BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC. FOR APPROVAL OF REVISIONS TO ITS RATES, RULES, AND CHARGES PURSUANT TO ADVICE NOTICE NO. 96	)))))	**Docket No. 23-00255-UT**

<u>FINAL ORDER</u>

THIS MATTER comes before the New Mexico Public Regulation Commission ("Commission") upon the Presiding Officer's issuance of the Certification of Stipulation ("Certification"). The Commission finds that it shall accept, approve, and adopt the Certification in its entirety.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to the Public Utility Act ("PUA"), NMSA 1978, Section 62-8-1 (1953), entitled "Rates," and Section 62-8-7 (2011), entitled "Change in rates."

2. Section 62-8-1 provides that every rate charged by a public utility shall be just and reasonable.

3. Section 62-8-7 provides the Commission with authority to suspend a public utility's proposed rate increase for a period of nine months (extendable by three months) and to determine and fix just and reasonable rates.

PROCEDURAL HISTORY

4. On September 14, 2023, New Mexico Gas Company, Inc. ("NMGC") filed Advice Notice No. 96 and "New Mexico Gas Company, Inc.'s Application For Revisions To Its Rates, Rules, And Charges" ("Application") seeking approval of the following:

- rate increases, based on a future test year, to recover a revenue deficiency of $48.97 million (22.7% increase),[1] including an increase to the residential access fee from $12.40 to $15.50;
- a 7.38% weighted average cost of capital;
- a 10.5% return on equity ("ROE");
- a 53% equity and 47% debt capital structure;
- recovery of regulatory assets related to rate case expense, pandemic costs, and a customer information system;
- two new regulatory assets related to NMGC's request for approval to construct and operate a liquefied natural gas facility and credit card fees;
- revision of the amortization schedules of two other regulatory assets; and
- a permanent weather normalization adjustment mechanism.

5. On October 12, 2023, the Commission issued the "Order Suspending Rates" which suspended NMGC's rate increase for nine months beginning on October 14, 2023.

6. On October 19, 2023, the Commission issued the "Order Designating [Presiding Officer]" which appointed Hearing Examiner Elizabeth Hurst as Presiding Officer.

7. On March 1, 2024, the following parties filed the "Uncontested Stipulation": Coalition for Clean Affordable Energy ("CCAE"), Federal Executive Agencies ("FEA"), New Energy Economy ("NEE"), New Mexico Affordable Reliable Energy Alliance ("NMAREA"), New Mexico Department of Justice ("NMDOJ"), NMGC, Utility Division Staff ("Staff"), and

[1] NMGC revised this request on December 15, 2023, to $48.43 million.

Western Resource Advocates ("WRA") (collectively the "Signatories"). The Uncontested Stipulation seeks approval of the following:

- a black box $30 million base revenue increase based upon NMGC's requested rate design, except that the residential access fee remains at $12.40;
- a 6.79% tax unadjusted average cost of capital;
- a 3.99% cost of debt;
- a 9.375% ROE;
- a 52% equity and 48% debt capital structure;
- withdrawal of regulatory assets associated with the liquefied natural gas plant and credit card fees;
- modification of the customer information system regulatory asset;
- black-box incorporation of the remaining regulatory assets into the $30 million revenue increase;
- continuation of NMGC's weather normalization adjustment mechanism; and
- for NMGC to propose specific amendments to its customer notice for NMGC's next base rate case filing.

The Uncontested Stipulation further contains the Signatories' agreement to toll the running of the suspension period beginning on February 23, 2024.

8. From April 1 to 4, 2024, the Presiding Officer held the public hearing in this matter.

9. On April 19, 2024, the Unincorporated County of Los Alamos filed a notice of joinder to the Uncontested Stipulation.

10. On May 16, 2024, the Commission held a public comment hearing in this matter.

11. On June 6, 2024, the Presiding Officer issued the Certification.

DISCUSSION

12. The Certification contains the following recommendations for the Commission to accept, approve, and adopt:

- a finding that NMGC's current rates are not fair, just, or reasonable;
- rejection of Advice Notice No. 96;
- approval of the Uncontested Stipulation;
- a directive for NMGC to file revised rate schedules within five days;
- a directive for Staff to review new rate schedules for compliance;
- an October 1, 2024, effective date for new rates; and
- other miscellaneous recommendations.

13. The Certification discusses the legal standards applicable to evaluating stipulations in detail.[2] Chief among the Commission's standards in approving a stipulation are the duties to determine, by a preponderance of the evidence, that the stipulation was a product of serious bargaining among capable, knowledgeable parties; that the stipulation benefits ratepayers and the public interest; and that the stipulation does not violate any important regulatory principle.[3] The Presiding Officer accurately interprets these requirements as whether the parties had notice and an opportunity to be heard on the stipulation, whether the stipulation is in accordance with applicable law, and whether the stipulation is fair, just, and reasonable by a preponderance of the evidence.[4]

14. On the question of whether the Uncontested Stipulation was a product of serious bargaining among capable, knowledgeable persons, the Presiding Officer concludes in the

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[2] *See* Certification at 16-26.
[3] *See id.* at 20.
[4] *Id.*

affirmative.[5] For justification, the Certification describes the notice that was provided to the public and the various testimonies filed in support of the Uncontested Stipulation filed by individual Signatories with diverse interests.[6]

15. On the question of whether the Uncontested Stipulation, on the whole, benefits ratepayers and the public interest, the Presiding Officer concludes in the affirmative.[7] For justification, the Certification describes the various reasons cited by the individual Signatories who filed testimony for why the Uncontested Stipulation benefits ratepayers and the public interest, including reliability in the maintenance of NMGC's system, rate design goals to move towards cost-based rates with principles of gradualism, bill impacts, and the resolution of regulatory assets.[8]

16. On the question of whether the Uncontested Stipulation violates any important regulatory principle or practice, the Presiding Officer concludes in the negative.[9] On the contrary, the Certification states that the Uncontested Stipulation is "consistent with sound regulatory policy and Commission practice in approving reasonable settlements," in part because the Uncontested Stipulation resolves all issues in the proceedings, thereby avoiding expensive and time-consuming litigation in the interests of administrative efficiency.[10]

17. Ultimately, the Certification views the Uncontested Stipulation as establishing reasonable and fairly apportioned rates that fall within the zone of reasonableness, prevent rate shock, and mitigate the risk of unintended consequences.[11]

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[5] *Id.* at 101.
[6] *Id.* at 99-101.
[7] *Id.* at 104.
[8] *Id.* at 101-04.
[9] *Id.* at 104.
[10] *Id.* at 104-05.
[11] *Id.*

18. All parties to this Docket joined the Uncontested Stipulation, and no parties filed exceptions to the Certification.

19. The Certification presents a thorough and well-reasoned recommendation for the Commission to consider.

FINDINGS AND CONCLUSIONS

20. The Certification of Stipulation is well-taken, reasonable, and founded upon substantial evidence, it is neither arbitrary nor capricious, and it should be accepted, approved, adopted, and incorporated by reference to this Final Order, in its entirety, as if fully set forth herein.

21. The rates contained in the Uncontested Stipulation are fair, just, and reasonable.

IT IS THEREFORE ORDERED:

A. The Certification of Stipulation is ACCEPTED, APPROVED, and ADOPTED in its entirety as an order of the Commission.

B. The Uncontested Stipulation is APPROVED.

C. This Docket is closed. However, the Commission shall continue to accept filings for the limited purposes of carrying-out Findings of Fact and Conclusions of Law paragraphs 12 and 13, and Decretal paragraph E, of the Certification of Stipulation.[12]

D. This Order is effective when signed.

E. Copies of this Final Order, including exhibits, shall be e-mailed to all persons listed on the attached Certificate of Service if their e-mail addresses are known, and if not known, mailed to such persons via regular mail.

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[12] *See* RD at 35-36, 48.

F. In computing time in accordance with statute, rule, or Commission order, the computation shall begin on the date that this Order is filed with the Chief Clerk or Chief Clerk's designee of the Records Management Bureau.

SIGNED under the Seal of the Commission at Santa Fe, New Mexico, this 25th day of July, 2024.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Gabriel Aguilera, electronically signed
GABRIEL AGUILERA, COMMISSIONER

/s/ James F. Ellison, Jr., electronically signed
JAMES F. ELLISON, JR., COMMISSIONER

/s/ Patrick J. O'Connell, electronically signed
PATRICK J. O'CONNELL, COMMISSIONER

23-00255-UT - Certification of Stipulation

Kippenbrock, Ana, PRC <Ana.Kippenbrock@prc.nm.gov>

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1 attachments (2 MB)

23-00255-UT - 6-6-24-ECH - Certification of Stipulation.pdf;

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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

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NEW MEXICO
PUBLIC REGULATION
COMMISSION

NEW MEXICO
PUBLIC REGULATION COMMISSION

COMMISSIONERS

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CHIEF OF STAFF
Cholla Khoury

P.O. Box 1269
Santa Fe, NM 87504-1269

June 6, 2024

TO PARTIES OF RECORD IN CASE NO. 23-00255-UT

This is the Certification of Stipulation of Hearing Examiner Elizabeth C. Hurst. Unless and until the Commission considers the matter and votes to approve it, the Certification of Stipulation has no legal effect. This matter will be considered at a future Open Meeting of the Commission. To confirm when the matter will be considered, please see the Commission's Open Meeting agenda, which is posted on the Commission's website at least 72 hours before each Open Meeting at: https://www.nm-prc.org/nmprc-open-meeting-agenda/.

Parties to the proceeding may file exceptions to the Certification of Stipulation as provided in Rule 1.2.2.20(A)(5)(b) NMAC of the Commission's Procedural Rules.

The Commission may hold a deliberative meeting to address this matter in closed session in advance of the Open Meeting at which the matter will be considered, in accord with Section 10-15-1(H)(3) of the Open Meetings Act. NMSA 1978, § 10-15-1(H)(3) (2013). In such event, notice of the deliberative meeting will be posted on the Commission's website 72 hours in advance of the deliberative meeting at the https address set forth above.

Sincerely,

Anthony F. Medeiros

Anthony F. Medeiros
Chief Hearing Examiner
New Mexico Public Regulation Commission

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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

CERTIFICATION OF STIPULATION

Before
Elizabeth C. Hurst
Hearing Examiner

June 6, 2024

Table of Contents

ABBREVIATIONS

ADIT	Accumulated Deferred Income Tax
AMLD	Advanced Mobile Leak Detection
CAPM	Capital Asset Pricing Model
CCAE	Coalition for Clean and Affordable Energy
CIS	Customer Information System
COS	Cost of Service
DCF	Discounted Cash Flow
EFV	Excess Flow Valve
FACOS	Fully Allocated Cost of Service
FEA	Federal Executive Agencies
FTY	Future Test Year
HDD	Heating Degree Day
IMP	Integrity Management Program
IT&T	Information Technology & Telecommunications
LAC	Los Alamos County
LNG	Liquefied Natural Gas
LXP	Line Extension Policy
MAOP	Maximum Allowable Operating Pressure
NEE	New Energy Economy
NM AREA	New Mexico Affordable Renewable Energy Alliance
NMDOJ	New Mexico Department of Justice
NMDOT	New Mexico Department of Transportation
NMGC	New Mexico Gas Company
NMPRC	New Mexico Public Regulation Commission
O&M	Operations and Maintenance
PHMSA	Pipeline and Hazardous Materials Safety Administration

PNM	Public Service Company of New Mexico
PUA	Public Utility Act, NMSA 1978, §§ 62-1, to -6, and 62-8 to -13 (2019).
PVC	Polyvinyl Chloride
ROE	Return on Equity
ROR	Rates of Return
RPM	Risk Premium Model
WACC	Weighted Average Cost of Capital
WNA	Weather Normalization Adjustment
WRA	Western Resource Advocates

ATTACHMENTS

In accordance with 1.2.2.20(A)(5)(b) NMAC, Elizabeth C. Hurst, Hearing Examiner in this case, submits this Certification of Stipulation ("Certification") to the New Mexico Public Regulation Commission ("NMPRC" or "Commission") concerning the Uncontested Stipulation ("Stipulation") entered into and signed by New Mexico Gas Company, Inc. ("NMGC" or the "Company"), the Commission's Utility Division Staff ("Staff"), the New Mexico Department of Justice ("NMDOJ"), the New Mexico Affordable Reliable Energy Alliance ("NM AREA"), the Federal Executive Agencies ("FEA"), Western Resource Advocates ("WRA"), Coalition for Clean Affordable Energy ("CCAE"), and New Energy Economy ("NEE"), and later joined by County of Los Alamos[1] (individual "LAC," collectively with the other parties: the "Signatories," "Parties," or "Stipulating Parties"), and filed with the Commission. With the joinder of LAC, the Stipulation became a unanimous and uncontested Stipulation. The Signatories assert that the Stipulation resolves and settles all issues in this case. A copy of the Stipulation and its Exhibits are attached to this Certification as **Attachment A**.

