised Rule No. 16 – Line Extension Policy

NMGC is filing its Second Revised Rule No. 16 in compliance with the Final Order in NMGC’s most recent rate case, Case No. 23-00255-UT, approved by the New Mexico Public Regulation Commission on July 25, 2024. Paragraph 24 of the Uncontested Stipulation in that case states:

“NMGC agrees to file a revised Rule No. 16 – Line Extension Policy before December 31, 2024, after a process that reevaluates the credits (revenue credits, lot credits (both vacant & other) and system improvement credits) and the Advantage Program Advance....”

Attached in support of Advice Notice No. 105 is the following:

- Direct Testimony of Tom C. Bullard
- Direct Testimony of Timothy S. Lyons

Attached is a scanned check for \$1, which will be mailed on December 31, 2024.

Sincerely,

*/s/Brian Buffington*  
Manager, Regulatory Affairs

Enclosures

cc: Certificate of Service  
NMGC#4824851

**NEW MEXICO GAS COMPANY, INC.**

**Advice Notice No. 105**

**December 31, 2024**

**NEW MEXICO PUBLIC REGULATION COMMISSION  
OF THE STATE OF NEW MEXICO**

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New Mexico Gas Company, Inc. hereby gives notice to the public and to the New Mexico Public Regulation Commission of the filing and publishing of the following Rule, which are attached hereto:

<b><u>Rule No.</u></b>	<b><u>Title</u></b>	<b><u>Cancelling</u></b>	<b><u>Effective Date</u></b>
	Table of Contents – Rules		January 30, 2025
Second Revised Rule No. 16	Line Extension Policy	First Revised Rule No. 16	January 30, 2025

Advice Notice No. 105

*/s/Gerald C. Weseen*

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Gerald C. Weseen, Vice President  
Regulatory, Strategy and External Affairs

NMGCO#4824422

NEW MEXICO GAS COMPANY, INC.

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Advice Notice No. 105

*/s/Gerald C. Weseen*

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Gerald C. Weseen, Vice President  
Regulatory, Strategy and External Affairs

NEW MEXICO GAS COMPANY

SECOND REVISED RULE NO. 16  
CANCELING FIRST REVISED RULE NO. 16

LINE EXTENSION POLICY  
(x)

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I. Purpose

In accordance with 17.10.650.10(G) NMAC, this Line Extension Policy (“LXP”) outlines the procedures of New Mexico Gas Company, Inc. (“NMGC” or the “Company”) for addressing requests by Customers for extending the Company’s gas Distribution Mains and determining the responsibility of the Company and its Customers for the cost of installing the field equipment necessary to provide Customers with reliable natural gas service that best satisfies their service needs.

In accordance with this LXP, the Company is required to invest in extensions to satisfy a Customer’s natural gas service needs only when it is economically prudent for the Company to do so based on the probable revenues and expenses to be incurred.

This LXP does not apply to a Customer that is not an End-user, as that term is defined in 17.10.660.7(J) NMAC (such as a Customer requesting Off-System Transportation Service under the Company’s Rate Schedule No. 70). In addition, this LXP does not apply to Changes in Service that do not result in incremental revenues to the Company. The Company’s Rule No. 10 – Service Connections – covers the cost responsibility for the Service Line piping and regulating equipment, connections, and meter.

Nothing in this LXP shall be construed in a manner inconsistent with the Company’s obligations set forth in NMSA 1978, Section 62-8-2 to furnish adequate, efficient and reasonable service.

II. Definitions

The following definitions shall apply to this Rule:

1. Actual Minimum Line Extension Cost: Means that portion of the final constructed and installed cost of a Line Extension relating to the Minimum Line Extension, as defined in Section II.19 of this Rule, but does not include the Special Economic Study fee provided for in this LXP. X
2. Advantage Program Advance: Means an advance towards the cost of constructing Line Extensions and/or Service Lines for which a Customer may be eligible under the Advantage Program defined in Section V of this LXP. X  
X
3. Advantage Program Participant: Means a person or entity who establishes or maintains an account with the Company for Gas Service to a Premise that participates in the Advantage Program, or a Property Owner who owns a Premise that participates in the Advantage Program.
4. Carrying Charge: Means the charge applied to the Advantage Program Advance. The Carrying Charge rate used to make this calculation shall be equal to the pre-tax cost of capital utilized in the Company's

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*/s/Gerald Weseen*

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most recent Commission approved rate case in effect at the time the Advantage Program Agreement is executed. The Carrying Charge rate applicable at the time the Advantage Program Agreement is executed will remain the same throughout the reimbursement period regardless of whether a subsequent Advantage Program Participant becomes obligated to repay the Advantage Program Advance.

5. Change in Service: Means a request by a Customer for an extension of the Company's Distribution Mains for the purpose of making a physical change to the Customer's current gas delivery service, such as a meter relocation, a service line relocation, change in delivery pressure, etc. The Company shall not be required to invest in a Change in Service unless a Special Economic Study demonstrates that such investment results in incremental revenues.
6. Cost Estimate: Means an estimate of the Company's total Distribution Main Line Extension construction and installation costs, including any Minimum Line Extension costs as defined in this LXP, prepared by the Company, and provided to the Customer in accordance with this LXP. Cost Estimates shall be in sufficient detail to allow a Customer to evaluate the scope of the work and the reasonableness of the estimated costs of the work.
7. Customer: Means, for the purposes of this Rule, a person or entity requesting a Line Extension under this LXP.
8. Customer Owned Piping: Means the natural gas pipe downstream of the meter. The Customer is responsible for maintaining this portion of the pipe.
9. Customer Provided Trench: Means a trench dug by a Customer for the installation of the Line Extension. When the Line Extension is to be built in a trench provided by the Customer, the trench shall be built in accordance with Company specifications.
10. Distribution Main: Means units of property and equipment properly includable in accounts 375, 376, 377, 378, 379, 386 and 387 as defined in the Uniform System of Accounts identified in 17.3.610.10 NMAC.
11. Franchise Customer: Means a franchise business, which requests new or incremental service under this LXP. A "franchise" is an agreement in which the franchisee agrees to undertake certain business activities or to sell a particular type of product or service in accordance with methods and procedures prescribed by the franchisor, and the franchisor agrees to assist the franchisee through advertising, promotion and other advisory services.
12. Gas Service: Means natural gas utility service provided by the Company.

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*/s/Gerald C. Weseen*

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13. Incremental Load: Means additional annual throughput i) related to the anticipated Gas Service requirements of a New Customer or, ii) above the baseline, three-year average annual historic throughput at an existing Customer's current service location.
14. Incremental Revenue: Means additional annual revenue to the Company, including any additional monthly Access Fee revenue, i) related to the anticipated Gas Service requirements of a new Customer; or, ii) above the baseline, three-year average annual historic revenue generated by Gas Services delivered by the Company at an existing Customer's current service location.
15. Line Extension: Means the installation of all distribution field equipment (excluding any service line and service line equipment) necessary to provide Gas Service. Physical components of Line Extensions may include all Distribution Main equipment.
16. Line Extension Cost: Means the costs including all labor, materials, vehicles, contractor costs, and reasonably allocated and direct overheads required to design and construct the Line Extension, and to acquire easements, permits, and rights-of-way necessary for its construction (except for service line and customer billing meters) and the cost of upgrading any facilities necessary to provide service. Line Extension Costs also include the costs of changing existing facilities to provide the Gas Service. x
17. Line Extension Credit: Means a credit a Customer may be eligible for, the amount of which is related to the current and possible future gas usage resulting from the relevant Line Extension.
18. Lot Credit: Means the credit a Customer may be eligible for as defined in Section IV.2 of this LXP.
19. Minimum Line Extension: Means the Line Extension that would be designed to meet the needs of the Customer requesting service, and consistent with Company and industry design and safety standards. Sound engineering and economic considerations may require systems to be designed and built which exceed the needs of the Customer requesting service. In cases where the Company chooses to install greater capacity for area-wide system improvements, the Company shall bear those portions of the costs of gas system work. "Area-wide system improvement" shall be construed to mean any system capacity beyond what is required by Company and industry design and safety standards for the particular Customer in question. x
20. Premise: Means a single-metered structure which receives Gas Service under the Advantage Program.
21. Property Owner: Means a person or entity who owns a Premise which will or does receive Gas Service under the Advantage Program.
22. Revenue Credit: Means a credit a Customer may be eligible for as defined in Section IV.1 of this LXP. x

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/s/Gerald C. Weseen

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23. Service Line: Means a Company-owned natural gas line that transports natural gas from a Distribution Main to the meter or service connection. The Company is responsible for maintaining this portion of the pipe.
24. Special Contract: Means a written agreement between the Company and the Customer to establish a rate and/or conditions of a Line Extension that, due to size or load characteristics, or both, differ from those established for general classes of Customers and has a Cost Estimate which is equal to or greater than \$100,000. In such instances a Customer may request a Special Economic Study. If the result of the Special Economic Study, including the allocation of costs for the Line Extension between the Customer and Company is acceptable to both parties, the Company and Customer shall enter into a Special Contract. All Special Contracts provided for in this LXP shall be filed by the Company as an attachment to the report due under 17.5.440.10 NMAC with the New Mexico Public Regulation Commission (the "Commission") within twenty (20) calendar days of execution by the Company and the Customer. The Special Contract shall contain: (a) payment provisions (including mutually acceptable installments and/or phased payments, each installment to be paid in advance of the commencement of construction of each phased segment); (b) acceptable arrangements to assure security for payments (such as a letter of credit, corporate parental guarantee, etc.); (c) an option for the Customer to either accept the Cost Estimate for the Minimum Line Extension or elect to pay the Actual Minimum Line Extension Cost; (d) reasonable completion date; and (e) any other terms mutually acceptable to the Company and Customer not inconsistent with the LXP or the Rules of the Commission. The Special Contract may contain a guarantee by the Customer of the amount of gas the Customer will use, including liquidated damage provisions to ensure future usage and timely completion of the Line Extension. In the event Customer elects to pay the Actual Minimum Line Extension Cost, within ninety (90) calendar days following the completion of the Line Extension, the Company shall provide a reconciliation statement reconciling the Actual Minimum Line Extension Cost and any amount advanced by the Customer under the Special Contract. The Company or Customer shall pay the other party the amount due based on the reconciliation statement within thirty (30) calendar days of receipt of such statement. The Customer's payment of any amount due shall not waive the Customer's right to challenge, in an appropriate Commission proceeding, whether the Company determined the amount in accordance with this LXP.
25. Special Economic Study: Means a study that the Company will perform, at the request of a Customer in accordance with this LXP, to determine the Revenue Credits to which the Customer shall be entitled based on the net present value of future cash flows taking into account probable revenue and expenses incurred.
26. Temporary Service: Means Gas Service to a property where a permanent structure does not exist. Service to a mobile home shall be considered Temporary Service unless the wheels and axles have been removed, skirting is installed and the mobile home permanently installed on the property.

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III. Cost Responsibility

The Customer shall be responsible for the costs associated with the Minimum Line Extension. Except in the event the parties enter into a Special Contract, the amount paid by the Customer will be the difference between the Cost Estimate and any Lot Credits and/or Revenue Credits, as determined by Company in accordance with this LXP. Unless the Customer is approved for the Advantage Program, as provided in Section V of this LXP, the Customer must either 1) pay this amount, in full and in advance of any Line Extension construction, or 2) at the sole discretion of the Company, provide an assurance of payment acceptable to the Company. The Customer will be required to execute a gas line extension agreement, in the form on file with the Commission, if the Cost Estimate exceeds any applicable Line Extension Credits and any advance provided under the Company's Advantage Program.

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The Company will review, on a regular basis, its procedures and assumptions for calculating the Cost Estimate to ensure that the Cost Estimate is as close as reasonable to the actual cost incurred by Company. Except as expressly provided in this section, the amount paid by the Customer is non-refundable once construction activities have commenced.

Upon receipt of a written request by a Customer to terminate construction of a requested Line Extension after an advance for Line Extension construction has been paid by the Customer, the Company shall terminate all construction activities associated with the Line Extension as soon as reasonably practicable. The Company shall refund any unexpended portion of the advance paid by the Customer within thirty (30) calendar days of its receipt of all final invoices for work actually performed before termination of construction, including any expenditures reasonably necessary to suspend the work and necessary to ensure the safety of persons and property and the integrity of the pipeline system. If the Customer participated in the Advantage Program, the Customer must repay to the Company any portion of an advance provided by the Company in connection with the Advantage Program within thirty (30) calendar days of the date the Customer submitted the written request to terminate construction.

IV. Line Extension Credit

All Customers are eligible to receive a Line Extension Credit. Line Extension Credits are established to give consideration to the current and possible future gas usage of Customers served by the Line Extension. The Line Extension Credit will be an offset against the amount of the Line Extension Cost to be paid by the Customer.

The total Line Extension Credit given will never exceed the Company's Cost Estimate.

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*/s/Gerald C. Weseen*

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The Line Extension Credit will include consideration for a Revenue Credit and, if applicable, credits for platted lots:

1. Revenue Credit

- a. The Revenue Credit shall be based on the Customer's estimated annual gas usage. The Revenue Credit shall equal five (5) times the annual gas revenue received by the Company from either 1) the Customer's estimated annual gas usage, excluding cost of gas; or 2) or the average annual gas usage from the Company's most recent Commission approved rate case for the corresponding customer class, excluding the cost of gas. Except where the Company and Customer enter into a Special Contract, the Revenue Credit shall be based on the Customer's estimated annual gas usage. x
- b. In the event the Cost Estimate is equal to or greater than \$100,000, Customers may request a Special Economic Study to be performed by the Company to determine the amount of Revenue Credit applicable. In the Special Economic Study, the Company will calculate the Revenue Credit based on the present value of future cash flows over an appropriate period up to ten (10) years, based on the Customer's reasonably anticipated service requirements. In the event Customer believes that the appropriate period should be longer than ten (10) years, Customer may direct the Company to study a longer period and the Company shall perform the Study. Cash flows will not be considered for buildings or loads that do not exist or are not under construction at the time of the LXP Agreement unless a Special Contract is executed based on the Customer's reasonably anticipated service requirements. x

The Customer shall pay the actual cost for the performance of a Special Economic Study. After the Customer has provided all information requested by the Company, the Company will provide a cost estimate of the Special Economic Study and the LXP Customer shall advance the amount of the cost estimate prior to the commencement of the Special Economic Study. The actual cost of the Special Economic Study shall not exceed 110% of the cost estimate unless Customer-imposed modifications cause additional work to be done. If such Customer-imposed modifications would cause the cost of the Special Economic Study to exceed 110% of the cost estimate, the Company shall advise the Customer of such additional cost and not proceed with the Study unless the Customer authorizes the Company to continue with the Special Economic Study. If the Customer does not authorize the additional expenditures, the Company shall terminate the Special Economic Study and provide the results of the Study to Customer. The internal Company labor costs to be used for the Special Economic Study shall be based on the same methodology as the Company used in establishing its labor rates in the Company's Rate No. 11 (Miscellaneous Fees and Charges) approved by the Commission. Within ninety (90) calendar days following receipt of the final invoices for the Special Economic Study, the Company will provide a final statement for the cost of the Special Economic

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*/s/Gerald C. Weseen*

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Study and a refund to or payment from the requesting Customer shall be made within thirty (30) calendar days of the final statement.