1. INTRODUCTION AND SUMMARY OF CERTIFICATION OF STIPULATION

NMCG filed an Application for an increase in rates. After the filing of testimony concluded, negotiations resulted in a Stipulation. This certification comes to the Commission on that uncontested stipulation. A hearing on the Stipulation commenced as scheduled on April 1, 2024, and continued through April 4, 2024. Chairman O'Connell and Commissioner Ellison attended the hearing. The Commission heard testimony from twenty witnesses and accepted the

[1] The County of Los Alamos was not in a position to sign the Stipulation when it was filed but has filed a Joinder in the Stipulation on April 19, 2024.

stipulated testimony from four other witnesses. Eight bench request responses were admitted into evidence. After considering the evidence in the record as a whole, the Hearing Examiner recommends that the Commission approve the Stipulation.

The Parties contend that the Stipulation was the product of serious bargaining, benefits ratepayers and the public interest, and does not violate any important regulatory principles or practices.[2] This is all correct.

The Stipulation here is not a total black box stipulation. In this, as in all rate cases, the Company sets forth its claimed revenue deficiency in its Corrected Application by detailing its current revenue versus its costs, expenses, and investments. In settlement, the[3] Parties (through negotiation) agreed on terms of this settlement including the amount of the revenue increase to be provided to the Company, the return on equity ("ROE"), the amount of the residential access fee and the Company's capital structure.[4] Agreement on all these financial terms is part of this settlement based on overall consideration of the components of the Company's revenues, operations, and capital investments.[5]

The Stipulation was a significant retreat from what NMGC requested in its Corrected Application. The chart below sets out (in graphical form) the principal differences between the Corrected Application and Stipulation as they relate to revenue and rate implications. As the reader reviews the information, it is important to note that over 99 percent of NMGC's customers receive

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[2] See e.g. NMGC Ex. 2 (Shell Stip.) at 19-20; NMDOJ Ex. 4 (Crane Stip.) at 14-15.
[3] The initial Application was revised with corrections on December 15, 2023, and will be referred to as the "Corrected Application", where applicable.
[4] NMGC Ex. 2 (Shell Stip.) at 6-7.
[5] NMGC Ex. 2 (Shell Stip.) at 6-7.

service pursuant to the Rate 10 residential rate or one of the three standard general service commercial and industrial rates.[6] The small-general-service class is the second-largest class of NMGC customers by a significant margin.[7] The impact of the base rate change to an average residential customer monthly bill using 53 therms is $4.21 or 7.10%.[8] The impact of the base rate change to an small general service customer monthly bill using 317 therms is $11.99 or 4.5%.[9]

Case No. 23-00255-UT	**Corrected Application**	**Stipulation**
Revenue Increase	22.4% or $48.43 million*	13.9% or $30.00 million
Return on Equity	10.5%	9.375%
Cost of Debt	3.988%*	3.99%
Weighted Average Cost of Capital	7.44%*	6.79%
Capital Structure (equity/long-term debt)	53/47	52/48
Residential Class Base Revenue Increase	22.7%	13.9%
Increase to average residential monthly bill (53 therm usage)	11.2%	7.1%
Increase in Residential Access Fee	$3.10 ($12.40 to 15.50)	No Increase. Stays at $12.40
Small General Service Class Base Revenue Increase	22.0%	13.7%
Increase in Small General Service Access Fee	$6.50 ($27.75 to $34.25)	$4.00 ($27.75 to 31.75)

6 NMGC Ex. 16 (Lyons Dir.) at 9, Figure 2.
7 NMGC Ex. 16 (Lyons Dir.) at 9, Figure 2.
8 Stipulation Ex. 4 at 1; NMGC Ex. 17 (Lyons Stip.) at 7.
9 Stipulation Ex. 4 at 2.

*As revised by the Company on December 15, 2023 (which reduced the original request of $48.97 million by $543,926.00).

Attachment B to this Certification of Stipulation is an overview (in graphical form like that above) that compares the present Stipulation to the results in NMGC's last three rate cases, each of which were also resolved by stipulation. Review of that chart is an effective way to think about the rate and revenue merits of the present Stipulation as the chart provides the necessary context to meaningfully assess the rate and revenue results agreements reached.

Turning to the Application itself, NMGC initially projected a future-test-year ("FTY") cost of service revenue requirement of $265.2 million, and a revenue deficiency of $48.97 million.[10] On December 15, 2023, NMGC filed a revision to the Application slightly modifying these numbers to be $264.6 million, and a revenue deficiency of $48.4 million.[11]

NMGC claimed that the increase in the revenue requirement and the resulting deficiency is the product of NMGC's need to make capital investments and increased operating expenses.[12] NMGC claimed that it "has seen continued increases in operating expenses—both O&M and non-O&M."[13]

The Parties, (NMGC, CCAE, FEA, LAC, NEE, NM Area, NMDOJ, WRA, and Staff) (all of whom are identified at **Attachment C**) negotiated and agreed on the revenue deficiency of $30.0 million, a ROE of 9.375%, a capital structure of 52% equity and 48% debt, and retention of the Residential Rate No. 10 access fee at $12.40.[14]

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[10] NMGC Ex. 14 (Buchanan Dir.) at 5.
[11] See NMGC's Initial List of Revisions to Rate Application Pursuant to 17.1.3.19 NMAC at 4 (Filed Dec. 15, 2023).
[12] NMGC Ex. 14 (Buchanan Dir.) at 6-7.
[13] NMGC Ex. 14 (Buchanan Dir.) at 7.
[14] NMGC Ex. 2 (Shell Stip.) at 6.

As detailed below, in order to reach the $30.0 million increase in revenue agreed to in the Stipulation, the Company is delaying the dates of deployment of some of its proposed capital investments. Delays in capital investments result in decreases to total net-plant balances in the adjusted FTY in the amount of $10.0 million compared to NMGC's original request.[15] Moreover, the Company is spreading the decrease in capital investments over 2024 and 2025, which allows the Company to mitigate the overall impact of these adjustments. In its testimony in Support of the Stipulation, NMGC did not identify specific projects that would be affected, but averred that they will be able to identify projects that can be delayed without negatively affecting the safety or reliability of the system.[16] At the Hearing, NMGC Witness Bullard stated the Company is proposing to delay the construction of the Farmington Operations Center,[17] a portion of the Automated Meter Reading Project,[18] the third phase of the T or C Mainline Reinforcement Project,[19] and potentially part of the material verification portion of its Integrity Management Program.[20] NMGC averred that delays in any of these specifically identified projects will not have any impact on safety or reliability.[21]

Additionally, as discussed below, the Company is contemplating adjustments to its projected O&M costs as part of its efforts to reach the $30 million stipulated revenue. The Company explained that "NMGC's annual budget planning cycle for 2025 will be completed in

[15] NMGC Ex. 15 (Buchanan Stip.) at 7.
[16] NMGC Ex. 4 (Bullard Stip.) at 3-4.
[17] Tr. (Vol. 1) 225 (NMGC Witness Bullard).
[18] Tr. (Vol. 1) 226 (NMGC Witness Bullard).
[19] Tr. (Vol. 1) 226 (NMGC Witness Bullard).
[20] Tr. (Vol. 1) 232 (NMGC Witness Bullard).
[21] Tr. (Vol. 1) 227 (NMGC Witness Bullard); NMGC Ex. 4 (Bullard Stip.) at 3-4.

late 2024. While that process is still underway, in order to support the stipulated revenue request, NMGC has identified categories of expenses it believes it can reduce in Operations and Maintenance ("O&M") and other costs to achieve the $4.8 million reduction discussed in the Direct Testimony and Exhibit of NMGC Witness Erik C. Buchanan in Support of Stipulation, without having a negative impact on service to customers."[22] The categories identified by the Company included: 1) reduced third-party contractor and recruiting fees; 2) reduced employee overtime; 3) reduced anticipated rate case expenses due to the uncontested settlement; 4) reduced bad debts and related decreases in the COVID-19 Regulatory Asset; 5) removal of the financial component of the Company's Short-Term Incentive Plan available to employees at manager level and above; 6) an update to the Company's Administration and General Study; and 7) reduced pension and retiree medical expenses.[23] The Company explained, "[w]hile [it] has not yet determined exact dollars that will be reduced in each category noted above, the Company will be able to implement the necessary reductions in the [FTY] to achieve the stipulated revenue level."[24]

According to NMGC Witness Buchanan, "the Company anticipates reducing O&M expenses and other costs without affecting customer service or system safety and reliability. To that point, some of these reductions are achievable because of reduced vacancy levels, some are due to amortization changes or other accounting-related changes for purposes of the stipulation (such as how short-term incentive compensation costs will be accounted for in the Future Test Year), and management's ongoing efforts to control resources and expenses. None of the

[22] NMGC Ex. 18 (NMGC Response to Second Bench Request) at 1-2.
[23] NMGC Ex. 18 (NMGC Response to Second Bench Request).
[24] NMGC Ex. 18 (NMGC Response to Second Bench Request).

anticipated reductions involve direct customer service or impact the safe and reliable operation of the gas utility system."[25]

Many of the Parties filed Direct Testimony proposing adjustments to NMGC's requested revenue. Settlement negotiations only began after the case was fully at issue following the filing of direct testimony by Intervenors and Staff.[26] On February 27, 2024, the Parties filed a Motion to Extend Deadlines for Stipulation and Supporting Documents and Testimony in which they announced that they had reached a settlement in principle. On February 28, 2024, the Hearing Examiner issued and Order Granting the Motion to Extend Stipulation Deadlines that ordered all stipulating parties to submit testimony, and to address the following six specific questions regarding the Stipulation:

1. Why they support this stipulation.

2. Why they believe this stipulation satisfies the applicable statutory standards contained within NMSA 1978, § 62-6-4(A) (2003), NMSA 1978, § 62-8-1 (1941); NMSA 1978, § 62-8-7(A) (2011); NMSA 1978, § 62-8-7(C) (2011), and any other relevant statutes.

3. Why they believe that this stipulation is in the public interest.

4. If they believe that resolving this case through this stipulation rather than a litigated case is more beneficial to the public interest, and why.

5. Any party who previously provided direct testimony that is now seemingly inconsistent with this stipulation shall explain with witness testimony why each of the positions in their prior testimony has changed. and

6. Why the Commission should accept this stipulation.[27]

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[25] NMGC Ex. 18 (NMGC Response to Second Bench Request).
[26] NMGC Ex. 2 (Shell Stip.) at 4. The Hearing Examiner notes that Staff and Intervenor testimony was filed on February 21, 2024. The Procedural Order required any stipulation to be filed by February 26, 2024.
[27] *See Order Granting Motion to Extend Stipulation Deadlines* (Feb. 28, 2024).