2. Lot Credit

- a. If the Line Extension passes and can serve directly lots not presently receiving Gas Service, a Lot credit may be provided to the Customer. The Lot Credit will be determined by the number of lots platted, filed and recorded with the County Clerk which the Company determines can be reasonably served by the Line Extension. For each lot passed by a new Line Extension, which is not presently receiving Gas Service, a Lot Credit in the amount of five (5) times the annual gas revenue received by the Company from the average annual gas usage from the Company's most recent Commission approved rate case for the corresponding customer class, excluding the cost of gas will be applied.
- b. Customers will NOT receive Lot Credits for any lots eligible for Revenue Credits.

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V. Advantage Program

The Advantage Program is designed to increase the availability of Gas Service in New Mexico by providing an advance for potential Customers to apply towards the cost of Line Extensions and/or new Service Lines. The Advantage Program is offered as a service of the Company subject to the Commission's rules and regulations. The conditions set forth below shall govern the Advantage Program:

- 1. The Advantage Program Advance is available only in situations where the sum of any applicable Lot Credits and Revenue Credits are less than the Minimum Line Extension and new Service Line costs. The Advantage Program Participant shall be responsible for paying to the Company any and all Line Extension Costs and Service Line costs in excess of the sum of the applicable Lot Credit(s), Revenue Credit(s), and Advantage Program Advance prior to the start of construction.
- 2. The Advantage Program is available in any amount between one hundred dollars (\$100) and five thousand dollars (\$5,000).
- 3. Advantage Program Participants shall repay the Advantage Program Advance to the Company over a period of time not to exceed 120 months. The minimum monthly repayment shall be twenty dollars (\$20) per month unless the total outstanding obligation related to the Advantage Program Advance is less than twenty dollars.

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*/s/Gerald C. Weseen*

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4. A Carrying Charge shall apply to all outstanding balances related to the Advantage Program Advance beginning on the date the Line Extension and any Service Line construction is completed.
5. The Advantage Program is only available to potential residential or Rate No. 54 sales customers.
6. In the event an Advantage Program Advance is utilized to cover the initial cost of the installation of a Service Line beyond the AP Participant's property line, the Company's meter shall be installed directly adjacent to the Premise. Advantage Program funds shall not be used to construct or install any gas lines downstream of the Company's meter.
7. Participation in the Advantage Program must be memorialized in a written agreement (the "Advantage Program Agreement") signed by the Property Owner. The Advantage Program Agreement shall contain terms and conditions consistent with this LXP. The Company may rely on the representations of the person that executes the Advantage Program Agreement that he or she is the Property Owner, and the Company shall have no affirmative duty whatsoever to confirm the ownership of the Premise.
8. The AP Agreement shall contain the schedule for the reimbursement to the Company of the Advantage Program Advance provided to the AP Participant, which shall consist of reimbursement to the Company of all amounts advanced and the applicable Carrying Charges.
9. The liability for the reimbursement to the Company of all amounts advanced under the Advantage Program shall remain with the Premise, which received Gas Service under this LXP, regardless of the identity of the Advantage Program Participant at the Premise. In the event a subsequent Advantage Program Participant requests Gas Service at the Premise, that Advantage Program Participant shall agree to be responsible for continuing to make payments to the Company for any outstanding obligation associated with the Advantage Program as a condition for the Company continuing to provide Gas Service at the Premise. The Company shall notify any subsequent Advantage Program Participant at the Premise, upon request for Gas Service that the Advantage Program Participant's account will be subject to any remaining balance associated with the Advantage Program.
10. Any Premise participating in the Advantage Program cannot participate in any way in the Company's transportation program until the Advantage Program obligation is satisfied in full.
11. Advantage Program Participants shall have the option to make a lump sum pay-off of any remaining obligation associated with the Advantage Program at any time without penalty.
12. Any Advantage Program Participant who leases a Premise subject to the Advantage Program shall enroll in the Company's Landlord Standby Program and enter into a Landlord Standby Service Agreement.

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*/s/Gerald C. Weseen*

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13. If an Advantage Program Participant fails to make payment(s) to the Company for an Advantage Program obligation, the Company shall have all remedies provided by the Commission's rules and regulations, including disconnection of service.
14. The Company will provide the following information in the Advantage Program Agreement and to the Advantage Program Participant when first presenting the Advantage Program:
  - a. The Carrying Charge rate applicable to the Advantage Program Advance;
  - b. The full amount of the Advantage Program Advance and the Carrying Charge amounts over the duration of the reimbursement period;
  - c. Notice of the right to make a lump sum payment at any time during the duration of the reimbursement period in order to extinguish the Advantage Program obligation; and
  - d. A phone number to address any Advantage Program questions.
15. In the event provisions of the Advantage Program Agreement conflict with this LXP, this LXP shall govern.

VI. Residential Service Construction

Within thirty (30) calendar days after a residential Customer has complied with all the reasonable utility requirements, the Company shall provide to the residential Customer a written Cost Estimate. The Company shall complete construction of the Line Extension within sixty (60) calendar days after the residential Customer signs a Line Extension agreement in the form on file with the Commission, pays the required payment, and the Company has secured all applicable permits, rights-of-way, materials and labor necessary for the Line Extension.

VII. Non-Residential Service Construction

Construction of extensions for non-residential Gas Service will commence within a reasonable time in accordance with the Company's construction schedule and after any required payment by the non-residential Customer for construction of the Line Extension is made. The Company shall provide to such non-residential Customer a written Cost Estimate, and propose a reasonable time schedule for the Company's completion of construction of the Line Extension.

VIII. Easements and Rights-of-Way

Advice Notice No. 105

*/s/Gerald C. Weseen*

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For all facilities installed on private property not owned by the Customer requesting such facilities, the Customer shall provide the Company with all necessary private easements in a Company approved format suitable for recording, which reflects the “as built” configuration and location of the facilities. If requested by the Customer, the Company will obtain all private easements required for the installation of facilities. The Customer shall pay the Company for all costs incurred by the Company in providing such assistance. In the event the Company incurs costs associated with obtaining rights-of-way or permits and the Customer terminates the Line Extension prior to the start of construction, the Customer remains liable for such costs unless the right-of-way is used or useful immediately by the Company. The Customer shall pay the Company for all costs incurred to approve the format of such documents and to verify property ownership involved with such documents.

Unless otherwise agreed to, the Company will obtain all right-of-way permits from local, county, state, federal, and tribal agencies. The Customer must pay the Company for all costs incurred by the Company in obtaining such permits.

IX. Temporary Service

Applicants for Temporary Service must make a non-refundable contribution of the entire cost of facilities required to provide service including service line and Customer’s meter, plus cost of removal of such facilities, and less salvage value of removed materials and equipment.

X. Dispute Resolution

In the event of any dispute between the Customer and the Company concerning the meaning of any provisions in this LXP or the manner in which the Company performs, or intends to perform, a Special Economic Study in accordance with this LXP, the Customer may request an informal meeting to resolve the disputes with a Company representative located in the service area who is authorized by the Company to resolve such disputes on behalf of the Company. In the event such an informal meeting fails to resolve the dispute, the Customer may seek resolution of that dispute by the Commission, in which case the Company and Customer shall support the most expeditious resolution of the dispute reasonably practicable in accordance with the dispute resolution procedures then available under the Commission’s Rules. A Customer which pays the Company the Minimum Line Extension Cost determined by the Company in accordance with this LXP may request that the Company proceed with the Line Extension requested without waiving the Customer’s right under this section to seek resolution of any such dispute. A Customer which pays the cost of performance of a Special Economic Study determined by the Company may request that the Company proceed with that Study without waiving the Customer’s right to challenge, in an appropriate Commission proceeding, whether the Company properly determined that cost and/or performed that Study in accordance with this LXP. In the event of any dispute between the Customer and the Company concerning the meaning of any terms and conditions in a Special Contract executed under this LXP, or concerning the Company’s or

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*/s/Gerald C. Weseen*

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the Customer's performance of their respective obligations under such a Special Contract, after that Special Contract is filed with the Commission in accordance with this LXP, the Customer or the Company may seek resolution of that dispute, including, but not limited to claims for appropriate relief, in the Commission or in any court of competent jurisdiction.

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*/s/Gerald C. Weseen*

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Vice President, Regulatory, Strategy and  
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**DIRECT TESTIMONY OF  
TOM C. BULLARD**

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**LIST OF EXHIBITS**

NMGC Exhibit TCB-1	Resume of Tom C. Bullard
NMGC Exhibit TCB-2	Redline Copy of Revised Rule 16



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMGC ADVICE NOTICE NO. 105**

**I. INTRODUCTION**

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

**A.** My name is Tom C. Bullard. 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 the Vice President of Engineering, Gas Management and Technical Services for New Mexico Gas Company, Inc. (“NMGC” or the “Company”).

**Q. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES AS VICE PRESIDENT OF ENGINEERING, GAS MANAGEMENT AND TECHNICAL SERVICES FOR NMGC.**

**A.** I am responsible for the following divisions at NMGC: (i) Engineering, (ii) Gas Management, (iii) Environmental, and (iv) Land Services. My responsibility for NMGC’s Engineering division is most relevant to this case, as Engineering performs systems analysis and determines the required line sizes, assists Operations with estimating usage and revenues, and provides the design and engineering for the line extensions. In addition, Gas Management conducts all of the Company’s activities related to gas acquisitions, gas supply, system planning, market development, and the gas control and compression functions of the Company.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE AND STATE WHETHER YOU HAVE**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMGC ADVICE NOTICE NO. 105**

1           **PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO PUBLIC**  
2           **REGULATION COMMISSION.**

3   **A.**    My educational background and work experience are described in NMGC Exhibit TCB-1.  
4           I have filed testimonies in NMPRC Case Nos. 19-00317-UT, 19-00318-UT, 20-00130-UT,  
5           21-00267-UT, 22-00309-UT, 23-00255-UT, and 24-00222-UT.

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

7   **A.**    The purpose of my testimony is to support the Company’s Advice Notice No. 105, which  
8           proposes revisions and additions to the First Revised Rule No. 16 – Line Extension Policy  
9           (“Rule 16” or the “Rule”). Attached to NMGC’s Advice Notice No. 105 is a copy of  
10          NMGC’s proposed Second Revised Rule No. 16 (“Revised Rule 16”). Additionally,  
11          attached to this testimony as NMGC Exhibit TCB-2 is a redline copy of Revised Rule 16,  
12          which includes all proposed changes.

13  
14          I also introduce NMGC’s other witness in this case, Mr. Timothy S. Lyons from  
15          ScottMadden, Inc. Mr. Lyons will provide testimony supporting a detailed evaluation of  
16          the NMGC’s Line Extension Policy. The results of his evaluation support the Company’s  
17          changes to its lot credits and revenue credits.

18                   **II.    LINE EXTENSION POLICY REVIEW AND REVISIONS**

19   **Q.    PLEASE BRIEFLY SUMMARIZE RULE 16.**

20   **A.**    Rule 16 is the tariff that governs NMGC’s extension of its facilities to serve new customers,  
21          including how the cost of the extension of facilities will be allocated.

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1 **Q. HAS NMGC ALWAYS HAD A LINE EXTENSION TARIFF?**

2 **A.** Yes, NMGC has had a line extension tariff since the Company began providing utility  
3 service in 2009.

4 **Q. WHY IS NMGC PROPOSING TO REVISE RULE 16?**

5 **A.** Rule 16 has not been revised since 2015 and as part of an Uncontested Stipulation in  
6 NMGC’s 2023 rate case, Case No. 23-00255-UT, (the “2023 Rate Case Stipulation”) the  
7 Company agreed to review and propose revisions to Rule 16 by December 31, 2024.  
8 NMGC analyzed the current tariff language, as well as the credits included within the tariff.  
9 NMGC determined it was appropriate to propose revisions to the line extension tariff.

10 **Q. PLEASE DESCRIBE WHAT NMGC DID TO REEVALUATE RULE 16.**

11 **A.** NMGC began by examining the line extension credit approaches of natural gas utilities  
12 across the nation to better understand how other utilities work with customers seeking new  
13 natural gas utility service. NMGC performed a new review of Rule 16 to determine  
14 whether changes to the tariff language were warranted. NMGC also engaged ScottMadden  
15 to conduct an evaluation of its line extension policy and make recommendations regarding  
16 the appropriate amount of line extension credits.

17 **Q. WERE STAKEHOLDERS GIVEN THE OPPORTUNITY TO PARTICIPATE IN  
18 THE EVALUATION OF RULE 16?**

19 **A.** Yes. As agreed to in the 2023 Rate Case Stipulation, NMGC consulted with Western  
20 Resource Advocates (“WRA”), members of the Commission’s Utility Division Staff, and  
21 other interested parties in the evaluation process. The process for this consultation was

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1 outlined in a Joint Response to the Hearing Examiner’s Sixth Bench Request, filed April  
2 24, 2024 in the 23-00255-UT docket.