After settling on the key financial terms, the Parties left it to the Company to develop a cost of service to file with the Stipulation. The Company did this, and the Stipulation Cost of Service supporting the Settlement is attached to the Stipulation as Stipulation Exhibit 1.[28]

The bottom line in any settlement is reaching a compromise that is acceptable to the parties and which allows the Company to continue to provide its customers with efficient and reliable service at fair, just, and reasonable rates.[29] The Stipulation does this.

The Stipulation maintains the Company's currently authorized ROE of 9.375% and maintains the Company's current capital structure of 52% equity / 48% debt. The recommended revenue requirement increase includes increased operating costs, such as for labor, services, and necessary capital expenditures to meet regulatory and safety obligations as well as provide service customers expect.

The Stipulation achieves reasonable changes in rates for legitimate reasons to compensate for increases in gas company costs and it proposes reasonable collaborative changes and efforts to make future NMGC notices and service rules better. All Parties who initially expressed concerns with the Corrected Application now support the Stipulation.

As discussed below, the Stipulation also deals with compromises between the Stipulating Parties in several areas. The Stipulation contains the Stipulating Parties' agreement on the amicable resolution of the handling of the regulatory assets filed for the Company.[30] The Stipulation identifies the Discount Transportation Rates contained in Stipulation Exhibit 5 and

[28] NMGC Ex. 15 (Buchanan Stip.) at 2-9.
[29] NMGC Ex. 2 (Shell Stip.) at 14-15.
[30] Stipulation, para. 15-18

contains the Stipulating Parties' agreement that they are fair, just and reasonable.[31] The Stipulation sets forth the Stipulating Parties' agreement to continue without any automatic termination provision the Company's Weather Normalization Mechanism.[32] The Stipulation contains the Stipulating Parties' negotiated agreement that in its next rate case NMGC will recommend to the Hearing Examiner in that case that the Notice in that case should contain additional information as described in Paragraph 23 of the Stipulation.[33] Finally, the Stipulation contains the Stipulating Parties' negotiated agreement that before the end of 2024, NMGC will engage interested parties in a revaluation of the Company's Rule 16 Line Extension policy as is described in that paragraph of the Stipulation.[34]

The Stipulating Parties agree that the Stipulation constitutes a full resolution of all issues between the Stipulating Parties.[35] They also agree that the terms of the Stipulation reflect good-faith, arms-length negotiations, and they properly balance the interests of the customers and investors.[36] The Stipulating Parties further claim that the Stipulation is in the public interest and will result in fair, just, and reasonable rates.[37] The Hearing Examiner's analysis of the Stipulation and the record comes to the same conclusions.

Having evaluated the facts in evidence and considering the record as a whole, the Hearing Examiner finds that the Stipulation satisfies each of the Commission's standards for approval. The Stipulation is factually and legally compliant with applicable legal requirements, Commission

[31] Stipulation, para. 20.
[32] Stipulation, para. 21.
[33] Stipulation, para. 23.
[34] Stipulation, para. 24.
[35] Stipulation, para. 7.
[36] Stipulation, para. 5.
[37] Stipulation, para. 6.

policy standards, and is supported by a preponderance of uncontroverted evidence sufficient to approve the Stipulation.

2. BASIC INFORMATION ABOUT NMGC

NMGC is a Delaware corporation authorized to do business in the State of New Mexico as a public utility with its principal office at 7120 Wyoming Blvd. NE, Suite 20, Albuquerque, New Mexico 87109. NMGC is wholly owned by New Mexico Gas Intermediate, Inc. ("NMGI").[38] On September 2, 2014, TECO Energy, Inc. ("TECO") completed the acquisition of NMGI (the "Acquisition") pursuant to approvals and authorizations contained in the Final Order (the "Acquisition Order") issued on August 13, 2014, in NMPRC Case No. 13-00231-UT. On July 1, 2016, Emera Inc. completed the acquisition of TECO pursuant to the approvals and authorizations contained in the Final Order issued on June 22, 2016, in NMPRC Case No. 15-00327-UT.[39]

NMGC provides natural gas utility service to approximately 545,000 customers throughout New Mexico.[40] Approximately 99% of its customers are households or small businesses that primarily use natural gas for heating their homes and businesses.[41] NMGC's business is the delivery, not the production, of natural gas.

NMGC currently has around 790 positions and 700 employees and operates throughout the State.[42]

[38] Case No. 19-00310-UT, *Application* at 1 (Oct. 16, 2019), Final Order issued Nov. 13, 2019.
[39] Case No. 19-00310-UT, *Application* at 1 (Oct. 16, 2019), Final Order issued Nov. 13, 2019.
[40] NMGC Ex. 1 (Shell Dir.) at 3.
[41] NMGC Ex. 1 (Shell Dir.) at 3.
[42] NMGC Ex. 1 (Shell Dir.) at 3.

NMGC filed its last rate case in 2021.[43] That matter was resolved by stipulation and granted NMGC a $19.3 million revenue increase, a 9.375% ROE, and a capital structure consisting of 52% equity/ 48% debt.[44] NMGC will likely file its next rate case in approximately two years.[45]

3. PROCEDURAL HISTORY

On September 14, 2023, NMGC filed its initial Application for revision of rates, rules, and charges pursuant to Advice Notice No 96.

On October 11, 2023, the Commission suspended the proposed rates for nine months beginning on October 14, 2023.

On October 19, 2023, the Commission appointed Hearing Examiner Elizabeth C. Hurst to preside over this case.

On November 8, 2023, Hearing Examiner Hurst issued a Procedural Order setting a procedural schedule. Among other things, the Procedural Order required: (1) NMGC, at its sole expense, to have a copy of the Notice to be published once in newspapers of general circulation sufficient for availability in every county where NMGC provides service on or before December 15, 2023; to as promptly as possible, at its sole expense, post a copy of the Notice, the Application, and the supporting pre-filed direct testimony, exhibits, and related papers on its public website; to provide individual notice to its ratepayers by December 15, 2023; and to promptly file affidavits reflecting such publication, individual service, and posting with the Commission; (2) NMGC to

[43] NMGC Ex. 1 (Shell Dir.) at 6.
[44] NMGC Ex. 1 (Shell Dir.) at 6.
[45] Tr. (Vol. 1) 30 (NMGC Witness Shell).

file any revisions to its Application, testimony, or filings by December 15, 2023; (3) any motions to intervene to be filed by January 3, 2024; (4) any dispositive motions to be filed by January 3, 2024; (5) established February 21, 2024, as the deadline for filing Staff/Intervenor direct testimony; (6) established February 26, 2024, as the deadline for the filing of a stipulation and any supporting documents pursuant to 1.2.2.20 NMAC; (7) required any opposition to a stipulation to be filed by March 4, 2024; (8) established March 8, 2024, as the deadline for filing rebuttal testimony or in the alternative, testimony in support of a stipulation; (9) required any testimony in opposition to a stipulation to be filed by March 15, 2024; (10) scheduled a pre-hearing for March 29, 2024; and (11) set a public hearing to commence on April 1, 2024 and continue, if necessary, on April 2-5, and April 8-12, 2024. Additionally, the Order required that if any parties request consideration of a stipulation, the Hearing Examiner may refuse to consider the stipulation or condition consideration of the stipulation on the stipulating parties' agreement to toll the running of the suspension period for the period of time beginning with the commencement of the parties' settlement negotiations and ending with final Commission action on the stipulation.

On December 15, 2023, NMGC filed an Initial List of Revisions to Rate Application pursuant to 17.1.3.19 NMAC to account for errors and changed circumstances that occurred since the filing of this case which impact the forecasted revenue requirement in this case. NMGC also proposed several non-revenue related corrections to the Cost-of-Service Model to make it easier to use.

On December 20, 2023, NMGC filed its Affirmation of Publication, Notification to Customers, and Posting to Website, of the Notice to NMGC Customers of Proceeding and Hearing (Notice).

On February 2, 2024, Hearing Examiner Hurst issued a Protective Order.

On February 20, 2024, NEE filed a Motion To Dismiss NMGC's Rate Case Application For Failure To Provide Adequate Notice To Ratepayers or In The Alternative to Require New Notice that Comports with the Requirements of Law and to Reset the Schedule Accordingly.

On February 21, 2024, Staff, and Intervenors NM AREA, FEA, NEE, NMDOJ, and Staff filed Direct Testimony.

On February 27, 2024, NMGC filed an Unopposed Expedited Motion To Extend Deadlines For Stipulation And Supporting Documents And Testimony.

On February 27, 2024, NEE filed an Unopposed Motion to Withdraw Motion to Dismiss NMGC's Rate Case Application.

On February 28, 2024, Hearing Examiner Hurst issued an Order Granting Motion to Extend Stipulation Deadlines, extending the deadlines for filing a stipulation and supporting documents until March 1, 2024 and establishing certain requirements to be contained in any stipulation, extending the deadline for testimony in support of any stipulation, and requiring such supporting testimony answer specific questions regarding the parties' support for the stipulation. Additionally, in this Order the Hearing Examiner granted NEE's unopposed motion to Withdraw Motion to Dismiss NMGC's Rate Case Application.

On March 1, 2024, the Parties filed an Uncontested Stipulation with Exhibits.

On March 13, 2024, NMGC, Staff, and Intervenors NMDOJ, FEA, NEE, NM AREA, and WRA filed Testimony in Support of the Uncontested Stipulation.

On March 14, 2024, CCAE filed a Motion for Variance from the February 28, 2024 Order requiring Parties file testimony in support of the Uncontested Stipulation.

On March 15, 2024, the NMPRC issued a single-Commissioner Order For NMGC to make a presentation regarding the Uncontested Stipulation at the Commission's Meeting scheduled for March 21, 2024.

On March 20, 2024, NMDOJ filed an Objection To Commission Order Requiring Presentation By New Mexico Gas Company Pending Rate Case Adjudication.

On March 20, 2024, the NMPRC issued a single-Commissioner Amended Order For NMGC to make a presentation regarding the Uncontested Stipulation at the Commission's Meeting scheduled for March 21, 2024.

On March 21, 2024, the Hearing Examiner issued a Prehearing Memorandum Order regarding conduct of the Hearing and an Order on Zoom Protocol and Exhibit Exchange.

On March 21, 2024, Staff filed Staff's Notice of Errata to the Testimony of Elisa C. Leyba-Tercero in Support of Uncontested Stipulation Filed on March 13, 2024.

On March 26, 2024, NMGC, Staff, and Intervenors FEA, LAC, NM AREA, WRA, NMDOJ, and NEE filed Pre-Hearing Memorandum as required by the Hearing Examiner's March 21, 2024 Order.

On March 26, 2024, NMGC filed an Unopposed Motion To Stipulate To The Admission Of All Pre-Filed Testimony.

On March 27, 2024, CCAE filed an Unopposed Motion To File Pre-Hearing Memorandum Out Of Time and a Pre-Hearing Memorandum.

On April 2, 2024, the NMPRC issued a single-Commissioner Order Scheduling Public Comment Hearing for May 16, 2024.

There was no opposition to the Stipulation; the document itself reports that Commission Staff, the NMDOJ, NM AREA, WRA, FEA, CCAE, NEE, and LAC support the Stipulation.

The hearing commenced as scheduled on April 1, 2024 and continued through April 4, 2024. Chairman O'Connell and Commissioner Ellison attended the hearing.