3  
4 As agreed in that response, NMGC provided notice to all parties of record in Case No. 23-  
5 00255-UT and other interested persons, and held two stakeholder meetings to present the  
6 Company’s evaluation of Rule 16, discuss proposed revisions, and solicit feedback and  
7 suggestions for additional revisions. These meetings were held on October 11, 2024 and  
8 November 15, 2024. Attendance at those meetings included the Commission’s Utility  
9 Division Staff, WRA, the Coalition for Clean Affordable Energy, Los Alamos County, and  
10 home builders, including representation from the New Mexico Home Builders’  
11 Association.

12 **III. NEW PROVISIONS IN REVISED RULE 16**

13 **Q. WHAT TYPES OF REVISIONS IS NMGC PROPOSING TO RULE 16?**

14 **A.** NMGC is proposing two types of revisions: clarifications to the language of Rule 16 and  
15 changes to the line extension credits.

16 **Q. PLEASE GENERALLY DESCRIBE THE LANGUAGE CLARIFICATION**  
17 **CHANGES IS NMGC PROPOSING TO RULE 16?**

18 **A.** NMGC is proposing a few revisions for clarification purposes:

- 19 1. Changes to four definitions in Section II of Rule 16: Actual Minimum Line  
20 Extension Cost, Minimum Line Extension, Advantage Program Advance, and  
21 Special Contract;

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- 1                   2. Changes in the first paragraph of Section III, Cost Responsibility; and  
2                   3. A change to the language regarding the Revenue Credit in Section IV.1.a.

3 **Q. PLEASE DESCRIBE THE PROPOSED CLARIFICATIONS TO THE**  
4 **DEFINITION OF “ACTUAL MINIMUM LINE EXTENSION COST” IN SECTION**  
5 **II(1).**

6 **A.** The definition of “Actual Minimum Line Extension Cost” includes a reference to the  
7 defined term “Minimum Line Extension.” As shown in NMGC Exhibit TCB-2, NMGC is  
8 proposing to add language referencing Section II.19 of the Rule, where the definition of  
9 Minimum Line Extension can be found.

10 **Q. WHY IS NMGC PROPOSING THESE CHANGES?**

11 **A.** NMGC is proposing this change for clarification as this term defines a cost option a  
12 customer may elect to pay under a special contract. NMGC is also proposing this change  
13 for convenience, to assist customers with navigating the Rule and understanding costs they  
14 may be responsible for.

15 **Q. PLEASE DESCRIBE THE PROPOSED CLARIFICATIONS TO THE**  
16 **DEFINITION OF “MINIMUM LINE EXTENSION” IN SECTION II(19).**

17 **A.** NMGC is proposing some changes to clarify that a “Minimum Line Extension” is a line  
18 sized both to serve a particular customer’s anticipated usage, and at the same time meeting  
19 industry and Company design and safety standards. For example, if a customer’s service  
20 needs could be met with a one-inch line, but industry and Company design and safety  
21 standards require that a two-inch line be installed under the circumstances, then the

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1 minimum line extension, for cost purposes, is a two-inch line. In this scenario, if the  
2 Company decides to install anything larger than a two-inch line, say for system  
3 reinforcement, that cost difference between the “minimum line extension” and the size of  
4 the line the Company decided to install would be considered to be an “Area-wide system  
5 improvement,” which the customer would not be responsible for paying.

6 **Q. WHY IS NMGC PROPOSING THESE CHANGES?**

7 **A.** This clarification helps customers understand what costs they are responsible for and  
8 makes clear that a customer is required to pay for a line that meets industry design and  
9 safety standards, even if that customer could theoretically be served by a smaller line.

10 **Q. PLEASE DESCRIBE THE PROPOSED CLARIFICATIONS TO THE**  
11 **DEFINITION OF “ADVANTAGE PROGRAM ADVANCE” IN SECTION II(2).**

12 **A.** NMGC is proposing to move some language from the end of the sentence towards the front  
13 of the sentence. NMGC is not proposing to change the substance of the language.

14 **Q. WHY IS NMGC PROPOSING THIS CHANGE?**

15 **A.** This is a minor change in an effort to improve the readability of the definition.

16 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE DEFINITION OF**  
17 **“SPECIAL CONTRACT” IN SECTION II(24).**

18 **A.** The definition of “Special Contract” includes a list of items that a Special Contract *shall*  
19 contain. Currently, that list includes a guarantee by the customer of the amount of natural  
20 gas the customer will use, including liquidated damages provisions to ensure future usage

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1 and timely completion of the Line Extension. NMGC is proposing revisions to make the  
2 inclusion of a guarantee optional, rather than required.

3 **Q. WHY IS NMGC PROPOSING THIS CHANGE?**

4 **A.** NMGC is proposing this change because there are circumstances in which the Company  
5 believes this requirement is too rigid, and it is not necessary to require a guarantee in every  
6 circumstance. For example, when a group of homeowners in a community approach  
7 NMGC to arrange for natural gas service, it is extremely difficult to have all of the  
8 customers execute a guarantee, as well as tracking each of the customers' usage over time  
9 to ensure each one is using the anticipated amount of natural gas.

10 **Q. PLEASE DESCRIBE THE PROPOSED CHANGE TO THE FIRST PARAGRAPH  
11 OF SECTION III, COST RESPONSIBILITY.**

12 **A.** As currently written, the first paragraph of Section III requires that unless a customer is  
13 approved for the Advantage Program, the customer must pay the costs associated with the  
14 Minimum Line Extension in full, and in advance of any construction. NMGC is proposing  
15 to add language providing that if not approved for the Advantage Program, the customer  
16 must pay the costs in full and in advance, or at the sole discretion of the Company, provide  
17 an assurance of payment acceptable to the Company.

18 **Q. WHY IS NMGC PROPOSING THIS CHANGE?**

19 **A.** NMGC is proposing this change because there are circumstances wherein the Company is  
20 unable to require full, upfront payments. An example of this, is when the Company works  
21 with the State of New Mexico on certain projects that are funded through legislative





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1 **Q. DID NMGC PROVIDE DATA TO SCOTTMADDEN FOR THIS ANALYSIS?**

2 **A.** Yes. In order to perform an analysis of Rule 16 customer credits, Witness Lyons asked for  
3 a sampling of line extension projects that were representative of large line extension  
4 projects performed by the Company in the last three to five years. NMGC provided Mr.  
5 Lyons with information such as the number of customers, total project costs, and line  
6 extension credits received for a sample of representative projects. NMGC provided Mr.  
7 Lyons with information for 23 separate line extension projects.

8 **Q. WHAT TYPE OF LINE EXTENSION PROJECTS WERE INCLUDED IN THE**  
9 **SAMPLE PROVIDED TO SCOTTMADDEN?**

10 **A.** The projects concern the development of residential subdivisions. These types of projects  
11 represent the majority, both in the number of customers and cost, of the line extension  
12 projects the Company carries out every year.

13 **Q. WHAT DID SCOTTMADDEN'S ANALYSIS SHOW?**

14 **A.** The analysis showed that NMGC's recent line extension projects were economically  
15 prudent because the incremental revenues of new customers exceeded the line extension  
16 costs on a net present value basis. The analysis also indicated that the projects could remain  
17 economically viable if NMGC provided increased line extension credits.

18 **Q. WHAT DID NMGC DO BASED ON THE RESULTS OF SCOTTMADDEN'S**  
19 **ANALYSIS?**

20 **A.** Based on the analysis, NMGC evaluated whether there could be benefits to customers by  
21 adjusting the revenue and lot credits, and we determined that there could be.

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1 **Q. HOW ARE REVENUE CREDITS CURRENTLY CALCULATED?**

2 **A.** Revenue credits are currently calculated as four (4) times the annual distribution gas  
3 revenue received by the Company from either 1) the Customer's estimated annual gas  
4 usage, excluding cost of gas; or 2) the average annual gas usage from the Company's most  
5 recent Commission approved rate case for the corresponding customer class, excluding the  
6 cost of gas.

7 **Q. PLEASE DESCRIBE THE CHANGES NMGC IS PROPOSING TO ITS REVENUE**  
8 **CREDITS.**

9 **A.** NMGC is proposing two changes. The first change is the use of both distribution and  
10 transmission revenues in the calculation. The second change is to increase the current  
11 multiplier of four (4) to a multiplier of five (5).

12 **Q. WHY IS NMGC PROPOSING TO USE BOTH DISTRIBUTION AND**  
13 **TRANSMISSION REVENUES IN THE REVENUE CREDIT CALCULATION?**

14 **A.** Witness Lyons discusses how the inclusion of both distribution and transmission revenues  
15 better reflects revenue contributions from new customers as well as the cost of line  
16 extensions.

17 **Q. WHY IS NMGC PROPOSING TO INCREASE THE REVENUE MULTIPLIER IN**  
18 **THE REVENUE CREDIT CALCULATION?**

19 **A.** NMGC is proposing to increase the revenue multiplier to encourage customer growth by  
20 reducing the overall cost of extending the Company's distribution mains to provide natural  
21 gas service to new customers. The proposed change will benefit existing customers

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1 because customer growth will increase the number of customers over which NMGC's rates  
2 are spread. As Witness Lyons states in his testimony, the net present value of a revenue  
3 credit using a multiplier of five (5) times the average revenue in the applicable rate class is  
4 still cost effective. Existing customers ultimately benefit from the project because new  
5 customers will pay more toward the system than the cost of the revenue credits.

6 **Q. WHY DID NMGC CHOOSE A REVENUE MULTIPLIER OF FIVE?**

7 **A.** NMGC chose a multiplier of five (5) based upon the benefits it provides to both new and  
8 existing customers. This decision was supported by NMGC's review of the approaches  
9 other natural gas utilities take across the country. The Company's review of other natural  
10 gas utility line extension policies showed that the current average multiplier for utilities  
11 that utilize the revenue/margin multiplier is five.

12  
13 Witness Lyons confirmed that a revenue multiplier of five is cost effective. NMGC's line  
14 extension projects will remain economically prudent and beneficial to both existing and  
15 new customers using a multiplier of five.

16 **Q. HOW IS A LOT CREDIT DETERMINED UNDER CURRENT RULE 16?**

17 **A.** In the current policy, there are two types of lot credits, a developed lot credit and an  
18 undeveloped lot credit. The undeveloped lot credit was calculated to be a revenue credit  
19 for a typical customer (one that would likely occupy that lot in the future) at the time of the  
20 last update to Rule 16, which amounted to \$950. The developed (or occupied  
21 home/business without natural gas service) lot credit was set to be half of the undeveloped  
22 lot credit, or \$475. These amounts were originally calculated like the revenue credits,

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1           utilizing four (4) times the annual distribution revenue with rates that were in effect at the  
2           time of the calculation.

3   **Q.   PLEASE DESCRIBE THE CHANGES NMGC IS PROPOSING TO THE WAY IT**  
4   **CALCULATES LOT CREDITS.**

5   **A.**   NMGC is proposing the following changes to the calculation of lot credits:

- 6           •   changing from a fixed credit to one based on estimated usage, calculated like the  
7                proposed revenue credit with a five (5) times revenue multiplier applied to both  
8                transmission and distribution revenue; and
- 9           •   eliminating the distinction between undeveloped and developed lot credits and  
10            implementing a general lot credit.

11 **Q.   WHY IS NMGC PROPOSING TO CHANGE FROM A FIXED LOT CREDIT TO**  
12 **ONE BASED ON ESTIMATED USAGE?**

13 **A.**   The amount of the existing lot credit, which is fixed, was based, at the time the rule was  
14   filed, on the revenue expected from the lots that are passed when extending the Company's  
15   mainline. As this was the basis, it is sensible to move to the same multiplier as the revenue  
16   credit, rather than have a fixed number that either 1) would require NMGC to file an advice  
17   notice updating Rule 16 after every rate case, or 2) would result in the credit becoming  
18   inaccurate over time. The proposed adjustment to NMGC's lot credits will ensure that the  
19   Company's revenue and lot credits remain consistent with current anticipated revenue as  
20   updated base rates are approved by the Commission.

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1 **Q. IN THE CONTEXT OF THE LOT CREDITS, WHY HAVE VACANT LOTS**  
2 **RECEIVED A HIGHER CREDIT THAN LOTS WITH EXISTING STRUCTURES**  
3 **UNDER THE CURRENT RULE 16?**

4 **A.** NMGC provides lot credits based on anticipated future revenues from lots that are in close  
5 proximity to the line extension. When this distinction was developed years ago, it was  
6 NMGC's belief that vacant lots had a higher likelihood, when developed, to utilize natural  
7 gas service if it is available. Developed lots, on the other hand, would need to incur  
8 additional costs to convert from an alternative heating source (such as propane), and might  
9 be less likely to convert to natural gas. Because developed lots would incur an additional  
10 cost to convert to natural gas, NMGC hypothesized it was more likely to receive future  
11 revenue from a vacant lot near a line extension, and therefore provided a larger credit for  
12 vacant lots.

13 **Q. WHY IS NMGC PROPOSING TO CHANGE TO A GENERAL LOT CREDIT?**

14 **A.** NMGC determined that the basis for distinguishing between vacant and occupied lot  
15 credits was no longer applicable. NMGC has experienced strong interest from potential  
16 customers in receiving natural gas utility service from NMGC. These potential customers  
17 include residential developers and businesses, as well as individual homeowners who are  
18 interested in converting from propane to natural gas. As a result, NMGC continues to add  
19 new customers to its customer base. NMGC's customer base has grown by an average of  
20 3,600 customers per year over the last five years, and NMGC now serves more than  
21 550,000 customers across the State.

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1 NMGC’s experience is consistent with input provided by the Commission’s Utility  
2 Division Staff during the meetings NMGC held with stakeholders. Staff indicated that  
3 members of the public who are on propane want to switch to natural gas when possible,  
4 despite the conversion cost.

5  
6 Thus, NMGC’s proposal to move to a general lot credit is based on its own experience and  
7 input provided during the stakeholder process.

8 **Q. HOW WILL THE PROPOSED CHANGES TO THE CREDITS AFFECT**  
9 **EXISTING CUSTOMERS ON NMGC’S SYSTEM?**

10 **A.** Existing customers should benefit from these changes. They will result in higher credits,  
11 which will likely encourage new customers to connect to NMGC’s system by making  
12 access to natural gas more affordable. These new customers will not only cover their share  
13 of the new investment in natural gas lines, they will also contribute to sharing NMGC’s  
14 costs. By spreading these costs over a greater number of customers there is less cost per  
15 customer than would otherwise occur. Overall, NMGC’s customers should benefit from  
16 the proposed change.