Before and during the Hearing, the Hearing Examiner issued eight bench requests, all of which were responded to by the Parties. One was responded to by NEE, one was responded to by WRA, NMGC, Staff, NMDOJ, NM AREA, and CCAE, and six were responded to by NMGC. All bench request responses were introduced into the record without objection.

The Commission set aside time at its public meetings on March 21, 2024 and March 28, 2024, and the Hearing Examiner set aside time at the beginning of the Hearing on April 1, 2024 for public comment. No one appeared to comment at any of the sessions. The Commission held a public comment session at the Bokum Building located at 142 W Palace Santa Fe, NM 87505 on May 16, 2024.

At the Hearing on April 1, 2024, the Hearing Examiner noted that approximately 10 written comments had been received, and all were considered to be in opposition to the Corrected Application.[46]

[46] Tr. (Vol. 1) 11-12.

The Official Transcripts of the Hearing ("Tr.") were filed on April 4, 5, 8, & 9, 2024.

On April 19, 2024, LAC filed its Notice of Joinder in the Stipulation.

On April 22, 2024, NMGC submitted its Proposed Corrections to the Transcript of Proceedings.

On April 26, 2024, the Parties jointly filed a Proposed Certification of Stipulation.

On April 26, 2024, NEE filed NEE's Requested Addition to the Certification of Stipulation ("NEE Requested Addition").

On May 9, 2024, NMGC filed NMGC's Response to NEE's Requested Addition to the Certification of Stipulation ("NMGC Response").

On May 9, 2024, NMGC filed its Affirmation of Publication, Notification to Customers, and Posting to Website, of the NMPRC Order requiring NMGC to cause notice of the May 16th public comment hearing to be published once in newspapers of general circulation sufficient for availability in every county where NMGC provides service, to be emailed to NMGC's customers, to be posted on NMGC's social media accounts, and to be posted on NMGC's website.

On June 4, 2024, NMGC submitted Amended Proposed Corrections to the Transcript of Proceedings. They are accepted as set out in **Attachment D.**

4. APPLICABLE LEGAL STANDARDS

There are five sets of legal standards relevant here: (1) statutory directives governing rate cases; (2) the Commission's rule on FTY filings; (3) Commission rules and precedent concerning review of uncontested stipulations; (4) precedent and legal concepts bearing on how administrative agencies treat settlement agreements; and (5) the evidentiary standards generally applicable in administrative proceedings. These are addressed in turn.

4.1. General Standards Applicable in Rate Cases

Under the Public Utility Act ("PUA"), the Commission has "general and exclusive power and jurisdiction to regulate and supervise every public utility in respect to its rates and service regulations . . . and to do all things necessary and convenient in the exercise of its power and jurisdiction."[47]

"Every rate made, demanded or received by any public utility shall be just and reasonable."[48] This broad, statutory directive is given specific content by the Commission. It "is vested with considerable discretion in determining the justness and reasonableness of utility rates."[49]

"At any hearing involving an increase in rates or charges sought by a public utility, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility."[50]

The term "public utility" includes

> every person not engaged solely in interstate business and . . . that may own, operate, lease or control:
> . . .
> (2) any plant, property or facility for the manufacture, storage, distribution, sale or furnishing to or for the public of natural or manufactured gas or mixed or liquefied petroleum gas for light, heat or power or other uses[.]"[51]

[47] NMSA 1978, § 62-6-4(A) (2003).
[48] NMSA 1978, § 62-8-1 (1941).
[49] *Attorney General v. N.M. Pub. Serv. Comm'n*, 1984-NMSC-081, ¶ 12, 101 N.M. 549, 685 P.2d 957.
[50] NMSA 1978, § 62-8-7(A) (2011).
[51] NMSA 1978, § 62-3-3(G)(2) (2009).

"To set a just and reasonable rate, the Commission must balance the investor's interest against the ratepayer's interest."[52]

NMSA 1978, Section 62-8-7 (2011) addresses requests for changes in rates. The statute provides, *inter alia*, whenever a utility files an application "proposing new rates, the commission may, upon complaint or upon its own initiative, except as otherwise provided by law, upon reasonable notice, enter upon a hearing concerning the reasonableness of the proposed rates."[53]

In reaching its ultimate decision, the Commission is not tied down either by the PUA or by case law to considering only a single factor in establishing rates. Instead, "[t]he Commission is vested with considerable discretion in determining whether a rate to be received and charged is just and reasonable."[54] The Supreme Court has "consistently construed the [Public Utility Act] broadly rather than to limit the Commission to any one particular method [of ratemaking]; the touchstone is the reasonableness of the ultimate decision."[55]

When setting rates, it is the end result reached and not the method employed which is controlling.[56] The New Mexico Supreme Court has stated that a regulatory commission has "discretion on public policy issues involved with regard to apportionment" of rates, and that "determining the level of subsidies, if any, is a Commission function."[57]

4.2. Future Test Year

[52] *Behles v. New Mexico Pub. Serv. Comm'n*, 1992-NMSC-047, ¶29, 114 N.M. 154, 836 P.2d 73.
[53] Section 62-8-7(C).
[54] *Hobbs Gas Co. v. New Mexico Pub. Serv. Comm'n*, 1980-NMSC-005, ¶4, 94 N.M. 731, 616 P.2d 1116.
[55] *New Mexico Industrial Energy Consumers v. NMPSC*, 1986-NMSC-059, ¶ 29, 104 N.M. 565, 725 P.2d 244.
[56] *Attorney General of State of N.M. v. New Mexico Pub. Serv. Comm'n*, 1991-NMSC-028, ¶ 26, 111 N.M. 636, 808 P.2d 606.
[57] *Mountain States Tel. & Tel. Co. v. New Mexico State Corp. Comm'n*, 1977-NMSC-032, ¶ 65, 90 N.M. 325, 563 P.2d 588.

NMGC tendered its new rate schedules based on an FTY period. For that reason, the provisions of 17.1.3 NMAC apply here. The purpose of 17.1.3 NMAC is "to define and specify the different or additional minimum data requirements to be filed in support for a tendered new rate schedule or rate schedule based on a future test year period . . . ."[58] It is unnecessary to discuss the rule in any depth here in this preliminary overview of governing standards. There is no argument advanced by anyone that NMGC failed to fulfill the applicable requirements in this rule.

4.3. Stipulation Standards

The Commission's rules of procedure provide that "[s]ettlement stipulations shall be binding only if approved by the commission."[59] The stipulation here is uncontested and the rules governing uncontested stipulations govern. Those rules direct that, "[u]pon receipt of a stipulation which would settle substantive issues, the commission or presiding officer shall conduct a public hearing to determine whether the stipulation should be approved by the commission. "[60]

"In cases heard by a hearing examiner rather than the commission, the hearing examiner may" do one of two things:

> determine that the settlement stipulation should not be certified to the commission at all, in which event the hearing examiner may indicate to the parties and staff whether additional evidence or legal argument in support of the stipulation or amendments to the stipulation might meet the hearing examiner's reservations about the stipulation;

or, alternatively, "certify the settlement stipulation to the commission for its review[.]"[61] The Hearing Examiner has done the latter.

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[58] 17.1.3.6 NMAC.
[59] 1.2.2.20 NMAC.
[60] 1.2.2.20(A)(3) NMAC; *but see id.* ("[I]n extraordinary cases, for good cause shown, the commission or presiding officer may forego a public hearing.").
[61] 1.2.2.20(A)(5)(a), (b) NMAC.

In the latter case, the rules specify that the "certification shall include a recommended disposition of the stipulation, whether the recommendation be positive or negative or otherwise suggest a manner of disposition[.]"[62] This is also done.

The proponent of a stipulation has the burden of supporting the stipulation with sufficient evidence and legal argument to allow the Commission to approve it.[63]

The standard of proof to support a stipulation is that the stipulation must be fair, just, reasonable and in the public interest.[64] The questions that must be asked and answered when evaluating stipulations include the following:

- Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- Does the settlement, as a package, benefit ratepayers and the public interest?
- Does the settlement violate any important regulatory principles or practices?[65]

These questions can be restated as the following affirmative criteria or factors. The proponent of the stipulation must demonstrate that (1) the parties and Staff had notice and an opportunity to be heard on the stipulation, (2) the stipulation is in accordance with applicable law, and (3) a preponderance of the evidence in the record (as a whole) supports the Commission's conclusion that the stipulation is fair, just, reasonable, and in the public interest.

4.4. Other Stipulation Considerations

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[62] 1.2.2.20(A)(5)(b) NMAC.

[63] 1.2.2.20(A)(3) NMAC.

[64] *See* Case No. 08-00078-UT, *Certification of Stipulation* at 3 (Nov. 24, 2008), Final Order Partially Approving Certification of Stipulation (Dec. 11, 2008).

[65] PUC Case No. 2453, *Certification of Stipulation* at 11 (May 18, 1993); *Re Public Service Company of New Mexico*, 110 P.U.R. 4th at 85 (quoting with approval *In re Cleveland Electric Illuminating Co*., 99 P.U.R. 4t~ 407, 449 (Ohio PUC 1989)); Case No. 08-00354-UT, *Final Order Conditionally Approving Stipulation* at 13 (July, 14, 2009).

"The Commission has a longstanding policy favoring resolution of disputes through settlement."[66] In other Commission cases, adjectives other than "favoring" are utilized to express the point that settlement is desirable. For example, one case notes that "there is strong public policy favoring the settlement of disputes to avoid costly and protracted litigation."[67] It is crucial to understand what these words do and do not convey.

In civil litigation, "it is well established that settlement agreements are creatures of private contract law[,]" and the adjudicative tribunal (typically district courts) are not parties to the settlement and nor may they modify the settlement terms.[68] This is because a settlement is a "surrender of a cause of action, perhaps for a consideration less than the injury received."[69]

"Generally, the law and public policy favor and encourage compromises and settlements as a means of resolving uncertainties and discouraging lawsuits. Settlement agreements simplify litigation without taking up valuable court resources, and reduce the burden on the courts."[70] That said, settlements are not necessarily beneficial in every circumstance and they also have costs for the legal system that are as equally significant as the benefits the legal system gains from them.[71] In any case, the crucial point here is that the benefits and costs associated with settlements cannot be readily transposed to Commission adjudications. In other words, it is wrong to think that because courts favor settlements that therefore an administrative agency like the Commission should assume that this preference necessarily applies in the same fashion. The point will become

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[66] Case No. 10-00069-UT, *Recommended Decision* at 7 (Feb. 09, 2011).

[67] *Re Pub. Serv. Co. of New Mexico*, 110 P.U.R.4th 69 (N.M.P.S.C. Mar. 6, 1990).

[68] *Sullivan v. DB Investments, Inc.*, 667 F.3d 273, 312 (3d Cir. 2011).

[69] 15B Am. Jur. 2d *Compromise and Settlement* § 2.

[70] 15B Am. Jur. 2d *Compromise and Settlement* § 3.

[71] Ezra Friedman & Abraham L. Wickelgren, *No Free Lunch: How Settlement Can Reduce the Legal System's Ability to Induce Efficient Behavior*, 61 SMU L. Rev. 1355, 1368 (2008).

clear with some additional explanation.

The Commission's rules make clear that stipulations reached in Commission proceedings must be presented to, reviewed by, and then approved by the Commission.[72] The rules very plainly and bluntly state that "[s]ettlement stipulations shall be binding only if approved by the commission."[73] This fact alone illustrates that stipulations before this Commission should not be considered the direct corollaries to the private settlement agreements in the district courts of New Mexico.

Those latter agreements remove the dispute from the tribunal. The filing of a stipulation with the Commission requires the Commission to act and make certain determinations. The Commission must, unless extraordinary circumstances exist,[74] hold a hearing to determine if an uncontested stipulation should be approved.[75] Where the stipulation is contested, the presiding officer can refuse to hear the stipulation and, in the event that does not occur, the rules state that "[a] public hearing shall be conducted to determine whether [a contested] stipulation shall be approved by the commission."[76] Regardless of whether a hearing is conducted or not, the stipulation must be approved by the Commission, and that is a very important point.

The existence of a stipulation indicates that the parties (and not necessarily all of them) have reached agreement that a particular resolution meets some legal standard and is maximally desirable as a matter of policy. The Commission must be persuaded that this is so, and it is free to

[72] *See also* 1.2.2.20(A)(3) NMAC ("The proponents of the stipulation have the burden of supporting the stipulation with sufficient evidence and legal argument to allow the commission to approve it.").
[73] 1.2.2.20 NMAC.
[74] 1.2.2.20(A)(3) NMAC.
[75] 1.2.2.20(A)(3) NMAC.
[76] 1.2.2.20(B)(4) NMAC.

reject the parties' views on the subject. The significance of this point is not to be overlooked. Unlike district courts, the Commission must act on settlement agreements/stipulations.

Moreover, the cases the Commission handles generally involve application of discretionary judgment to which, by constitutional and statutory design, the public interest necessarily inheres. The Commission makes policy and must determine what, in its judgment, is the best or optimal course of action for all stakeholders.[77] Commission cases rarely involve simple, binary choices. While an uncontested stipulation is evidence that a course of action proposed by stipulators is the most optimal path, the existence of the stipulation remains merely credible evidence or persuasive argumentation supporting one course of action. The existence of the stipulation is not binding evidence precluding disagreement.

With regards to the purported cost savings flowing from stipulations, the Commission must, in all but extraordinary circumstances when dealing with uncontested stipulations, still proceed to a hearing on a stipulation and find evidence to support a legal determination about the merits of the stipulation. For this reason, it is not true that settlements inevitably lead to cost savings.

The New Mexico Supreme Court has, quite sensibly, supported the Commission's efforts to foster "cooperative approach[es]" that reconcile the interests of all parties and avoids "the

[77] *See In re Petition of PNM Gas Services*, 2000-NMSC-012, ¶ 98, 129 N.M. 1, 1 P.3d 383 (explaining that "the Commission has considerable discretion in the area of rate design" and stating further that the Court will "assume that the Commission, in exercising its expert judgment and in making public policy decisions necessarily implicated by rate design, may rely in part on public commentary in its task of evaluating the evidence in the record and formulating a proper rate structure.").

polarization that accompanies adversarial proceedings."[78] These words do not suggest, however, that the Commission should elevate efficiency over thoroughness or allow the parties' agreement on difficult questions to prevail merely because they believe a stipulated resolution is best.

These views are not radical or controversial. A leading treatise on Administrative law notes that "[m]any disputes that come before agencies are not good candidates for negotiated settlement. . . ."[79] The authors of the text note that many administrative matters involve "unclear or unstable" legal rules, factual disputes, indeterminate facts, facts inaccessible to certain parties during early stages of proceedings, numerous parties with divergent interests, and parties whose interests are principally to delay resolution of an issue.[80] One major point is excluded from this list.

The Commission is legally bound to exercise the plenary authority it has been delegated over the regulation of utilities and be vigilant in that endeavor no matter what the posture of the case might be. The Commission cannot simply assume the parties to a case know best and rely on their judgment about optimal outcomes. The Commission is very different than a district court that is tasked with presiding over private causes of action that are controlled almost entirely by the parties litigating them.

The Commission is required to independently assess the matters before it, and the value and importance of that independent review will only grow as our society engages in a transformation of its energy system that will shake and rearrange the ground upon which the stakeholders routinely appearing in Commission proceedings operate. Put more simply, difficult

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[78] *New Mexico Indus. Energy Consumers v. New Mexico Pub. Serv. Comm'n*, 1986-NMSC-059, ¶ 21, 104 N.M. 565, 725 P.2d 244.

[79] Richard J. Pierce, Jr., *Administrative Law Treatise*, § 7.14, at 524 (4th ed.).

[80] *Id.*

cases are the Commission's future. The responsibility to grapple with that difficulty belongs to the Commission. Settlements may aid the Commission in its task but are not a substitute for the exercise of discretion. After all, accepting a settlement is no different than registering agreement with the proposed resolutions in it.

In sum, the Commission sits as the ultimate arbiter of proceedings thoroughly suffused with questions of public interest. The Commission remains responsible for ensuring an adjudication or other administrative action best serves the public.[81] While settlements are favored under long-term Commission policy, they should not and cannot be treated as foregone conclusions to which the Commission is merely applying a rubber stamp.

4.5. Evidentiary Standards

The rule in administrative proceedings in general, and adjudications before this Commission in particular, is that unless a statute provides otherwise, the proponent of an order or moving party has the burden of proof.[82] The burden of proof is two-prong: it includes both the *prima facie* burden of adducing sufficient evidence to go forward with a claim and the burden of ultimate persuasion. The quantum of proof in administrative adjudications is, again unless

[81] *See* NMSA 1978, §§ 62-19-9(B)(5), (6) (effective Jan. 1, 2023) (directing the Commission to take action and issue orders "not inconsistent with law to assure implementation of and compliance with the provisions of law for which the commission is responsible" and take action to "improve . . . the provision of services to the citizens of New Mexico[.]").

[82] 3 DAVIS, KENNETH CULP, ADMINISTRATIVE LAW TREATISE § 16.9 at 255–57 (2d ed. 1980). *See Int'l Minerals and Chemical Corp. v. N.M. Pub. Serv. Comm'n*, 81 N.M. 280, 283, 466 P.2d 557, 560 (1970) ("Although the statute does not specifically place any burden of proof on [complainant] International, the courts have uniformly imposed on administrative agencies the customary common-law rule that the moving party has the burden of proof.").

expressly provided otherwise, a preponderance of record evidence.[83] Preponderance of the evidence means the greater weight of the evidence.[84] That is, evidence that—when weighed with that opposed to it—has more convincing force. It has superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to incline a fair and impartial mind to one side of the issue rather than the other.[85]

5. DISCUSSION

5.1. NMGC's Initial Application

NMGC's initial Application sought to increase rates to meet a projected $48.97 million revenue deficiency in the FTY.[86] The rate increase requested amounted to a 22.7% increase in NMGC's cost of service.[87] For convenience, the chart appearing at the beginning of this document is reproduced below and provides a graphical display of the core requests within NMGC's Application.

[83] *See* DAVIS, *supra*, § 16.9 at 256 ("One can *never* prove a fact by something less than a preponderance of the evidence") (emphasis in original); *See El Paso Electric Co. et al. v. N.M. Pub. Serv. Comm'n*, 1985-NMSC085, ¶ 12 ("This Court, however, does express its deep concern regarding the reasonableness of this heightened standard of proof ['clear and convincing evidence'], especially since a 'preponderance of evidence' standard is customary in administrative and other civil proceedings.") (emphasis added); *Re Southwestern Public Service Co.,* Case No. 2678, Recommended Decision of the Hearing Examiner (Nov. 15, 1996) ("No matter how the Commission describes its standard of review, SPS bears the burden of proof in this case. SPS must demonstrate that a preponderance of evidence exists in the record on which to base approval of the requested authorizations surrounding the merger.").
[84] *Campbell v. Campbell*, 1957-NMSC-001, ¶ 24, 62 N.M. 330, 310 P.2d 266.
[85] Black's Law Dictionary 1431 (11th ed. 2019).
[86] NMGC Ex. 1 (Shell Dir.) at 12.
[87] NMGC Ex. 1 (Shell Dir.) at 12.

Case No. 23-00255-UT	Application
Revenue Increase	22.7% or $48.97 mil
Return on Equity	10.5%
Cost of Debt	3.86%
Weighted Average Cost of Capital	7.38%
Capital Structure (equity/long-term debt)	53/47
Residential Class Base Revenue Increase	22.7%
Increase to average residential monthly bill	11.2%
Increase in Residential Access Fee	$3.10 ($12.40 to $15.50)

5.1.1. Overview of NMGC's Requests

NMGC's Application sought recovery of $278.2 million of capital investment that the Company will, it claimed, make between January 1, 2024 and September 30, 2025.[88] These investments include the following:

- Capital investment in the company's 12,400 miles of pipeline.
- Investment in the Integrity Management Program ("IMP").
- Investments in IT&T to enhance NMGC's "cybersecurity, business functionality, and customer experience."
- Investments in an upgrade to the Company's Banner Information System.[89]

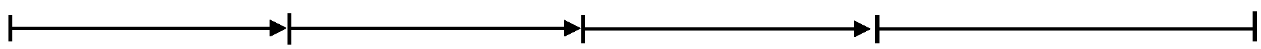
NMGC supplied a fully functional cost-of-service model as required by 17.1.3.11. NMAC. The Commission's FTY rule also required NMGC to supply in its rate-adjustment application a (1) base

[88] NMGC Ex. 1 (Shell Dir.) at 8.
[89] NMGC Ex. 1 (Shell Dir.) 8-9.

period, an (2) adjusted base period, a (3) future test year period, and (4) verifiable linkage data to allow assessment of the future test year projections.[90]

The base period NMGC selected is the twelve months ending March 31, 2023, that is April 1, 2022 to March 31, 2023. The FTY period is the twelve-month period ending September 30, 2025, that is October 31, 2024 to September 30, 2025. NMGC selected two linkage periods: linkage period 1 is April 1, 2023 to March 31, 2024 and linkage period 2 is October 1, 2023 to September 30, 2024.

This information is more readily comprehensible in visual format:



Base Period	Linkage 1	Linkage 2	FTY Period
04/01/22 – 03/31/23	04/01/23 – 03/31/24	10/01/23 – 09/30/24	10/31/24 –09/30/25

Note that there is overlap in the two linkage-period date ranges. NMGC is aware of this.[91] The overlap is not depicted visually above to keep that presentation clean and simple.

Witness Buchannan explained that "[t]he Linkage Periods are intended to provide a clear, annualized line of sight from the [b]ase [p]eriod to the [FTY] period."[92] He explained further that "NMGC developed its [FTY] rate base using a projected thirteen-month average of balances through September 30, 2025, which is the end of the [FTY]."[93]

5.1.2. <u>ROE</u>

NMGC's Application requested a 10.5% ROE. This request would constitute a 1.125% or 112.5 basis-point increase from NMGC's present allowed ROE of 9.375%. At hearing, NMGC

[90] 17.1.3.12 NMAC.
[91] NMGC Ex. 14 (Buchanan Dir.) at 78-79.
[92] NMGC Ex. 14 (Buchanan Dir.) at 78.
[93] NMGC Ex. 14 (Buchanan Dir.) at 58.

reported that its earned ROE in 2023 was 9.2%, or 0.175% (17.5 basis points) under its allowed ROE.[94] NMGC's earned ROE in 2022 was 7.1% or 2.275% (227.5 basis points) under its allowed ROE. It was 9.6%, or .225% (22.5 basis points) above its allowed ROE in 2021.[95]

The Company's ROE witness in this case, Dylan W. D'Ascendis, recommended a common equity cost rate of 10.5%, which he concluded "is both reasonable and conservative."[96] Mr. D'Ascendis' ROE recommendation was predicated upon NMGC's proposed capital structure of 53% common-equity capital and 47 % debt.[97]

He relied on three different cost-of-equity methodologies to reach his cost-of-equity estimate because, in his view, "reasonable investors use a variety of tools and do not rely exclusively on a single source of information or single model. Moreover, the models on which [he] rel[ies] focus on different aspects of return requirements and provide different insights to investors' views of risk and return" and "the use of multiple generally accepted common equity cost rate models also adds reliability and accuracy when arriving at a recommended common equity cost rate."[98] Mr. D'Ascendis wrote that "[g]iving undue weight to a single method runs the very real risk of ignoring important information provided by other methods" and that "no single model is more reliable than all others under all market conditions."[99]

The three methodologies Mr. D'Ascendis utilized were the Discounted Cash Flow ("DCF"), the Risk Premium Model ("RPM"), and the Capital Asset Pricing Model ("CAPM"). Mr. D'Ascendis

[94] NMGC Response to Fourth Bench Request at 2.
[95] NMGC Response to Fourth Bench Request at 2.
[96] NMGC Ex. 11 (D'Ascendis Dir.) at 8.
[97] NMGC Ex. 11 (D'Ascendis Dir.) at 6.
[98] NMGC Ex. 11 (D'Ascendis Dir.) at 27.
[99] NMGC Ex. 11 (D'Ascendis Dir.) at 27-28.

applied these methodologies to the market data of a proxy group of Natural Gas Utility companies comparable in risk to NMGC ("Utility Proxy Group") and to a proxy group of domestic non-price regulated companies comparable in risk to the Utility Proxy Group ("Non-Price Regulated Proxy Group").[100] Applying these methodologies, Mr. D'Ascendis came up with a range of common equity cost rates between 9.65% and 12.15%. Mr. D'Ascendis then adjusted this range upward to reflect the Company's smaller relative size, greater relative credit risk, and flotation costs.[101] Here is the summary of the methods Mr. D'Ascendis utilized.