17 **Q. DID NMGC RECEIVE ANY STAKEHOLDER INPUT THAT WAS OPPOSED**  
18 **TO NMGC’S PROPOSED CHANGES TO CREDITS?**

19 **A.** Yes. On December 10, 2024, one stakeholder provided written comments to NMGC  
20 urging the Company to abandon credits all together. The stakeholder said its opinion is  
21 that that ratepayer-funded credits can lead to increased customer bills for existing  
22 customers, potential subsidization of new customers from existing customers, and

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1 unnecessary expansion of the gas distribution system which interferes with the  
2 environmental goals of some stakeholders.

3 **Q. WHAT IS NMGC'S RESPONSE TO THE VIEW THAT CREDITS SHOULD BE**  
4 **ELIMINATED?**

5 **A.** NMGC has a statutory duty to serve customers in its service territories that request natural  
6 gas service. Credits proposed in the updated Rule 16 will help new customers afford the  
7 cost of obtaining natural gas utility service. Existing customers benefit because there are  
8 more customers contributing toward the total cost of operating NMGC's system. The  
9 analysis performed by ScottMadden demonstrates that existing customers benefit  
10 economically from the addition of new customers, because the line extension credits will  
11 result in new incremental revenues that exceed the incremental costs of the line extension.  
12  
13 Ending credits would potentially have a detrimental impact on some customers who would  
14 otherwise join NMGC's system. NMGC's view is that it should comply with its duty to  
15 provide natural gas utility service to the public, take actions that benefit its current and  
16 future customers, and avoid actions that would be detrimental to those same groups.

17 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

18 **A.** Yes.

NMGC#4824850

**Educational and Professional Summary**

**Name:** Tom C. Bullard, P.E.

**Address:** P.O. Box 97500  
Albuquerque, NM 87199

**Education:** B.S., Mechanical Engineering, June 1984  
New Mexico State University, Las Cruces, NM  
Master of Business Administration, May 1992  
University of Phoenix, Phoenix, AZ  
Registered Professional Engineer (NM, AZ)

**Professional**

**Experience:** New Mexico Gas Company, Inc.  
Albuquerque, NM

Vice President, Engineering, Gas Management and Technical Services	2017- Present
Director, Engineering Services	2011 - 2017
Manager, Transmission Engineering	2006 – 2011
Professional Engineer	2003 – 2006
Manager, Engineering Support	2001 – 2003
Senior Engineer	2000 - 2001

City of Las Cruces Gas Department  
Las Cruces, NM  
Gas Director 1997 – 2000

Rio Grande Natural Gas Association  
Las Cruces, NM  
Administrator 1993 – 1997

Allied-Signal Aerospace Company  
Phoenix, AZ  
Project Engineer 1984 - 1993



Testimony Before the New Mexico Public Regulation Commission:

Case No. 19-00317-UT – 2019 NMGC Rate Case Application

Case No. 19-00318-UT – NMGC Brazos Mainline Purchase Application

Case No. 20-00130-UT – NMGC 2020 Purchase Gas Adjustment Clause Application

Case No. 21-00267-UT – 2021 NMGC Rate Case Application

Case No. 22-00309-UT – CCN/LNG Facility Application

Case No. 23-00255-UT – 2023 NMGC Rate Case Application

Case No. 24-00222-UT – NMGC 2024 Purchase Gas Adjustment Clause Application

NEW MEXICO GAS COMPANY

~~FIRST-SECOND~~ REVISED RULE NO. 16  
CANCELING ~~ORIGINAL-FIRST REVISED~~ RULE NO. 16

LINE EXTENSION POLICY  
(x)

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I. Purpose

In accordance with 17.10.650.10(G) NMAC, this Line Extension Policy (“LXP”) outlines the procedures of New Mexico Gas Company, Inc. (“NMGC” or the “Company”) for addressing requests by Customers for extending the Company’s gas Distribution Mains and determining the responsibility of the Company and its Customers for the cost of installing the field equipment necessary to provide Customers with reliable natural gas service that best satisfies their service needs.

In accordance with this LXP, the Company is required to invest in extensions to satisfy a Customer’s natural gas service needs only when it is economically prudent for the Company to do so based on the probable revenues and expenses to be incurred.

This LXP does not apply to a Customer that is not an End-user, as that term is defined in 17.10.660.7(J) NMAC (such as a Customer requesting Off-System Transportation Service under the Company’s Rate Schedule No. 70). In addition, this LXP does not apply to Changes in Service that do not result in incremental revenues to the Company. The Company’s Rule No. 10 – Service Connections – covers the cost responsibility for the Service Line piping and regulating equipment, connections, and meter.

Nothing in this LXP shall be construed in a manner inconsistent with the Company’s obligations set forth in NMSA 1978, Section 62-8-2 to furnish adequate, efficient and reasonable service.

II. Definitions

The following definitions shall apply to this Rule:

1. Actual Minimum Line Extension Cost: Means that portion of the final constructed and installed cost of a Line Extension relating to the Minimum Line Extension, as defined in Section II.19 of this Rule, but does not include the Special Economic Study fee provided for in this LXP.
2. Advantage Program Advance: Means an advance towards the cost of constructing Line Extensions and/or Service Lines for which a Customer may be eligible ~~for~~ under the Advantage Program defined in Section V of this LXP ~~towards the cost of constructing Line Extensions and/or Service Lines~~.
3. Advantage Program Participant: Means a person or entity who establishes or maintains an account with the Company for Gas Service to a Premise that participates in the Advantage Program, or a Property Owner who owns a Premise that participates in the Advantage Program.

Advice Notice No. 50105

~~Nicole Strauser~~Gerald C. Weseen  
~~Director, Legal and Regulatory Affairs~~Vice  
~~President, Regulatory, Strategy and External~~  
Affairs

NEW MEXICO GAS COMPANY

~~FIRST-SECOND~~ REVISED RULE NO. 16  
CANCELING ~~ORIGINAL-FIRST REVISED~~ RULE NO. 16

LINE EXTENSION POLICY  
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4. Carrying Charge: Means the charge applied to the Advantage Program Advance. The Carrying Charge rate used to make this calculation shall be equal to the pre-tax cost of capital utilized in the Company's most recent Commission approved rate case in effect at the time the Advantage Program Agreement is executed. The Carrying Charge rate applicable at the time the Advantage Program Agreement is executed will remain the same throughout the reimbursement period regardless of whether a subsequent Advantage Program Participant becomes obligated to repay the Advantage Program Advance.
5. Change in Service: Means a request by a Customer for an extension of the Company's Distribution Mains for the purpose of making a physical change to the Customer's current gas delivery service, such as a meter relocation, a service line relocation, change in delivery pressure, etc. The Company shall not be required to invest in a Change in Service unless a Special Economic Study demonstrates that such investment results in incremental revenues.
6. Cost Estimate: Means an estimate of the Company's total Distribution Main Line Extension construction and installation costs, including any Minimum Line Extension costs as defined in this LXP, prepared by the Company, and provided to the Customer in accordance with this LXP. Cost Estimates shall be in sufficient detail to allow a Customer to evaluate the scope of the work and the reasonableness of the estimated costs of the work.
7. Customer: Means, for the purposes of this Rule, a person or entity requesting a Line Extension under this LXP.
8. Customer Owned Piping: Means the natural gas pipe downstream of the meter. The Customer is responsible for maintaining this portion of the pipe.
9. Customer Provided Trench: Means a trench dug by a Customer for the installation of the Line Extension. When the Line Extension is to be built in a trench provided by the Customer, the trench shall be built in accordance with Company specifications.
10. Distribution Main: Means units of property and equipment properly includable in accounts 375, 376, 377, 378, 379, 386 and 387 as defined in the Uniform System of Accounts identified in 17.3.610.10 NMAC.
11. Franchise Customer: Means a franchise business, which requests new or incremental service under this LXP. A "franchise" is an agreement in which the franchisee agrees to undertake certain business activities or to sell a particular type of product or service in accordance with methods and procedures prescribed by the franchisor, and the franchisor agrees to assist the franchisee through advertising, promotion and other advisory services.

Advice Notice No. [50105](#)

~~Nicole Strauser~~  
Gerald C. Weseen  
Director, Legal and Regulatory Affairs  
Vice President, Regulatory, Strategy and External  
Affairs

NMGC0#3074322

NEW MEXICO GAS COMPANY

~~FIRST-SECOND~~ REVISED RULE NO. 16  
CANCELING ~~ORIGINAL-FIRST REVISED~~ RULE NO. 16

LINE EXTENSION POLICY  
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12. Gas Service: Means natural gas utility service provided by the Company.
13. Incremental Load: Means additional annual throughput i) related to the anticipated Gas Service requirements of a New Customer or, ii) above the baseline, three-year average annual historic throughput at an existing Customer's current service location.
14. Incremental Revenue: Means additional annual revenue to the Company, including any additional monthly Access Fee revenue, i) related to the anticipated Gas Service requirements of a new Customer; or, ii) above the baseline, three-year average annual historic revenue generated by Gas Services delivered by the Company at an existing Customer's current service location.
15. Line Extension: Means the installation of all distribution field equipment (excluding any service line and service line equipment) necessary to provide Gas Service. Physical components of Line Extensions may include all Distribution Main equipment.
16. Line Extension Cost: Means the costs including all labor, materials, vehicles, contractor costs, and reasonably allocated and direct overheads required to design and construct the Line Extension, and to acquire easements, permits, and rights-of-way necessary for its construction (except for service line and customer billing meters) and the cost of upgrading any facilities necessary to provide service. Line Extension Costs also include the costs of changing existing facilities to provide the Gas Service.
17. Line Extension Credit: Means a credit a Customer may be eligible for, the amount of which is related to the current and possible future gas usage resulting from the relevant Line Extension.
18. Lot Credit: Means the credit a Customer may be eligible for as defined in Section IV.2 of this LXP.
19. Minimum Line Extension: Means the Line Extension that would be designed ~~solely~~ to meet the needs of the Customer requesting service, and ~~is~~ consistent with Company and industry design and safety standards. Sound engineering and economic considerations may require systems to be designed and built which exceed the needs of the Customer requesting service. In cases where the Company chooses to install greater capacity for area-wide system improvements, the Company shall bear those portions of the costs of gas system work. "Area-wide system improvement" shall be construed to mean any system capacity beyond what is ~~specifically~~ required by Company and industry design and safety standards for the particular Customer in question.
20. Premise: Means a single-metered structure which receives Gas Service under the Advantage Program.

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~~Nicole Strauser~~Gerald C. Weseen  
~~Director, Legal and Regulatory Affairs~~Vice  
~~President, Regulatory, Strategy and External~~  
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21. Property Owner: Means a person or entity who owns a Premise which will or does receive Gas Service under the Advantage Program.
22. Revenue Credit: Means a credit a Customer may be eligible for as defined in Section IV.1 of this LXP.
23. Service Line: Means a Company-owned natural gas line that transports natural gas from a Distribution Main to the meter or service connection. The Company is responsible for maintaining this portion of the pipe.
24. Special Contract: Means a written agreement between the Company and the Customer to establish a rate and/or conditions of a Line Extension that, due to size or load characteristics, or both, differ from those established for general classes of Customers and has a Cost Estimate which is equal to or greater than \$100,000. In such instances a Customer may request a Special Economic Study. If the result of the Special Economic Study, including the allocation of costs for the Line Extension between the Customer and Company is acceptable to both parties, the Company and Customer shall enter into a Special Contract. All Special Contracts provided for in this LXP shall be filed by the Company as an attachment to the report due under 17. 5.440.10 NMAC with the New Mexico Public Regulation Commission (the "Commission") within twenty (20) calendar days of execution by the Company and the Customer. The Special Contract shall contain: (a) payment provisions (including mutually acceptable installments and/or phased payments, each installment to be paid in advance of the commencement of construction of each phased segment); (b) acceptable arrangements to assure security for payments (such as a letter of credit, corporate parental guarantee, etc.); (c) an option for the Customer to either accept the Cost Estimate for the Minimum Line Extension or elect to pay the Actual Minimum Line Extension Cost; (d) reasonable completion date; and (e) any other terms mutually acceptable to the Company and Customer not inconsistent with the LXP or the Rules of the Commission. The Special Contract may contain a guarantee by the Customer of the amount of gas the Customer will use, including liquidated damage provisions to ensure future usage and timely completion of the Line Extension,; and (f) any other terms mutually acceptable to the Company and Customer not inconsistent with the LXP or the Rules of the Commission. In the event Customer elects to pay the Actual Minimum Line Extension Cost, within ninety (90) calendar days following the completion of the Line Extension, the Company shall provide a reconciliation statement reconciling the Actual Minimum Line Extension Cost and any amount advanced by the Customer under the Special Contract. The Company or Customer shall pay the other party the amount due based on the reconciliation statement within thirty (30) calendar days of receipt of such statement. The Customer's payment of any amount due shall not waive the Customer's right to challenge, in an appropriate Commission proceeding, whether the Company determined the amount in accordance with this LXP.

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25. Special Economic Study: Means a study that the Company will perform, at the request of a Customer in accordance with this LXP, to determine the Revenue Credits to which the Customer shall be entitled based on the net present value of future cash flows taking into account probable revenue and expenses incurred.
26. Temporary Service: Means Gas Service to a property where a permanent structure does not exist. Service to a mobile home shall be considered Temporary Service unless the wheels and axles have been removed, skirting is installed and the mobile home permanently installed on the property.

III. Cost Responsibility

The Customer shall be responsible for the costs associated with the Minimum Line Extension. Except in the event the parties enter into a Special Contract, the amount paid by the Customer will be the difference between the Cost Estimate and any Lot Credits and/or Revenue Credits, as determined by Company in accordance with this LXP. Unless the Customer is approved for the Advantage Program, as provided in Section V of this LXP, the Customer must either 1) pay this amount, in full and in advance of any Line Extension construction, or 2) at the sole discretion of the Company, provide an assurance of payment acceptable to the Company. ~~unless the Customer is approved for the Advantage Program as provided in Section V of this LXP.~~ The Customer will be required to execute a gas line extension agreement, in the form on file with the Commission, if the Cost Estimate exceeds any applicable Line Extension Credits and any advance provided under the Company's Advantage Program.