Discounted Cash Flow Model (DCF)	9.65%
Risk Premium Model (RPM)	10.85%
Capital Asset Pricing Model (CAPM)	11.69%
Cost of Equity Models Applied to Comparable Risk Non-Price Regulated Companies	12.15%
Indicated Range of Common Equity Cost Rates Before Adjustments	9.65% - 12.15%
Business Risk Adjustment	0.20%
Credit Risk Adjustment	0.23%
Flotation Cost Adjustment	0.09%
Recommended Range	10.17% - 12.67%
Recommended Cost of Equity Cost Rate	10.50%

What follows is a very general overview of the models Mr. D'Ascendis utilized and how he applied them.

[100] NMGC Ex. 11 (D'Ascendis Dir.) at 7.
[101] NMGC Ex. 11 (D'Ascendis Dir.) at 8.

Utility Proxy Group DCF

As a theory, the DCF approach asserts that "the present value of an expected future stream of net cash flows during the investment holding period can be determined by discounting those cash flows at the cost of capital, or the investors' capitalization rate."[102] DCF theory indicates that an investor buys a stock for an expected total return rate, which is derived from the cash flows received from dividends and market price appreciation.[103]

The companies Mr. D'Ascendis selected for the Utility Proxy Group met the following criteria:

(i) They were included in the Natural Gas Utility Group of *Value Line's Standard Edition* ("*Value Line*") (May 26, 2023);

(ii) They have 60% or greater of fiscal year 2022 total operating income derived from, or 60% or greater of fiscal year 2022 total assets attributable to regulated gas distribution operations;

(iii) At the time of preparation of this testimony, they had not publicly announced that they were involved in any major merger or acquisition activity (i.e., one publicly-traded utility merging with or acquiring another) or any other major development;

(iv) They have not cut or omitted their common dividends during the five years ended 2022 or through the time of preparation of this testimony;

(v) They have *Value Line* and Bloomberg Professional Services ("Bloomberg") adjusted Beta coefficients ("beta");

(vi) They have positive *Value Line* five-year dividends per share ("DPS") growth rate projections; and

(vii) They have *Value Line*, Zacks, or Yahoo! Finance consensus five-year earnings per share ("EPS") growth rate projections.[104]

[102] NMGC Ex. 11 (D'Ascendis Dir.) at 30.
[103] NMGC Ex. 11 (D'Ascendis Dir.) at 30.
[104] NMGC Ex. 11 (D'Ascendis Dir.) at 19.

Mr. D'Ascendis relied on the proxy companies' dividends as of July 14, 2023, divided by the average closing market price for the 60 trading days ended July 14, 2023.[105] His results for the Utility Proxy Group are set out in the chart below.[106]

DCF STUDY	ROE
Atmos Energy Corporation	10.6%
New Jersey Resources Corporation	8.94%
NiSource Inc.	11.49%
Northwest Natural Holding Company	8.80%
ONE Gas, Inc.	8.87%
Spire Inc.	10.59%
Average	9.79%
Median	9.50%
Average of Mean and Median	9.65%

Utility Proxy Group RPM

The Risk Premium Model ("RPM") is based on the fundamental financial principle of risk and return; namely that investors require greater returns for bearing greater risk.[107] The cost of common equity equals the expected cost rate for long-term debt capital, plus a risk premium over that cost rate, to compensate common shareholders for the added risk of being unsecured and last-in-line for any claim on the corporation's assets and earnings upon liquidation.[108] Mr. D'Ascendis used two risk premium methods to derive his indicated cost of common equity under the RPM: the Predictive Risk Premium Model ("PRPM") and the RPM using a total market approach.[109] Mr. D'Ascendis' RPM

105 NMGC Ex. 11 (D'Ascendis Dir.) at 30.
106 NMGC Ex. 11 (D'Ascendis Dir.) at 30; DWD -1 Schedule DWD-3 at p. 1.
107 NMGC Ex. 11 (D'Ascendis Dir.) at 33.
108 NMGC Ex. 11 (D'Ascendis Dir.) at 34.
109 NMGC Ex. 11 (D'Ascendis Dir.) at 34.

results for the Utility Proxy Group are summarized below.[110]

Predictive Risk Premium Model	10.74%
Risk Premium Using an Adjusted Total Market Approach	10.95%
RPM Common Equity Cost Rate	10.85%

Utility Proxy Group CAPM

"The CAPM assumes that all non-market or unsystematic risk can be eliminated through diversification. The risk that cannot be eliminated through diversification is called market, or systematic risk."[111] In addition, "the CAPM presumes that investors only require compensation for systematic risk, which is the result of macroeconomic and other events that affect the returns on all assets."[112] Mr. D'Ascendis offered both a traditional and empirical CAPM analysis for the Utility Proxy Group.[113]

	Traditional CAPM	ECAPM	Indicated
Mean	11.39%	11.97%	11.68%
Median	11.40%	11.98%	11.70%
Average of Mean and Median	11.40%	11.98%	11.69%

Non-Price Regulated Proxy Group

Mr. D'Ascendis also calculated the common equity cost rates using the DCF Model, RPM, and CAPM for the Non-Price Regulated Proxy Group. According to Mr. D'Ascendis, "NMGC must

[110] NMGC Ex. 11 (D'Ascendis Dir.) at 48; at DWD-1 Schedule DWD-4, p. 1.
[111] NMGC Ex. 11 (D'Ascendis Dir.) at 49.
[112] NMGC Ex. 11 (D'Ascendis Dir.) at 49.
[113] NMGC Ex. 11 (D'Ascendis Dir.) at 55; at DWD -1 Schedule DWD-5.

compete for equity in capital markets along with all other companies with commensurate risk, including non-utilities."[114] The results of the common equity models applied to the Non-Price Regulated Proxy Group are below.[115]

Discounted Cash Flow Model	10.60%
Risk Premium Model	13.10%
Capital Asset Pricing Model	12.30%
Mean	12.00%
Median	12.30%
Average of Mean and Median	12.15%

5.1.3. Capital Structure

Mr. D'Ascendis also provided testimony on NMGC's capital structure. He examined the common equity ratios of the Utility Proxy Group over the last five years.[116] These are captured in this chart:

	(1) **2022**	(2) **2021**	(3) **2020**	(4) **2019**	(5) **2018**	**5 Year Average**
1 Atmos Energy	62.04	60.65	59.98	61.97	60.85	61.10
2 New Jersey Resources	42.23	42.19	44.65	49.89	52.11	46.21
3 NiSource Inc.	34.43	33.36	32.49	36.86	37.74	34.98
4 Northwest Natural	47.30	47.88	48.19	49.57	50.88	48.76
5 ONE Gas, Inc.	62.21	58.26	58.24	62.35	61.38	60.49
6 Spire Inc.	44.74	42.74	45.55	49.32	54.05	47.28
Average	**48.83**	**47.51**	**48.18**	**51.66**	**52.84**	**49.81**

As demonstrated in the chart, common equity ratios of the Utility Proxy Group companies range from 34.43% to 62.21% for fiscal year 2022. Mr. D'Ascendis also considered *Value Line* projected capital structures for the utilities for 2026-2028. That analysis shows a range of projected

[114] NMGC Ex. 11 (D'Ascendis Dir.) at 25.
[115] NMGC Ex. 11 (D'Ascendis Dir.) at 60; at DWD-1 Schedule DWD-7, p.1.
[116] NMGC Ex. 11 (D'Ascendis Dir.) at DWD-1 Schedule DWD-2, p. 2.

common equity ratios between 40.00% and 60.00%.[117] Mr. D'Ascendis also compared the Company's requested common equity ratio with the equity ratios maintained by the operating subsidiaries of the Utility Proxy Group companies. The equity ratios of the operating utility subsidiaries range from 33.79% to 59.89% for fiscal year 2022.[118] Mr. D'Ascendis concluded that the Company's recommended ratio of 53% is appropriate because the Company issues its own debt without guarantees, it has its own credit rating, and its capital structure is within the range of the common equity ratios currently maintained and expected to be maintained by the Utility Proxy Group and their operating subsidiaries.[119]

5.1.4. Capital Additions

Mr. Bullard, NMGC's Vice-President of Engineering, Gas Management and Technical Services testified that between April 1, 2022, and September 30, 2025, NMGC will have placed into service approximately $431.2 million of capital improvements.[120] The Company's capital investment in the Base Period (April 1, 2022 through March 30, 2023) was $95.8 million.[121] Capital investment amounts to $179 million in the Linkage Periods (April 1, 2023 through September 30, 2024),[122] and $156.4 million in the Future Test Year (October 1, 2024 through September 30, 2025).[123]

NMGC provides natural gas utility service throughout New Mexico. NMGC's transmission and distribution facilities serve customers all over the State. NMGC operates approximately 1,500

[117] NMGC Ex. 11 (D'Ascendis Dir.) at 24; DWD-1 Schedule DWD-3, pp.3-8.
[118] NMGC Ex. 11 (D'Ascendis Dir.) at 24; DWD-1 at Schedule DWD-2, p. 2.
[119] NMGC Ex. 11 (D'Ascendis Dir.) at 25.
[120] NMGC Ex. 3 (Bullard Dir.) at 4.
[121] NMGC Ex. 3 (Bullard Dir.) at 4.
[122] NMGC Ex. 3 (Bullard Dir.) at 4.
[123] NMGC Ex. 3 (Bullard Dir.) at 4-5.

miles of transmission pipelines (the "Transmission System"), and over 10,970 miles of distribution pipelines (the "Distribution System").[124] There were four principal reasons for capital expenditures: (1) New-customer growth, (2) system reliability, (3) issues arising during NMGC's normal operations, and (4) risk-based system improvements.[125] The primary drivers for capital investments are: 1) the Company's ongoing annual capital investment program, 2) the projects related to the Company's Integrity Management programs, and 3) the Hansen Customer Information System project.[126]

West Mesa Mainline Reroute. This is a $2.7 million project that will be completed by the third quarter of 2024. This line currently hangs underneath the Rio Bravo Boulevard Bridge as it crosses the Rio Grande River. The New Mexico Department of Transportation ("NMDOT"), which is responsible for the operation and maintenance of this bridge in cooperation with Federal Highway Administration, is replacing the Rio Bravo Boulevard Bridge. Therefore, NMDOT is requiring NMGC to move the West Mesa Mainline during construction activities. In order to avoid any further issues related to the bridge, NMGC has decided to reroute the line underneath the Rio Grande River.[127]

Clovis Eight-Inch Mainline Replacement Project. This is a $9.5 million project that is expected to be completed by the end of January 2024. The purpose of the project is to increase system reliability in eastern New Mexico. This line has been in service for over 90 years; does not have traceable, verifiable, and complete pressure test and material records, and is made of steel which is susceptible to cracking. It is most efficient to replace the entire line and bring it up to modern pipeline standards.[128]

[124] NMGC Ex. 3 (Bullard Dir.) at 7.
[125] NMGC Ex. 3 (Bullard Dir.) at 7
[126] NMGC Ex. 3 (Bullard Dir.) at 20.
[127] NMGC Ex. 3 (Bullard Dir.) at 23-25.
[128] NMGC Ex. 3 (Bullard Dir.) at 25-27.