The Company will review, on a regular basis, its procedures and assumptions for calculating the Cost Estimate to ensure that the Cost Estimate is as close as reasonable to the actual cost incurred by Company. Except as expressly provided in this section, the amount paid by the Customer is non-refundable once construction activities have commenced.

Upon receipt of a written request by a Customer to terminate construction of a requested Line Extension after an advance for Line Extension construction has been paid by the Customer, the Company shall terminate all construction activities associated with the Line Extension as soon as reasonably practicable. The Company shall refund any unexpended portion of the advance paid by the Customer within thirty (30) calendar days of its receipt of all final invoices for work actually performed before termination of construction, including any expenditures reasonably necessary to suspend the work and necessary to ensure the safety of persons and property and the integrity of the pipeline system. If the Customer participated in the Advantage Program, the Customer must repay to the Company any portion of an advance provided by the Company in connection with the Advantage Program within thirty (30) calendar days of the date the Customer submitted the written request to terminate construction.

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IV. Line Extension Credit

All Customers are eligible to receive a Line Extension Credit. Line Extension Credits are established to give consideration to the current and possible future gas usage of Customers served by the Line Extension. The Line Extension Credit will be an offset against the amount of the Line Extension Cost to be paid by the Customer.

The total Line Extension Credit given will never exceed the Company's Cost Estimate.

The Line Extension Credit will include consideration for a Revenue Credit and, if applicable, credits for platted lots:

1. Revenue Credit

- a. The Revenue Credit shall be based on the Customer's estimated annual gas usage. The Revenue Credit shall equal ~~four-five~~ (54) times the annual ~~distribution~~ gas revenue received by the Company from either 1) the Customer's estimated annual gas usage, excluding cost of gas; or 2) or the average annual gas usage from the Company's most recent Commission approved rate case for the corresponding customer class, excluding the cost of gas. Except where the Company and Customer enter into a Special Contract, the Revenue Credit shall be based on the Customer's estimated annual gas usage.
- b. In the event the Cost Estimate is equal to or greater than \$100,000, Customers may request a Special Economic Study to be performed by the Company to determine the amount of Revenue Credit applicable. In the Special Economic Study, the Company will calculate the Revenue Credit based on the present value of future cash flows over an appropriate period up to ten (10) years, based on the Customer's reasonably anticipated service requirements. In the event Customer believes that the appropriate period should be longer than ten (10) years, Customer may direct the Company to study a longer period and the Company shall perform the Study. Cash flows will not be considered for buildings or loads that do not exist or are not under construction at the time of the LXP Agreement unless a Special Contract is executed based on the Customer's reasonably anticipated service requirements.

The Customer shall pay the actual cost for the performance of a Special Economic Study. After the Customer has provided all information requested by the Company, the Company will provide a cost estimate of the Special Economic Study and the LXP Customer shall advance the amount of the cost

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estimate prior to the commencement of the Special Economic Study. The actual cost of the Special Economic Study shall not exceed 110% of the cost estimate unless Customer-imposed modifications cause additional work to be done. If such Customer-imposed modifications would cause the cost of the Special Economic Study to exceed 110% of the cost estimate, the Company shall advise the Customer of such additional cost and not proceed with the Study unless the Customer authorizes the Company to continue with the Special Economic Study. If the Customer does not authorize the additional expenditures, the Company shall terminate the Special Economic Study and provide the results of the Study to Customer. The internal Company labor costs to be used for the Special Economic Study shall be based on the same methodology as the Company used in establishing its labor rates in the Company's Rate No. 11 (Miscellaneous Fees and Charges) approved by the Commission. Within ninety (90) calendar days following receipt of the final invoices for the Special Economic Study, the Company will provide a final statement for the cost of the Special Economic Study and a refund to or payment from the requesting Customer shall be made within thirty (30) calendar days of the final statement.

2. Lot Credit

~~a. If the Line Extension passes and can serve directly lots not presently receiving Gas Service, a Lot credit may be provided to the Customer. The Lot Credit will be determined by the number of lots platted, filed and recorded with the County Clerk which the Company determines can be reasonably served by the Line Extension. For each vacant lot passed by a new Line Extension, which is not presently receiving Gas Service, a a nine hundred fifty dollar (\$950.00) Lot Credit in the amount of five (5) times the annual gas revenue received by the Company from the average annual gas usage from the Company's most recent Commission approved rate case for the corresponding customer class, excluding the cost of gas will be applied. A four hundred seventy five dollars (\$475.00) Lot Credit will be applied for each additional lot with existing facilities or structures not presently receiving Gas Service.~~

~~a.~~

b. Customers will NOT receive Lot Credits for any lots eligible for Revenue Credits.

V. Advantage Program

The Advantage Program is designed to increase the availability of Gas Service in New Mexico by providing an advance for potential Customers to apply towards the cost of Line Extensions and/or new Service Lines.

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Vice President, Regulatory, Strategy and External Affairs



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The Advantage Program is offered as a service of the Company subject to the Commission's rules and regulations. The conditions set forth below shall govern the Advantage Program:

1. The Advantage Program Advance is available only in situations where the sum of any applicable Lot Credits and Revenue Credits are less than the Minimum Line Extension and new Service Line costs. The Advantage Program Participant shall be responsible for paying to the Company any and all Line Extension Costs and Service Line costs in excess of the sum of the applicable Lot Credit(s), Revenue Credit(s), and Advantage Program Advance prior to the start of construction.
2. The Advantage Program is available in any amount between one hundred dollars (\$100) and five thousand dollars (\$5,000).
3. Advantage Program Participants shall repay the Advantage Program Advance to the Company over a period of time not to exceed 120 months. The minimum monthly repayment shall be twenty dollars (\$20) per month unless the total outstanding obligation related to the Advantage Program Advance is less than twenty dollars.
4. A Carrying Charge shall apply to all outstanding balances related to the Advantage Program Advance beginning on the date the Line Extension and any Service Line construction is completed.
5. The Advantage Program is only available to potential residential or Rate No. 54 sales customers.
6. In the event an Advantage Program Advance is utilized to cover the initial cost of the installation of a Service Line beyond the AP Participant's property line, the Company's meter shall be installed directly adjacent to the Premise. Advantage Program funds shall not be used to construct or install any gas lines downstream of the Company's meter.
7. Participation in the Advantage Program must be memorialized in a written agreement (the "Advantage Program Agreement") signed by the Property Owner. The Advantage Program Agreement shall contain terms and conditions consistent with this LXP. The Company may rely on the representations of the person that executes the Advantage Program Agreement that he or she is the Property Owner, and the Company shall have no affirmative duty whatsoever to confirm the ownership of the Premise.
8. The AP Agreement shall contain the schedule for the reimbursement to the Company of the Advantage Program Advance provided to the AP Participant, which shall consist of reimbursement to the Company of all amounts advanced and the applicable Carrying Charges.

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9. The liability for the reimbursement to the Company of all amounts advanced under the Advantage Program shall remain with the Premise, which received Gas Service under this LXP, regardless of the identity of the Advantage Program Participant at the Premise. In the event a subsequent Advantage Program Participant requests Gas Service at the Premise, that Advantage Program Participant shall agree to be responsible for continuing to make payments to the Company for any outstanding obligation associated with the Advantage Program as a condition for the Company continuing to provide Gas Service at the Premise. The Company shall notify any subsequent Advantage Program Participant at the Premise, upon request for Gas Service that the Advantage Program Participant's account will be subject to any remaining balance associated with the Advantage Program.
10. Any Premise participating in the Advantage Program cannot participate in any way in the Company's transportation program until the Advantage Program obligation is satisfied in full.
11. Advantage Program Participants shall have the option to make a lump sum pay-off of any remaining obligation associated with the Advantage Program at any time without penalty.
12. Any Advantage Program Participant who leases a Premise subject to the Advantage Program shall enroll in the Company's Landlord Standby Program and enter into a Landlord Standby Service Agreement.
13. If an Advantage Program Participant fails to make payment(s) to the Company for an Advantage Program obligation, the Company shall have all remedies provided by the Commission's rules and regulations, including disconnection of service.
14. The Company will provide the following information in the Advantage Program Agreement and to the Advantage Program Participant when first presenting the Advantage Program:
  - a. The Carrying Charge rate applicable to the Advantage Program Advance;
  - b. The full amount of the Advantage Program Advance and the Carrying Charge amounts over the duration of the reimbursement period;
  - c. Notice of the right to make a lump sum payment at any time during the duration of the reimbursement period in order to extinguish the Advantage Program obligation; and
  - d. A phone number to address any Advantage Program questions.
15. In the event provisions of the Advantage Program Agreement conflict with this LXP, this LXP shall govern.

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VI. Residential Service Construction

Within thirty (30) calendar days after a residential Customer has complied with all the reasonable utility requirements, the Company shall provide to the residential Customer a written Cost Estimate. The Company shall complete construction of the Line Extension within sixty (60) calendar days after the residential Customer signs a Line Extension agreement in the form on file with the Commission, pays the required payment, and the Company has secured all applicable permits, rights-of-way, materials and labor necessary for the Line Extension.

VII. Non-Residential Service Construction

Construction of extensions for non-residential Gas Service will commence within a reasonable time in accordance with the Company's construction schedule and after any required payment by the non-residential Customer for construction of the Line Extension is made. The Company shall provide to such non-residential Customer a written Cost Estimate, and propose a reasonable time schedule for the Company's completion of construction of the Line Extension.

VIII. Easements and Rights-of-Way

For all facilities installed on private property not owned by the Customer requesting such facilities, the Customer shall provide the Company with all necessary private easements in a Company approved format suitable for recording, which reflects the "as built" configuration and location of the facilities. If requested by the Customer, the Company will obtain all private easements required for the installation of facilities. The Customer shall pay the Company for all costs incurred by the Company in providing such assistance. In the event the Company incurs costs associated with obtaining rights-of-way or permits and the Customer terminates the Line Extension prior to the start of construction, the Customer remains liable for such costs unless the right-of-way is used or useful immediately by the Company. The Customer shall pay the Company for all costs incurred to approve the format of such documents and to verify property ownership involved with such documents.

Unless otherwise agreed to, the Company will obtain all right-of-way permits from local, county, state, federal, and tribal agencies. The Customer must pay the Company for all costs incurred by the Company in obtaining such permits.

IX. Temporary Service

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~~Gerald C. Weseen~~  
~~Director, Legal and Regulatory Affairs~~  
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Applicants for Temporary Service must make a non-refundable contribution of the entire cost of facilities required to provide service including service line and Customer's meter, plus cost of removal of such facilities, and less salvage value of removed materials and equipment.

X. Dispute Resolution

In the event of any dispute between the Customer and the Company concerning the meaning of any provisions in this LXP or the manner in which the Company performs, or intends to perform, a Special Economic Study in accordance with this LXP, the Customer may request an informal meeting to resolve the disputes with a Company representative located in the service area who is authorized by the Company to resolve such disputes on behalf of the Company. In the event such an informal meeting fails to resolve the dispute, the Customer may seek resolution of that dispute by the Commission, in which case the Company and Customer shall support the most expeditious resolution of the dispute reasonably practicable in accordance with the dispute resolution procedures then available under the Commission's Rules. A Customer which pays the Company the Minimum Line Extension Cost determined by the Company in accordance with this LXP may request that the Company proceed with the Line Extension requested without waiving the Customer's right under this section to seek resolution of any such dispute. A Customer which pays the cost of performance of a Special Economic Study determined by the Company may request that the Company proceed with that Study without waiving the Customer's right to challenge, in an appropriate Commission proceeding, whether the Company properly determined that cost and/or performed that Study in accordance with this LXP. In the event of any dispute between the Customer and the Company concerning the meaning of any terms and conditions in a Special Contract executed under this LXP, or concerning the Company's or the Customer's performance of their respective obligations under such a Special Contract, after that Special Contract is filed with the Commission in accordance with this LXP, the Customer or the Company may seek resolution of that dispute, including, but not limited to claims for appropriate relief, in the Commission or in any court of competent jurisdiction.

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~~President, Regulatory, Strategy and External~~  
~~Affairs~~

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF NEW MEXICO GAS )**  
**COMPANY, INC.'S REQUEST FOR )**  
**APPROVAL OF ADVICE NOTICE NO. 105 )**  
 )  
 )  
**NEW MEXICO GAS COMPANY, INC., )**  
 )  
**Applicant. )**

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**ELECTRONICALLY SUBMITTED AFFIRMATION OF TOM C. BULLARD**

STATE OF NEW MEXICO )  
 )ss.  
COUNTY OF BERNALILLO )

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, **Tom C. Bullard** affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Direct Testimony and Exhibit(s), and they are true and accurate based on my personal knowledge and belief.

**SIGNED** this 31<sup>st</sup> day of December 2024.

*/s/Tom C. Bullard*  
Tom C. Bullard  
Vice President of Engineering, Gas  
Management and Technical Services  
New Mexico Gas Company, Inc.



**DIRECT TESTIMONY OF  
TIMOTHY S. LYONS**

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**LIST OF EXHIBITS**

NMGC EXHIBIT TSL-1	Qualifications
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**DIRECT TESTIMONY OF  
TIMOTHY S. LYONS  
NMGC ADVICE NOTICE NO. 105**

1

**I. INTRODUCTION**

2

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

3

**A.** My name is Timothy S. Lyons. My business address is 3 Speen Street, Suite 150,  
4 Framingham, Massachusetts 01701.

5

**Q. IN WHAT CAPACITY ARE YOU EMPLOYED?**

6

**A.** I am a Partner with ScottMadden, Inc.

7

**Q. PLEASE SUMMARIZE YOUR PROFESSIONAL WORK EXPERIENCE.**

8

**A.** I have more than 30 years of experience in the energy industry. I started my career in  
9 1985 at Boston Gas Company, eventually becoming Director of Rates and Revenue  
10 Analysis. In 1993, I moved to Providence Gas Company, eventually becoming Vice  
11 President of Marketing and Regulatory Affairs. Starting in 2001, I held several  
12 management consulting positions in the energy industry, first at KEMA and then at  
13 Quantec, LLC. In 2005, I became Vice President of Sales and Marketing at Vermont  
14 Gas Systems, Inc. before joining Sussex Economic Advisors, LLC (“Sussex”) in 2013.  
15 Sussex was acquired by ScottMadden in 2016.