Potash Mainline Replacement Project. This is a $10.8 million project that should be completed in December 2024. The project's purpose is also to increase reliability in southern New Mexico. It is a necessary project because the line was installed in the 1930s and was also constructed, in parts, of steel. Parts of the line are only four-inch in diameter rather than six and this precludes inline inspection. For these reasons, it is most efficient to replace the entire line.[129]

Artesia Six-Inch Mainline Replacement Project. This project will cost approximately $5.7 million, and construction is anticipated to be completed by January 31, 2025. The Artesia Mainline is comprised of three segments, one of which needs to be replaced because it was constructed in 1967 out of steel and does not have traceable, verifiable, and complete pressure test and materials records that are now required by federal regulations. Additionally, replacing the line will allow NMGC to operate the pipeline at a higher pressure, which will improve system reliability.[130]

T or C Mainline Reinforcement Phase II and II I Project. This is a $6.9 million project that was expected to be completed in 2024. The T or C mainline has been in service for over 50 years and, like several of the lines discussed here, is constructed of steel. Additionally, inspections of the pipe have revealed that the pipe has a wall of 0.141 inches that requires highly skilled welders to perform any repairs. Replacing parts of the T or C mainline will bring it up to modern pipeline standards and allow NMGC to meet increased demand from the area's chile producers in the South-Central region.[131]

Lea County Mainline Modifications Project. The Lea County Mainline is critical to bringing gas from interconnects to other pipelines to serve communities within the Permian Basin pipeline

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[129] NMGC Ex. 3 (Bullard Dir.) at 27-29.
[130] NMGC Ex. 3 (Bullard Dir.) at 29-31.
[131] NMGC Ex. 3 (Bullard Dir.) at 31-32.

system. This mainline requires two modifications. First, the Lea County Mainline does not have traceable, verifiable, and complete pressure test and materials records that are now required by federal regulations. NMGC must perform MAOP validation and material verification tests across the entirety of the mainline. Second, there are almost five miles of "moderate consequence" areas on the pipeline, which means the line must be made piggable to enable in-line inspection assessments. The estimated costs of the material verifications are approximately \$3.2 million and cost of the modifications to make the pipeline piggable is approximately \$1.9 million. The pipeline modifications are expected to be completed in 2024, and the material verifications will be completed in 2025 before the heating season begins.[132]

Espanola Operations Center Project. This is a \$2.1 million project that is expected to be completed in the summer of 2024. NMGC is constructing an operations center in Espanola which will provide Customer Service offerings and house NMGC's operations personnel and equipment for the area. NMGC has outgrown its current facility in Espanola. There is not enough room for NMGC's employees and not enough room for NMGC to park its vehicles in the fenced yard of the facility. NMGC has experienced property damage to the vehicles it has to park outside of its fenced area. The new facility will have enough room for employees to work comfortably, work with customers when they visit the facility to pay bills or request services and protect NMGC's vehicles and equipment in a fully fenced area.[133]

[132] NMGC Ex. 3 (Bullard Dir.) at 33-34.
[133] NMGC Ex. 3 (Bullard Dir.) at 34-35.

Farmington Operations Center Project. This is a $3.4 million project that is expected to be completed in September 2025. NMGC is constructing an operations center in Farmington which will provide Customer Service offerings and house NMGC's operations personnel and equipment for the area. The majority of the Farmington town plant office is currently located in an 80-year-old light metal building similar to a Quonset hut. Due to the building's age, the metal sheets that make up the building's outer skin are rusting through in spots making the roof unsound. There have been several leaks in the roof resulting in property damage to the facility. Due to the age and quality of the metal sheets, repairing the facility is quite difficult. Additionally, the current floor plan is inefficient and has a poor layout of floorspace and an HVAC system that does not work properly throughout the building.[134]

Automated Meter Reading Device Expansion Project. This is a project that will cost approximately $18.5 million. Completing it will increase efficiency of NMGC's operations in multiple cities and towns. Employees will be able to read meters more efficiently. Installation of these meters in 2024 will occur in the North-Central systems. By September 30, 2025, they will be installed in Alamogordo, Silver City, Truth or Consequences, Anthony, Lovington, Clovis, Portales, Tucumcari, Clayton, Roswell, Artesia, Carlsbad, and Gallup.[135]

Maximum Allowable Operating Pressure ("MAOP") Software Project. This is an $8.1 million project that will be installed by December 2024. The MAOP Software System is a comprehensive software program that will be the system of record for all of NMGC's MAOP validation and material

[134] NMGC Ex. 3 (Bullard Dir.) at 36-37.
[135] NMGC Ex. 3 (Bullard Dir.) at 37-39.

verification records. With new federal requirements regarding pipeline safety, NMGC needs a single easily searchable electronic system of record, accessible to all NMGC engineers and subject matter experts, for all documents and information required to demonstrate that pipeline pressure tests and material properties are traceable, verifiable, and complete. Currently, NMGC does not have such a system and often has only hard copies of records that are not easily searchable or accessible by multiple employees across the Company.[136]

Hansen Customer Information System ("Hansen CIS") Project. This is a $31.2 million project that is expected to be installed and available to NMGC by October 2024.[137] NMGC Witness Sanders, Vice President of Customer Service and Information Technology, testified that a CIS is the primary system for accessing customer and account information necessary for the provision of safe and reliable service to customers as well as to enhance the customers' interactions with NMGC.[138] NMGC has used its current CIS ("Banner CIS") since it acquired the gas assets of Public Service Company of New Mexico ("PNM") in 2009. PNM installed and began using Banner CIS in 1998.[139] NMGC has made various modifications and customizations to the Banner CIS in an effort to extend its life.[140] However, NMGC determined that Banner CIS presents operational risks, customer service limitations, and operational inefficiencies that necessitate its update or replacement. For example, due to the systems' age and highly customized nature, Banner CIS is becoming minimally supported, making it challenging to resolve system problems and find employees knowledgeable in its operation.[141]

[136] NMGC Ex. 3 (Bullard Dir.) at 39-41.
[137] NMGC Ex. 3 (Bullard Dir.) at 42.
[138] NMGC Ex. 5 (Sanders Dir.) at 2.
[139] NMGC Ex. 5 (Sanders Dir.) at 3.
[140] NMGC Ex. 5 (Sanders Dir.) at 4-5.
[141] NMGC Ex. 5 (Sanders Dir.) at 6-11.

Beginning in 2012, NMGC began to evaluate whether it needed to modernize its Banner CIS system and whether that modernization should be to upgrade Banner CIS or replace it.[142] NMGC engaged various consultants during its evaluation and developed a business case laying out the options. A replacement CIS was determined to have increased cost, increased internal staffing requirements, increased business process changes, large organizational changes, and enhanced future support costs, which were determined to be unnecessary for what NMGC sought to achieve with a new CIS.[143] NMGC determined that the best, and most feasible option was to upgrade to a more current version of the Banner CIS (the Hansen CIS).[144]

5.1.5. IMP

NMGC Witness Bullard explained that one of the primary drivers for the capital investments is "the projects related to the Company's Integrity Management Programs, also called 'IMP' or 'IMPs.'"[145] The IMP is comprised of "plans and programs designed to identify and mitigate the greatest relative risks within a gas distribution and transmission system."[146] These plans exist because certain infrastructure is aged, and modern regulation assumes a phase out of that aged infrastructure.[147]

There are regulators responsible for pipeline safety at both the federal and state levels. The United States Department of Transportation ("DOT") is responsible for pipeline safety, including promulgating regulations related to pipeline safety. The Pipeline and Hazardous Materials Safety

[142] NMGC Ex. 5 (Sanders Dir.) at 5.
[143] NMGC Ex. 5 (Sanders Dir.) at 13-16.
[144] NMGC Ex. 5 (Sanders Dir.) at 12; 16-21.
[145] NMGC Ex. 3 (Bullard Dir.) at 20.
[146] NMGC Ex. 3 (Bullard Dir.) at 42.
[147] NMGC Ex. 3 (Bullard Dir.) at 43-47.

Administration ("PHMSA"), an agency within DOT, is responsible for the regulation of natural gas transmission and distribution pipeline safety.[148] The Commission's Pipeline Safety Bureau ("PSB") is responsible for administering the DOT's pipeline related regulations and PHMSA's safety requirements within New Mexico. Thus, PSB has regulatory oversight of NMGC in relation to federal and state pipeline safety regulations and requirements, as well as any state-specific safety requirements. DOT/PHMSA regulations can be found in 49 CFR 192 Subpart O and Subpart P. [149]

Witness Bullard identified areas of focus for NMGC's IMP.

- *Replacement of Certain Legacy Plastic Pipe* — Replacement of PVC pipe in NMGC's distribution system. Much of this pipe does not have location wire. NMGC planned to complete the replacement of all PVC plastic pipes in 2024, at a cost of approximately $6.1 million.[150]
- *Replacement of Legacy Bare-Steel Pipe* — This pipe is susceptible to corrosion and leaks as it is "bare" or lacking necessary corrosion resistance. NMGC anticipated investing approximately $4.1 million in 2024 to replace the remaining legacy bare steel mains in its system. NMGC anticipated completely replacing all bare steel mainlines in its system by the end of 2024.[151]
- *Replacement of X-Trube Services* — These are thin-walled, steel-tubing services installed in the 1960s and 1970s. Replacing these along with the compression fittings associated with them will reduce leakage. During the replacement of these, NMGC will also be able to make

[148] NMGC Ex. 3 (Bullard Dir.) at 43.
[149] NMGC Ex. 3 (Bullard Dir.) at 43.
[150] NMGC Ex. 3 (Bullard Dir.) at 49.
[151] NMGC Ex. 3 (Bullard Dir.) at 49-50.

additional safety improvements to its system in a cost-effective manner, such as installing excess flow valves ("EFVs"). NMGC anticipated spending approximately $6.7 million on X-Trube services and EFV installations between January 1, 2024, and September 30, 2025.[152]

- *Sewer-Camera Inspections for Cross Bores* — NMGC must, at times, bore holes rather than dig trenches for installations of gas pipeline. A "cross bore" is an unintentional intersection of a gas or sewer line. NMGC uses sewer cameras to inspect for these cross bores. NMGC anticipated spending approximately $8.3 million on sewer line inspections between January 1, 2024, and September 30, 2025.[153]
- *Hydrostatic testing of Pipelines or Reconfirmation of Maximum Allowable Operating Pressure on Pre-1970 Pipelines* — Approximately 38% of NMGC's pipelines do not have pressure-test records. Federal regulations require NMGC to complete the pressure tests for at least 50% of the system that requires tests by 2027.[154]
- *Transmission-System Modifications to Allow Internal Inspection* — A portion of NMGC's transmission system predating 1994 does not allow for what is known as "pigging." Pigging is a process by which a device is inserted into transmission lines, is moved using system pressure, and as the device moves it assesses the condition of the pipe through which it is travelling. Some sections of NMGC's lines turn too sharply to accommodate pigging. NMGC intends to remedy this shortcoming and modify its transmission system so that pigging is possible.