16

**Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND?**

17

**A.** I hold a bachelor’s degree from St. Anselm College, a master’s degree in economics  
18 from The Pennsylvania State University, and a master’s degree in business  
19 administration from Babson College.

20

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

21

**A.** I am testifying on behalf of New Mexico Gas Company, Inc. (“NMGC” or the  
22 “Company”).



**DIRECT TESTIMONY OF  
TIMOTHY S. LYONS  
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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 testified in the Company’s most recent base rate proceeding in NMPRC Case  
5 No. 23-00255-UT. I have sponsored testimony before more than 30 regulatory  
6 agencies in the U.S. and Canada. A summary of my testimony experience is included  
7 in NMGC Exhibit TSL-1.

8 **II. PURPOSE OF TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 **A.** The purpose of my testimony is to support proposed changes to Rule No. 16 that  
11 establishes Company and customer responsibilities for the cost of line extensions, that  
12 is, extensions of the Company’s gas distribution mains. Specifically, my testimony  
13 supports proposed increases in line extension credits included in Rule No. 16.

14 Importantly, the proposed changes comply with the terms of the Uncontested  
15 Stipulation in the Company’s most recent base rate proceeding in Case No. 23-00255-  
16 UT, which in paragraph 24 states,

17 “NMGC agrees to file a revised Rule No. 16 – Line Extension Policy, before  
18 December 31, 2024, after a process that reevaluates the credits (revenue credits,  
19 lot credits (both vacant & other) and system improvement credits) and the  
20 Advantage Program Advance. The Company agrees to consult with WRA, PRC  
21 Staff, and any other interested party in its evaluation process. Once the revised  
22 policy is filed, parties and Staff retain the right to object to the new line extension  
23 policy and seek Commission review and hearing.”

**DIRECT TESTIMONY OF  
TIMOTHY S. LYONS  
NMGC ADVICE NOTICE NO. 105**

1 My testimony includes: (1) a description of Rule No. 16, (2) analysis of Rule No. 16  
2 existing line extension credits, and (3) analysis of Rule No. 16 proposed increases in  
3 line extension credits.

4 **Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.**

5 **A.** The proposed increases in Rule No. 16 line extension credits better reflect revenue  
6 contributions from new customers toward the economic feasibility of line extensions  
7 of the Company’s gas distribution mains. Line extensions provide economic benefits  
8 to existing customers when incremental revenues under Rule No. 16 exceed  
9 incremental costs.<sup>1</sup>

10 The proposed increases in line extension credits incorporate three updates from  
11 the current Rule No. 16:

12 1. They are based on updated base rates in order to reflect rate changes that have  
13 occurred since 2015. More specifically, the credits incorporate the stipulated  
14 base rates recently approved by the Commission in Case No. 23-00255-UT.

15 The proposed update better reflects revenue contributions from new customers.

16 2. They incorporate transmission revenues and costs in addition to distribution  
17 revenues and costs. The line extension credits currently in Rule No. 16 reflect  
18 only distribution revenues and costs. The proposed update better reflects  
19 incremental revenue contributions from new customers as well as incremental  
20 costs of line extensions since natural gas is delivered from the Company’s  
21 transmission system to the Company’s distribution system and then to

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<sup>1</sup> Line Extension Credits are included in Section IV. of Rule No. 16.

**DIRECT TESTIMONY OF  
TIMOTHY S. LYONS  
NMGC ADVICE NOTICE NO. 105**

1 customers. Thus, there is a relationship between an increase in customer  
2 demands and associated costs on the distribution system and an increase in  
3 customer demands and associated costs on the transmission system.

4 3. They apply a revenue multiplier of five (5) times annual revenues. The  
5 Company presently uses a revenue multiplier of four (4) times annual revenues.  
6 The proposed update better reflects the revenue contribution from new  
7 customers toward the economic feasibility of line extensions.

8 Overall, the proposed increases in line extension credits better reflect revenue  
9 contributions from new customers toward the economic feasibility of line extensions.

10 I prepared analysis of recent line extensions that shows the revenue  
11 contributions from new customers served from the recent line extensions exceed the  
12 incremental cost of the line extensions.<sup>2</sup>

13 **III. DESCRIPTION OF RULE NO. 16**

14 **Q. WHAT IS RULE NO. 16?**

15 **A.** Rule No. 16 establishes Company and customer responsibilities for the cost of line  
16 extensions of the Company's gas distribution mains. It ensures the Company invests  
17 in line extensions that are economically feasible based on probable revenues and costs  
18 to be incurred.

19 Revenue contributions from line extensions are based on incremental revenues  
20 from new customers served from the line extension. Costs of line extensions are based

---

<sup>2</sup> The initial analysis was presented at the stakeholder meetings.

**DIRECT TESTIMONY OF  
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1 on incremental costs of serving new customers from the line extension, consistent with  
2 Rule No. 16.

3 **Q. HOW DOES RULE NO. 16 DEFINE LINE EXTENSION COSTS?**

4 **A.** Rule No. 16 defines line extension costs as follows:

5 “Means the costs of all labor, materials, vehicles, and reasonably allocated and  
6 direct overheads requires to design and construct the line extension, and to  
7 acquire easements, permits, and rights-of-way necessary for its construction  
8 (except for service line and customer billing meters) and the cost of upgrading  
9 any facilities necessary to provide service. Line extension costs also include  
10 the costs of changing existing facilities to provide gas service.”

11 **Q. HOW DOES RULE NO. 16 ESTABLISH CUSTOMER COST  
12 RESPONSIBILITY?**

13 **A.** Rule No. 16 establishes customer cost responsibility as the cost of line extensions less  
14 line extension credits, where line extension credits reflect consideration of incremental  
15 revenue contributions from new customers served from the line extension.

16 **Q. WHAT ARE THE TYPES OF LINE EXTENSION CREDITS INCLUDED IN  
17 RULE NO. 16?**

18 **A.** Rule No. 16 includes three types of line extension credits that offset the cost of line  
19 extensions:

20 • Revenue credits – reflect consideration of incremental revenues from new  
21 customers served from a line extension. Presently, there is a credit of  
22 approximately \$1,100 for each new residential customer who signs a line  
23 extension agreement for new service from a line extension. The credit amount

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1 is currently based upon four (4) times the annual distribution revenues from the  
2 Company's most recent Commission approved rate case.

- 3 • Lot credits – reflect consideration of incremental revenues from potential future  
4 customers served from a line extension. Presently, there is a credit of \$950 for  
5 each vacant or undeveloped lot on a line extension, and a credit of \$475 for each  
6 existing building or developed lot on a line extension not presently served by  
7 natural gas. While these amounts are meant to tie to expected revenues similar  
8 to the revenue credits, the lot credits do not automatically update after each rate  
9 case like the revenue credits currently do.

- 10 • System improvement credits – reflect consideration of the Company's decision  
11 for purposes of system-wide improvements to install mains designed to provide  
12 more capacity than needed for a line extension. In those cases, the cost of the  
13 incremental capacity is considered a “system improvement credit” and not  
14 included in the customer cost responsibility.

15 **Q. IS THE COMPANY'S APPROACH, WHICH CONSIDERS REVENUES FROM**  
16 **NEW CUSTOMERS IN DETERMINING CUSTOMER COST**  
17 **RESPONSIBILITY FOR LINE EXTENSIONS, AN ACCEPTED PRACTICE IN**  
18 **THE GAS UTILITY INDUSTRY?**

19 **A.** Yes. The Company's approach that considers revenues from new customers in  
20 determining customer cost responsibility for line extensions is an accepted practice in  
21 the industry.

22 Specifically, there are 14 states – including New Mexico – that utilize a  
23 revenue/margin multiplier in determining customer cost responsibility for line

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1 extensions. This information was contained in a recent survey sponsored by the  
2 American Gas Association.<sup>3</sup>

3 **IV. LINE EXTENSION ANALYSIS**

4 **Q. HAVE YOU PREPARED ANALYSIS SHOWING THE ECONOMIC**  
5 **FEASIBILITY OF RECENT LINE EXTENSIONS?**

6 **A.** Yes. The analysis shows that incremental revenues from new customers served from  
7 recent line extensions exceed the incremental cost of recent line extensions, consistent  
8 with Rule No. 16, based on a sample of recent line extension projects.

9 **Q. WHAT LINE EXTENSION PROJECTS WERE USED TO PREPARE THE**  
10 **ANALYSIS?**

11 **A.** The analysis was based on a sample of recent line extensions projects with a wide range  
12 of characteristics, as shown in Figure 1 (below).

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<sup>3</sup> *The Current State of Natural Gas Line Extension Policies* (July 2024), American Gas Association, Appendix 1.

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**Figure 1: Sample of Recent Line Extension Projects**

Project	Number of Customers	Project Cost	Project Cost per Customer	Estimated Completion
1. Rancho Santa Teresa	307	\$ 520,566	\$ 1,696	2022
2. Yucca Subdiv. Ph 3 & 4	227	\$ 396,869	\$ 1,748	2023
3. Chaparral Desert Hills	261	\$ 316,855	\$ 1,214	2023
4. Los Diamantes Ph 2B	166	\$ 69,044	\$ 416	2023
5. Vista Sandia @ Legacy	125	\$ 80,436	\$ 643	2023
6. Wymont Subdivision	66	\$ 24,314	\$ 368	2023
7. Copperstone Est. Sub.	75	\$ 132,181	\$ 1,762	2016
8. Sunrise Subdivision	37	\$ 37,809	\$ 1,022	2016
9. Martin Farms Sub Ph I	21	\$ 10,877	\$ 518	2017
10. Martin Farms Sub Ph II	108	\$ 115,999	\$ 1,074	2018
11. Cielo Lindo Sub Ph I	46	\$ 51,556	\$ 1,121	2020
12. Martin Farms Ph III	51	\$ 29,789	\$ 584	2020
13. Oasis Subdivision Ph I	139	\$ 102,268	\$ 736	2021
14. Martin Farms Ph IIII	64	\$ 60,432	\$ 944	2022
15. Oasis Sub Ph II & III	145	\$ 70,277	\$ 485	2022
16. Martin Farms Unit 5	29	\$ 30,907	\$ 1,066	2024
17. Cielo Lindo Sub Ph II	16	\$ 17,042	\$ 1,065	2024
18. West Acres Subdivision	47	\$ 26,820	\$ 571	2020
19. Desert Willows Sub	61	\$ 43,389	\$ 711	2022
20. The Oaks Sub Ph 1	113	\$ 60,376	\$ 534	2022
21. Estancias Del Norte	49	\$ 43,294	\$ 884	2020
22. Desert Safe	82	\$ 41,903	\$ 511	2021
23. Vista de la Sierra Ph1	128	\$ 57,884	\$ 452	2024

2

3

The Figure shows the sample of recent line extension projects had the following characteristics:

4

5

- Line extensions completed between 2016 to 2024.

6

- Line extensions with linear footage from 1,400 to 24,000 feet of pipe.

7

- Line extensions with project costs between \$11,000 and \$520,000.

8

- Line extensions with the number of homes ranging from 16 to 307.

9

**Q. WHAT REVENUES WERE INCLUDED IN THE ANALYSIS?**

10

**A.** Revenues included in the analysis were based on incremental revenues from new customers served from a line extension, assuming residential usage of 52 therms per month and the base rates in effect at the time the line extension project was completed.

11

12

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1 **Q. WHAT COSTS WERE INCLUDED IN THE ANALYSIS?**

2 **A.** Costs in the analysis included:

3 • Direct investments

4 ○ Direct investments included distribution mains that were based on  
5 engineering estimates of distribution mains and other facilities directly  
6 related to the line extension project.

7 • Indirect investments

8 ○ Indirect investments included transmission mains and general plant that  
9 were based on the historic relationship between the Company's  
10 investments in distribution mains related to line extensions and the  
11 Company's investments in transmission mains and general plant.

12 • Financing costs

13 ○ Financing costs on the Company's direct and indirect investments that  
14 were based on depreciation of the Company's investments over 20  
15 years, return on the Company's investment based on its cost of capital,  
16 income taxes, and property taxes.

17 **Q. WHAT WERE THE RESULTS OF THE ANALYSIS?**

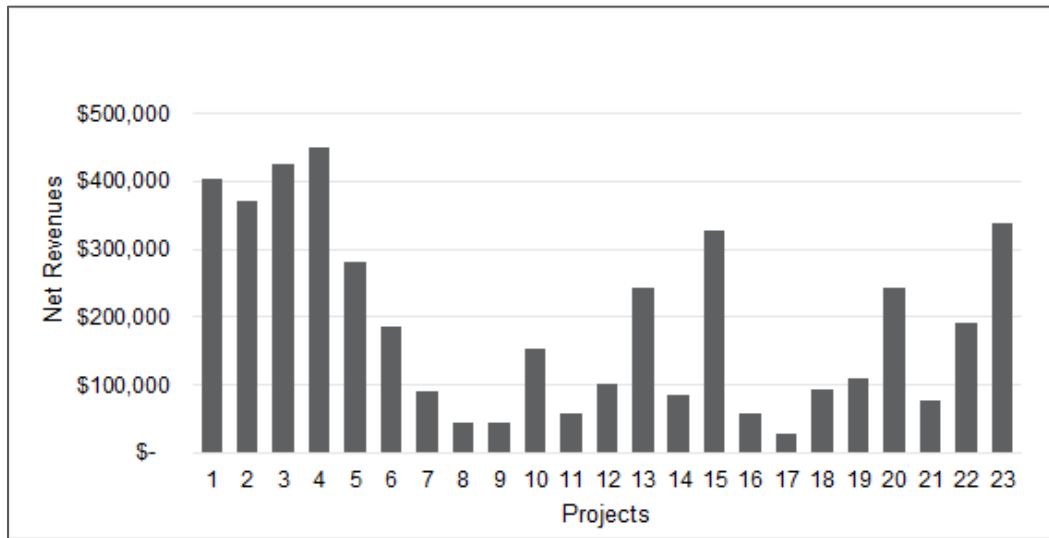
18 **A.** The analysis showed recent line extension projects were economically feasible; that is,  
19 the incremental revenues from new customers under Rule No. 16 exceed the  
20 incremental costs of line extension, as shown in Figure 2 (below).



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**Figure 2: Net Revenues by Project**



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The Figure shows the Net Present Value (“NPV”) of incremental revenues from new customers served from the line extension over 20 years exceed the NPV of line extension costs over 20 years for each of the 23 projects. Line extensions provide economic benefits to existing customers when incremental revenues under Rule No. 16 exceed incremental costs.

4

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**V. PROPOSED UPDATES TO LINE EXTENSION CREDITS**

9 **Q.**

**WHAT ARE THE PROPOSED INCREASES TO RULE NO. 16 LINE EXTENSION CREDITS?**

10

11 **A.**

The Company proposes the following increases to Rule No. 16 line extension credits, as shown in Figure 3 (below).

12

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**Figure 3: Proposed Line Extension Credits<sup>4</sup>**

Line Extension Credits	Proposed Credit	Current Credit
Revenue Credits	\$1,814	\$1,100
Lot Credits	\$1,814	\$950/\$450

2

**Q. WHAT IS THE BASIS FOR THE PROPOSED INCREASES?**

3

**A.** The proposed increases in line extension credits incorporate three updates from the current Rule No. 16:

4

5

1. They assume updated base rates in order to reflect rate changes that have occurred since 2015. More specifically, the credits incorporate the stipulated base rates recently approved by the Commission in Case No. 23-00255-UT. The proposed update better reflects revenue contributions from new customers.

6

7

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9

2. They incorporate transmission revenues and costs in addition to distribution revenues and costs. The line extension credits currently in Rule No. 16 reflect only distribution revenues and costs. The proposed update better reflects revenue contributions from new customers as well as the cost of line extensions since natural gas is delivered from the Company's transmission system to the Company's distribution system and then to customers. Thus, there is a relationship between an increase in customer demands and associated costs on the distribution system and an increase in customer demands and associated costs on the transmission system.

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<sup>4</sup> Proposed credit of \$1,814 is based on five (5) times annual base revenue revenues of \$362.88, which assumes monthly usage of 52 therms, access fee of \$12.40 per month, transmission charge of \$0.1314 per therm, and distribution charge of \$0.2117 per therm.

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1           3. They apply a revenue multiplier of five (5) times annual revenues. The  
2           Company presently uses a revenue multiplier of four (4) times annual revenues.  
3           The proposed update better reflects the revenue contribution from new  
4           customers toward the economic feasibility of line extensions.

5   **Q.   WHAT ARE THE KEY BENEFITS OF THE UPDATED LINE EXTENSION**  
6   **CREDITS?**

7   **A.**   The updated line extension credits offer important benefits. First, the updated line  
8           extension credits incorporate recent rate adjustments. Second, the updated credits help  
9           facilitate connecting new homes and businesses to the Company’s distribution system,  
10          providing access to reliable, affordable energy. Third, adding new customers to  
11          NMGC’s system provides economic benefits to existing customers when incremental  
12          revenues under Rule No. 16 exceed incremental costs.

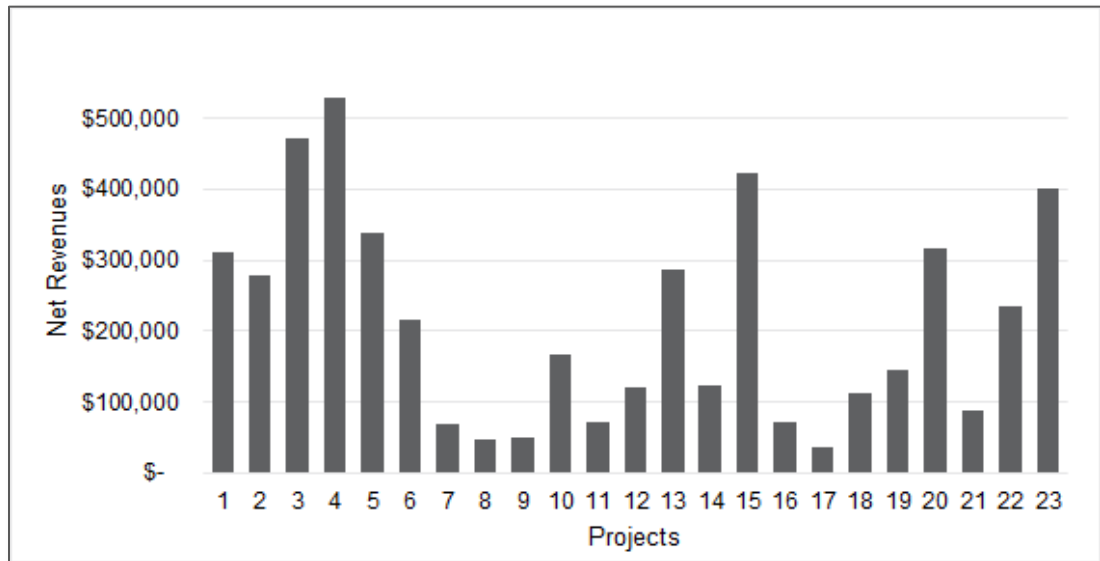
13 **Q.   DO THE LINE EXTENSIONS CONTINUE TO BE ECONOMICALLY**  
14 **FEASIBLE UNDER THE NEW LINE EXTENSION CREDITS?**

15 **A.**   Yes, the proposed line extension credits continue to be economically feasible (*i.e.*;  
16          results in revenues that exceed costs) based on analysis of the sample line extension  
17          projects discussed earlier, as shown in Figure 4 (below).

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1

**Figure 4: Net Revenues by Project**



2

3 The Figure shows the NPV of incremental updated revenues of new customers served  
4 from the line extension projects over 20 years exceed the NPV of updated line  
5 extension costs over 20 years for each of the 23 projects.

6 **Q. HOW DOES THE ANALYSIS IN FIGURE 4 COMPARE TO THE ANALYSIS**  
7 **IN FIGURE 2?**

8 **A.** The analysis in Figure 4 reflects the following changes:

- 9
- 10 • Project revenues reflect transmission and distribution rates approved in Case  
11 No. 23-00255-UT.
  - 11 • Project costs reflect inflation (in \$2024) based on the Handy-Whitman index.
  - 12 • Line Extension Credits reflect the proposed amounts in Figure 3 (above).

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**VI. SUMMARY AND CONCLUSION**

2 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS.**

3 **A.** The proposed updates to Rule No. 16 better reflect Company and customer  
4 responsibilities for the cost of extensions of the Company's gas distribution mains.  
5 Specifically, the proposed Rule No. 16 includes an increase in the Company's line  
6 extension credits that better reflect revenue contributions from new customers to be  
7 served from extensions of the Company's gas distribution mains.

8

9 The revised credits will help facilitate expansion of natural gas infrastructure,  
10 continuing the Company's role as a reliable and cost-effective energy source for New  
11 Mexico homes and businesses.

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

13 **A.** Yes.



### *Summary of Qualifications*

Tim Lyons is a partner with ScottMadden with more than 30 years of experience in the energy industry. Tim has held senior positions at several gas utilities and energy consulting firms. His experience includes rates and regulatory support, sales and marketing, customer service and strategy development. Prior to joining ScottMadden, Tim served as Vice President of Sales and Marketing for Vermont Gas. He has also served as Vice President of Marketing and Regulatory Affairs for Providence Gas Company, Director of Rates at Boston Gas Company, and Project Director at Quantec, LLC, an energy consulting firm.

Tim has sponsored testimony before more than 30 U.S. and Canadian regulatory agencies. Tim holds a bachelor's degree from St. Anselm College, a master's degree in economics from The Pennsylvania State University, and a master's degree in business administration from Babson College.

#### *Areas of Specialization*

- Regulation and Rates
- Retail Energy
- Utilities
- Natural Gas

#### *Capabilities*

- Regulatory Strategy and Rate Case Support
- Strategic and Business Planning
- Capital Project Planning
- Process Improvements

#### *Articles and Speeches*

- "Country Strong: Vermont Gas shares its comprehensive effort to expand natural gas service into rural communities." ***American Gas Association***, June 2011 (with Don Gilbert).
- "Talking Safety With Vermont Gas." ***American Gas Association***, February 2009 (with Dave Attig).
- "Consumers Say 'Act Now' To Stabilize Prices." ***Power & Gas Marketing***, September/ October 2001 (with Jim DeMetro and Gerry Yurkevicz).
- "Rate Reclassification: Who Buys What and When." ***Public Utilities Fortnightly***, October 15, 1991 (with John Martin).



Sponsor	Date	Docket No.	Subject
<b>Regulatory Commission of Alaska</b>			
Cook Inlet Natural Gas Storage Alaska, LLC	7/21	Docket No. U-21-058	Sponsored testimony supporting the lead-lag study/cash working capital requirement for a general rate case proceeding.
ENSTAR Natural Gas Company	06/16	Docket No. U-16-066	Adopted and sponsored testimony supporting a lead-lag study for a general rate case proceeding.
<b>Arizona Corporation Commission</b>			
Southwest Gas Corporation	02/24	Docket No. G-01551A-23-0341	Sponsored testimony supporting class cost of service, rate design and bill impact analysis for a general rate case proceeding.
Southwest Gas Corporation	12/21	Docket No. G-01551A-21-0368	Sponsored testimony supporting class cost of service, rate design and bill impact analysis for a general rate case proceeding.
<b>Arkansas Public Service Commission</b>			
Summit Utilities, Inc.	01/24	Docket No. 23-079-U	Sponsored testimony supporting class cost of service, rate design and bill impact analysis for a general rate case proceeding.
Liberty Utilities (The Empire District Electric Company)	2/23	Docket No. 22-085-U	Sponsored testimony supporting the class cost of service, rate design, bill impact studies, and revenue decoupling for a general rate case proceeding.
Liberty Utilities (Pine Bluff Water)	10/18	Docket No. 18-027-U	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding.
<b>California Public Utilities Commission</b>			
Liberty Utilities (CalPeco Electric)	9/24	Application No. 24-09-010	Sponsored testimony supporting the marginal cost study, rate design and bill impact analysis for a general rate case proceeding.
Liberty Utilities (Apple Valley Water)	01/24	Application No. 24-01-0003	Sponsored testimony supporting rate design studies for a general rate case proceeding.
Liberty Utilities (Park Water)	01/24	Application No. 24-01-0002	Sponsored testimony supporting rate design studies for a general rate case proceeding.
Bear Valley Electric Service, Inc.	10/22	Application No. 22-08-010	Sponsored testimony supporting marginal cost study, rate design and bill impact analysis for a general rate case proceeding.
Liberty Utilities (CalPeco Electric)	5/21	Application No. 21-05-017	Sponsored testimony supporting the lead-lag study/cash working capital, marginal cost study, rate design and bill impact analysis for a general rate case proceeding.
Southwest Gas Corporation (Southern California, Northern California, and South Lake Tahoe jurisdictions)	8/19	Application No. 19-08-015	Sponsored testimony on behalf of three separate rate jurisdictions supporting revenue requirements, lead-lag/ cash working capital, and class cost of service, rate design and bill impact analysis for a general rate case proceeding.
<b>Colorado Public Utilities Commission</b>			
Colorado Natural Gas (Summit Utilities)	01/24	Proceeding No. 23A-0570G	Sponsored the Fully Distributed Cost (FDC) study in support of a Cost Assignment and Allocation Manual (CAAM) application.
<b>Connecticut Public Utilities Regulatory Authority</b>			
Yankee Gas Company	07/14	Docket No. 13-06-02	Sponsored report and testimony supporting the review and evaluation of gas expansion policies, procedures, and analysis.
<b>Delaware Public Service Commission</b>			
Tidewater Utilities, Inc	08/24	Docket No. 24-0991	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding.
Artesian Water Company	04/23	Docket No. 23-0601	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding.
<b>Illinois Commerce Commission</b>			
Ameren Illinois Company d/b/a Ameren Illinois	6/24	Docket 22-0487/23-0082/24-0238 (cons.)	Sponsored rebuttal testimony supporting a marginal cost study for a Multi-Year Integrated Grid Plan (Grid Plan) proceeding.



Sponsor	Date	Docket No.	Subject
Liberty Utilities (Midstates Natural Gas)	12/23	Docket No. 23-0380	Sponsored testimony supporting cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Ameren Illinois Company d/b/a Ameren Illinois	1/23	Docket No. 22-0487	Sponsored testimony supporting a Multi-Year Integrated Grid Plan (Grid Plan). Prepared research and analysis evaluating the reasonableness of the Grid Plan through comparison to how other electric utilities have responded to the changing energy landscape.
Liberty Utilities (Midstates Natural Gas)	07/16	Docket No. 16-0401	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding. The testimony includes proposal for new commercial classes and a decoupling mechanism.
<b>Iowa Utilities Board</b>			
Liberty Utilities (Midstates Natural Gas)	07/16	Docket No. RPU-2016-0003	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding. The testimony includes proposal for new commercial classes.
<b>Kansas Corporation Commission</b>			
The Empire District Electric Company	12/18	Docket No. 19-EPDE-223-RTS	Sponsored testimony supporting cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
<b>Kentucky Public Service Commission</b>			
Bluegrass Water Utility (Central States Water Company)	02/23	Case No. 2022-00432	Sponsored testimony supporting the rate design and bill impact studies for a general rate case proceeding.
<b>Maine Public Utilities Commission</b>			
Maine Water Company	10/24	Docket No. 2024-00291	Sponsored testimony supporting the class cost of service, rate design, and bill impact studies for a general rate case proceeding for the Camden and Rockland Division.
Calpine Corporation and Casco Bay Energy Company	10/24	Docket No. 2024-00137	Sponsored testimony regarding ratemaking treatment of Net Energy Billing stranded cost rate design.
Northern Utilities, Inc. d/b/a Unutil	05/23	Docket No. 2023-00051	Sponsored testimony supporting a marginal cost study, class cost of service study, rate design and customer bill impact for a general rate case proceeding.
Maine Water Company	03/21	Docket No. 2021-00053	Sponsored testimony supporting a proposed rate smoothing mechanism.
Northern Utilities, Inc. d/b/a Unutil	06/19	Docket No. 2019-00092	Sponsored testimony supporting a proposed capital investment cost recovery mechanism.
Northern Utilities, Inc. d/b/a Unutil	06/15	Docket No. 2015-00146	Sponsored testimony supporting the proposed gas expansion program, including a zone area surcharge.
<b>Maryland Public Service Commission</b>			
The Potomac Edison Company (FirstEnergy)	03/23	Case No. 9695	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Sandpiper Energy, a Chesapeake Utilities company	12/15	Case No. 9410	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding. The testimony includes proposal for new residential and commercial classes.
<b>Massachusetts Department of Public Utilities</b>			
Berkshire Gas Company, Eversource Energy, Liberty Utilities, National Grid, and Unutil	03/22	Docket No. DPU 20-80	Sponsored report that summarizes research, findings, and recommendations for regulatory mechanisms, methodologies, and policies that support Massachusetts's achievement of its net zero climate goal by 2050. The regulatory designs were informed by the results of quantitative and qualitative analysis of decarbonization pathways to achieve the Commonwealth's climate goals.
Liberty Utilities (New England Gas Company)	08/20	Docket No. DPU 20-92	Sponsored the Long-Range Forecast and Supply Plan filing for the five-year forecast period 2020/2021 through 2024/2025.





Sponsor	Date	Docket No.	Subject
Eversource Energy, National Grid, and Unifil	02/20	Docket No. DPU 19-55	Sponsored report that summarizes research and evaluation of funding approaches for infrastructure modifications that interconnect Distributed Generation (DG) projects.
Liberty Utilities (New England Gas Company)	07/18	Docket No. DPU 18-68	Sponsored the Long-Range Forecast and Supply Plan filing for the five-year forecast period 2018/2019 through 2022/2023.
Liberty Utilities (New England Gas Company)	07/16	Docket No. DPU 16-109	Sponsored the Long-Range Forecast and Supply Plan filing for the five-year forecast period 2016/2017 through 2020/2021.
Boston Gas	10/93	Docket No. DPU 92-230	Sponsored testimony describing the Company's position regarding rate treatment of vehicular natural gas investments and expenses.
Boston Gas	03/90	Docket No. DPU 90-55	Sponsored testimony supporting the weather and other cost of service adjustments, rate design and customer bill impact studies for a general rate case proceeding.
Boston Gas	03/88	Docket No. DPU 88-67-II	Sponsored testimony supporting the rate reclassification of commercial and industrial customers for a rate design proceeding.
<b>Michigan Public Service Commission</b>			
Lansing Board of Water & Light and Michigan State University	04/24	Docket No. U-21490	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Lansing Board of Water & Light and Michigan State University	04/23	Docket No. U-21308	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Lansing Board of Water & Light and Michigan State University	04/20	Docket No. U-20650	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Lansing Board of Water & Light and Michigan State University	04/19	Docket No. U-20322	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Midland Cogeneration Ventures, LLC	09/18	Docket No. U-18010	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
<b>Minnesota Public Utilities Commission</b>			
Northern States Power Company (XcelEnergy)	10/21	Docket No. E002/GR-21-630	Sponsored testimony supporting a Return on Equity (ROE) adjustment mechanism that would allow the Company to symmetrically adjust its ROE to reflect significant changes in financial market conditions.
<b>Missouri Public Service Commission</b>			
The Empire District Electric Company	11/24	Docket No. ER-2024-0261	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Liberty Utilities (Missouri Water)	03/24	Docket No. WR-2024-0104	Sponsored testimony supporting lead-lag study for a general rate case proceeding.
Liberty Utilities (Midstates Natural Gas)	02/24	Docket No. GR-2024-0106	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Confluence Rivers Utility Operating Company	12/22	Case No. WR-2023-0006/ SR-2023-0007	Sponsored testimony supporting the rate design and bill impact studies for a general rate case proceeding.
The Empire District Gas Company	08/21	Docket No. GR-2021-0320	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
The Empire District Electric Company	05/21	Docket No. ER-2021-0312	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Spire Missouri, Inc.	12/20	Docket No. GR-2021-0108	Sponsored testimony supporting class cost of service, rate design, and lead-lag study proposals for a general rate case proceeding. The



Sponsor	Date	Docket No.	Subject
			testimony also included support for a proposed revenue adjustment mechanism.
The Empire District Electric Company	08/19	Docket No. ER-2019-0374	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding. The testimony also included proposals for a weather normalization mechanism.
Liberty Utilities (Midstates Natural Gas)	09/17	Docket No. GR-2018-0013	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding. The testimony also included proposals for a revenue decoupling/ weather normalization mechanism as well as tracker accounts for certain O&M expenses and capital costs.
Missouri Gas Energy	04/17	Docket No. GR-2017-0216	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding. The testimony included support for a decoupling mechanism.
Laclede Gas Company	04/17	Docket No. GR-2017-0215	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding. The testimony included support for a decoupling mechanism.
<b>Nevada Public Utilities Commission</b>			
Southwest Gas Corporation	09/23	Docket No. 23-09012	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
Southwest Gas Corporation	09/21	Docket No. 21-09001	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
Southwest Gas Corporation	02/20	Docket No. 20-02023	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
<b>New Hampshire Public Utilities Commission</b>			
Unitil (Northern Utilities, Inc.)	8/21	Docket No. DG 21-104	Sponsored testimony supporting a revenue decoupling mechanism.
Unitil Energy Systems, Inc.	4/21	Docket No. DE 21-030	Sponsored testimony supporting a revenue decoupling mechanism.
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities	11/17	Docket No. DG 17-198	Sponsored testimony supporting a levelized cost analysis for approval of firm supply and transportation agreements.
Liberty Utilities d/b/a Granite State Electric Company	04/16	Docket No. DE 16-383	Adopted testimony and sponsored Lead/Lag study for a general rate case proceeding.
<b>New Jersey Board of Public Utilities</b>			
Elizabethtown Gas Company	02/24	Docket No. GR24020158	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Jersey Central Power and Light Company (FirstEnergy)	03/23	Docket No. ER23030144	Sponsored testimony supporting the class cost of service and Lead/Lag studies for a general rate case proceeding.
South Jersey Gas Company	04/22	Docket No. GR22040253	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Elizabethtown Gas Company	12/21	Docket No. GR21121254	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
South Jersey Gas Company	03/20	Docket No. GR20030243	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Elizabethtown Gas Company	04/19	Docket No. GR19040486	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company	08/16	Docket No. GR16090826	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.

Sponsor	Date	Docket No.	Subject
<b>New Mexico Public Regulation Commission</b>			
New Mexico Gas Company, Inc.	7/24	Case No. 18-00038-UT	Sponsored testimony supporting the Weather Normalization Adjustment Mechanism.
New Mexico Gas Company, Inc.	9/23	Case No. 23-00255-UT	Sponsored testimony supporting the class cost of service, rate design, bill impact and weather normalization adjustment mechanisms for a general rate case proceeding.
<b>New York Public Service Commission</b>			
New York Power Authority	09/04	Case No. 04-E-0572	Sponsored testimony evaluating Con Edison's class cost of service study.
<b>Corporation Commission of Oklahoma</b>			
The Empire District Electric Company	02/21	Cause No. PUD 202100163	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding. The proposed rate design included a three-year phase-in of the proposed rate increase.
The Empire District Electric Company	03/19	Cause No. PUD 201800133	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
The Empire District Electric Company	04/17	Cause No. PUD 201600468	Adopted direct testimony and sponsored rebuttal testimony supporting the revenue requirements for a general rate case proceeding. The testimony included proposals for alternative ratemaking mechanisms.
<b>Ohio Public Utilities Commission</b>			
Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company	06/24	Case Nos. 24-0468-EL-AIR, 24-0469-EL-ATA, 24-0470-EL-AAM, 24-0471-EL-UNC	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
<b>Pennsylvania Public Utility Commission</b>			
FirstEnergy Pennsylvania Electric Company	04/24	Docket No. R-2024-3047068	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
<b>Rhode Island Public Utilities Commission</b>			
Providence Gas Company	08/01 09/00 08/96	Docket No. 1673	Sponsored testimony supporting the changes in cost of gas adjustment factor related to projected under-recovery of gas costs; Filed testimony and witness for pilot hedging program to mitigate price risks to customers; Filed testimony and witness for changes in cost of gas adjustment factor related to extension of rate plan.
Providence Gas Company	08/00	Docket No. 2581	Sponsored testimony supporting the extension of a rate plan that began in 1997 and included certain modifications, including a weather normalization clause.
Providence Gas Company	03/00	Docket No. 3100	Sponsored testimony supporting the de-tariff and deregulation of appliance repair service, enabling the Company to have needed pricing flexibility.
Providence Gas Company	06/97	Docket No. 2581	Sponsored testimony supporting a rate plan that fixed all billing rates for three-year period; included funding for critical infrastructure investments in accelerated replacement of mains and services, digitized records system, and economic development projects.



Sponsor	Date	Docket No.	Subject
Providence Gas Company	04/97	Docket No. 2552	Sponsored testimony supporting the rate design, customer bill impact studies and retail access tariffs for commercial and industrial customers, including redesign of cost of gas adjustment clause, for a rate design proceeding.
Providence Gas Company	02/96	Docket No. 2374	Sponsored testimony supporting the rate design, customer bill impact studies and retail access tariffs for largest commercial and industrial customers for a rate design proceeding.
Providence Gas Company	01/96	Docket No. 2076	Sponsored testimony supporting the rate reclassification of customers into new rate classes, rate design (including introduction of demand charges), and customer bill impact studies for a rate design proceeding.
Providence Gas Company	11/92	Docket No. 2025	Sponsored testimony supporting the Integrated Resource Plan filing, including a performance-based incentive mechanism.
<b>Railroad Commission of Texas</b>			
Texas Gas Service Company – Central-Gulf Service Area	06/24	Case No. 00017471	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – Texas Gas Division	10/23	Case No. 00015513	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Rio Grande Valley Service Area	06/23	Case No. 00014399	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – West Texas, North Texas, and Borger/ Skellytown Service Areas	06/22	Case No. 00009896	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Central Texas and Gulf Coast Service Areas	12/19	GUD No. 10928	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – Beaumont/ East Texas Division	11/19	GUD No. 10920	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Borger/ Skellytown Service Area	08/18	GUD No. 10766	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – North Texas Service Area	06/18	GUD No. 10739	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – South Texas Division	11/17	GUD No. 10669	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Rio Grande Valley Service Area	06/17	GUD No. 10656	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Atmos Pipeline – Texas	01/17	GUD No. 10580	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – Texas Gulf Division	11/16	GUD No. 10567	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
<b>Public Utility Commission of Texas</b>			
CenterPoint Energy Houston Electric, LLC	03/24	Docket No. 56211	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy Houston Electric, LLC	04/19	Docket No. 49421	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
<b>Vermont Public Utilities Commission</b>			
Vermont Gas Systems	12/12	Docket No. 7970	Sponsored testimony describing the market served by \$90 million natural gas expansion project to Addison County, VT. Also described the terms and economic benefits of a special contract with International Paper.

Sponsor	Date	Docket No.	Subject
Vermont Gas Systems	02/11	Docket No. 7712	Sponsored testimony supporting the market evaluation and analysis for a system expansion and reliability regulatory fund.
<b>Virginia State Corporation Commission</b>			
Rappahannock Electric Cooperative	8/24	Case No. PUR-2024-00132	Sponsored report and studies related to revenue requirements, class cost of service, rate design, and bill impact analysis for a streamlined application to increase base rates.
Shenandoah Valley Electric Cooperative	01/24	Case No. PUR-2023-00207	Sponsored report and studies related to revenue requirements, class cost of service, rate design, and bill impact analysis for a streamlined application to increase base rates.
American Electric Power - Appalachian Power Company	3/23	Case No. PUR-2023-00002	Sponsored testimony supporting the Lead/Lag study for the 2023 triennial review of base rates, terms, and conditions.
Rappahannock Electric Cooperative	10/22	Case No. PUR-2022-00160	Sponsored report and studies related to revenue requirements, class cost of service, rate design, and bill impact analysis for a streamlined application to increase base rates.
American Electric Power - Appalachian Power Company	3/20	Case No. PUR-2020-00015	Sponsored testimony supporting the Lead/Lag study for the 2020 triennial review of base rates, terms, and conditions.
<b>West Virginia Public Service Commission</b>			
American Electric Power - Appalachian Power Company and Wheeling Power Company	11/24	Case No. 24-0854-E-42T	Sponsored testimony supporting the lead-lag study for a general rate case proceeding.
Monongahela Power Company and The Potomac Edison Company (FirstEnergy)	06/23	Case No. 23-0460-E-42T	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
<b>Nova Scotia Utility and Review Board</b>			
Nova Scotia Power	01/22	Matter No. M10431	Sponsored evidence supporting the cash working capital requirement and lead/Lag study for a general rate case proceeding.
<b>Ontario Energy Board</b>			
Toronto Hydro-Electric System Limited	11/23	Docket No. EB-2023-0195	Sponsored evidence supporting Toronto Hydro's Custom Rate Framework. Prepared research and analysis evaluating the appropriateness of the Rate Framework in the context of how other electric utility ratemaking practices have responded to developments in the energy industry.
Ontario Energy Association	01/21	Docket No. EB-2020-0133	Sponsored evidence regarding policies and ratemaking treatment related to COVID-19 costs in U.S. and Canadian regulatory jurisdictions. The evidence was used to support Ontario Energy Association's response to Staff's proposals.
<b>Commission of Canada Energy Regulator</b>			
Trans-Northern Pipelines, Inc.	06/23	Docket No. RH-001-2023	Sponsored evidence related to application for approval of incentive tolls.



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF THE )  
APPLICATION OF NEW MEXICO GAS )  
COMPANY, INC. REQUEST FOR )  
APPROVAL OF ADVICE NOTICE NO. )  
105 )  
 )  
NEW MEXICO GAS COMPANY, INC. )  
 )  
Applicant. )  
 )

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing *New Mexico Gas Company, Inc.'s Request for Approval of Advice Notice No. 105* was emailed on this date to the parties listed below.

<b>NM GAS COMPANY</b>	
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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

New Mexico Gas Company, Inc.'s Request for Approval  
Of Advice Notice 105

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**DATED** on December 31, 2024.

Respectfully submitted,

/s/Milo Chavez

Milo Chavez

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