[152] NMGC Ex. 3 (Bullard Dir.) at 50-51.
[153] NMGC Ex. 3 (Bullard Dir.) at 51-52.
[154] NMGC Ex. 3 (Bullard Dir.) at 52-54.

NMGC anticipated spending approximately $8.2 million on transmission system modifications between January 1, 2024, and September 30, 2025.[155]

- *Installation of Remote Shut-Off Valves* — Remote valves that can shut off supply are used to prevent and mitigate unintended releases of gas. NMGC's long-term plan is to modify or replace RSVs on over 400 valves in compliance with PHMSA's rupture mitigation valve rule regulations. NMGC anticipated spending approximately $600,000 per year on these projects for 2024 and 2025.[156]
- *Verification of Pipeline Materials Via Mechanical Testing of Cutouts* — Federal regulations require NMGC to perform cutouts and material testing every mile for pipeline that NMGC does not have adequate records regarding pipe-wall thickness, yield strength, etc. There are inadequate records for thirty-eight percent of NMGC's transmission system as that part of the system was installed prior to 1970. Cutouts and testing will have to be performed on that portion of pipeline. NMGC anticipated spending approximately $4.5 million on material verification between January 1, 2024, and September 30, 2025.[157]
- *Mobile Leak Detection*. NMGC is investing in advanced mobile leak detection ("AMLD") equipment that allows NMGC to increase both the speed at which it conducts leak surveys as well as the sensitivity of those leak surveys. This equipment allows NMGC to find and repair leaks earlier, which means the system is safer, less gas will be lost via leaks, and there will be potential savings in pipeline repair expenses. Additionally, the AMLD equipment will assist

[155] NMGC Ex. 3 (Bullard Dir.) at 54-55.
[156] NMGC Ex. 3 (Bullard Dir.) at 55.
[157] NMGC Ex. 3 (Bullard Dir.) at 56.

NMGC in complying with expected future PHMSA regulations requiring increased leak survey frequency. NMGC planned to invest approximately $800,000 in mobile leak detection equipment between January 1, 2024, and September 30, 2025.[158]

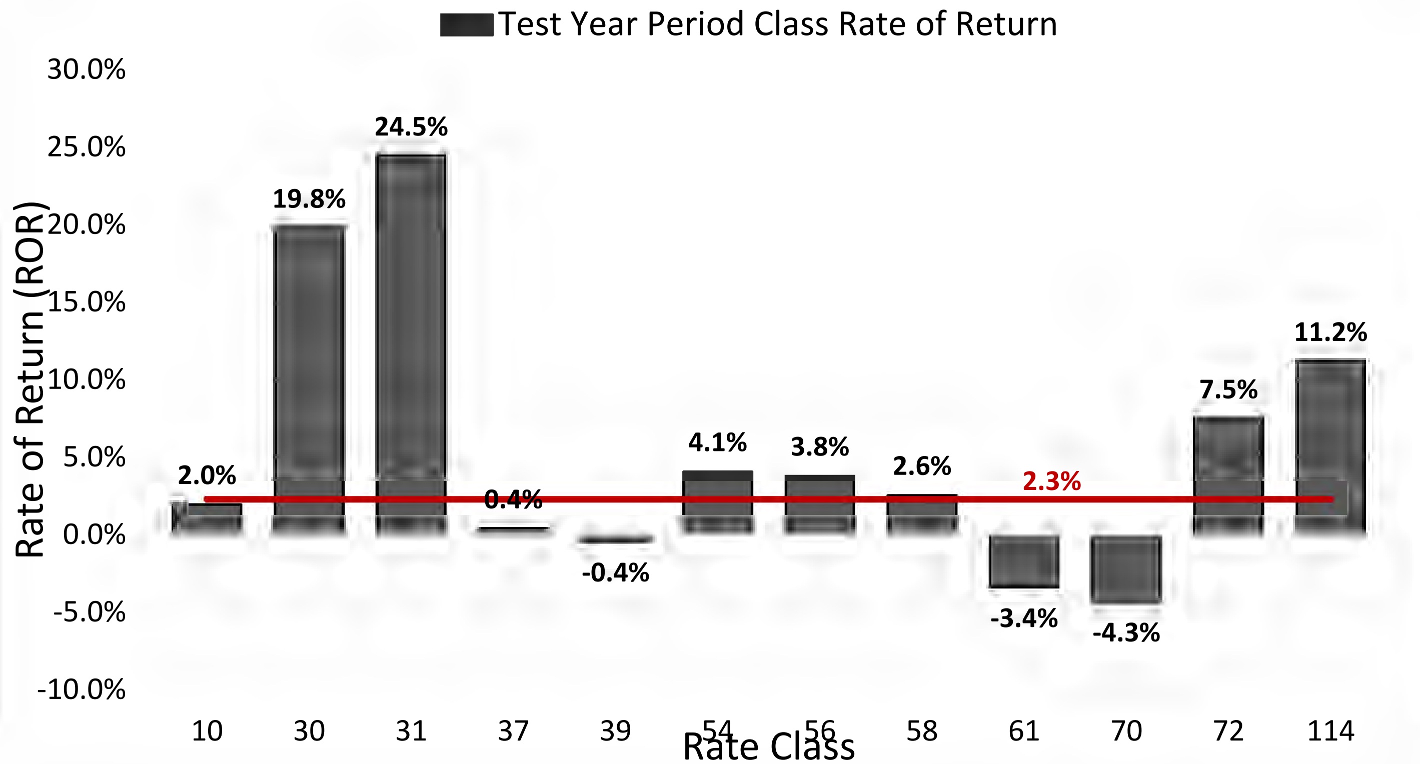
Witness Bullard indicated that NMGC anticipated investing approximately $70 million in total in IMP-related capital improvements between January 1, 2024, and September 30, 2025.[159]

5.1.6. Rate Design

NMGC Witness Lyons, a Partner with ScottMadden, Inc., supplied testimony for NMGC on rate design. As noted previously, more than 99% of NMGC's customers receive service under the Rate 10 Residential Rate or one of the three standard general service rates.[160] NMGC's remaining customers are served under NMGC's nine other tariffs.[161]

Witness Lyons conducted the Company's Fully Allocated Cost of Service ("FACOS") study. Witness Lyons supplied data underlying his recommendations including charts showing information derived from his FACOS. The results of the Company's FACOS study show the differences in class rates of return ("ROR") at current base rates for each rate class as compared to the system or overall ROR, as shown in the Figure below.[162] The Figure shows certain rate classes yield an ROR below the system ROR of 2.3 percent, while other rate classes yield RORs above the system ROR.[163]

[158] NMGC Ex. 3 (Bullard Dir.) at 59-60.
[159] NMGC Ex. 3 (Bullard Dir.) at 61; TCB-9 provides the specific breakdown of these costs.
[160] NMGC Ex. 16 (Lyons Dir.) at 7-10.
[161] NMGC Ex. 16 (Lyons Dir.) at 8-9.
[162] NMGC Ex. 16 (Lyons Dir.) at 4; NMGC Workpaper, "FACOS Rate Design_vFinal xlsx."
[163] NMGC Ex. 16 (Lyons Dir.) at 5.



The FACOS study was used as a guide to develop the proposed base rates. The proposed base rates reflect three important rate design principles: (a) rates should recover the overall cost of providing service; (b) rates should be fair in that each rate class should recover the costs caused by that customer class, minimizing inter- and intra-class inequities to the extent possible; and (c) rate changes should be tempered by rate continuity concerns. Because these principles can conflict, the proposed rate design reflects a level of judgment to balance these principles.[164] NMGC Witness Lyons concluded that "[t]he results of the FACOS study support a movement toward a more equitable rate structure

[164] NMGC Ex. 16 (Lyons Dir.) at 5.

where class RORs move closer to the system ROR. However, in this case the proposed movement to the system ROR was limited to address customer bill impact considerations."[165]

To develop the proposed base rates, the Company identified class revenue targets, meaning the revenue changes needed to achieve an equal ROR for each rate class. The Company then proposed increases in the access fees, consistent with underlying customer costs. Class revenue targets not recovered in the access fees were then recovered through per therm transmission and distribution charges.[166]

Witness Lyons explained that NMGC proposed an increase in the residential monthly, fixed-access fee from $12.40 to $15.50.[167] According to Witness Lyons, his "FACOS study support[ed] a higher Residential Rate 10 access fee" but he recommended "a lower access fee to address bill continuity concerns among low-use customers."[168] The proposed transmission and distribution charges for residential Rate 10 were designed to recover the class revenue target not recovered through the access fee. The proposed transmission charge is $0.1253 per therm, and the proposed distribution charge is $0.2018 per therm.

A summary of the proposed base revenue changes is in the table below. The table was not provided by Witness Lyons but was created to organize evidence to ensure effective presentation.[169]

[165] NMGC Ex. 16 (Lyons Dir.) at 5.
[166] NMGC Ex. 16 (Lyons Dir.) at 5.
[167] NMGC Ex. 16 (Lyons Dir.) at 32.
[168] NMGC Ex. 16 (Lyons Dir.) at 32.
[169] For reference, the values in the table come from Witness Lyons' Direct Testimony at exhibit TSL-8.

Rate Schedule	Current Base Revenues	Proposed Base Revenues	Change In Base Revenues
Rate 10 – Residential	162,202,994	198,958,636	22.7%
Rate 30 - Irrigation Service	670,593	786,083	17.2%
Rate 31 - Water and Sewer Pumping Service	38,070	44,646	17.3%
Rate 35 - Water and Sewer Pumping Service	-	-	0.0%
Rate 37 - Gas Air Conditioning Service	2,596	3,255	25.4%
Rate 39 - Compressed Natural Gas Vehicle Fuel	165,278	207,988	25.8%
Rate 54 - Small General Service	38,578,969	4 7,049,021	22.0%
Rate 56 - Medium General Service	4,908,892	6,012,204	22.5%
Rate 58 - Large General Service	5,190,415	6,416,922	23.6%
Rate 61 - Sales for Resale Service	417,805	560,015	34.1%
Rate 70 - Off-System Transportation	1,976,562	2,726,597	37.9%
Rate 72 – Compressor Fuel	964,972	1,162,395	20.5%
Rate 114 - District Energy System Service	752,512	894,111	18.8%
Overall	**216,179,733**	**265,153,714**	**22.7%**

Witness Lyons prepared bill impact analyses for the residential and small, medium, and large general service rate classes to evaluate the effect of the proposed base rate changes.[170] Overall, the proposed base rates increase monthly bills for a residential customer using 90 therms per month by $8.99, or 9.20 percent. 90 therms represent the average monthly usage for residential customers during the peak months of November through March. The proposed base rates increase monthly bills for a residential customer using 25 therms per month by $4.98, or 15.80 percent. 25 therms represent the average monthly usage for residential customers during the off-peak months of April through October.

[170] NMGC Ex. 16 (Lyons Dir.) at Ex. TSL-9.

The Company's proposed base rates in its Application would have increased monthly bills for a residential customer using 53 therms per month by $6.71, or 11.3 percent. 53 therms represent an approximate average of monthly usage for residential customers during January through December.[171]

5.1.7. <u>WNA</u>

In 18-00038-UT, the Commission approved a Weather Normalization Adjustment ("WNA") mechanism to allow NMGC to adjust base-revenue recoveries annually for variations in temperature, *i.e.*, variations that are beyond the ability of the company or its customers to influence or control. The mechanism was approved as a pilot program.[172] The term of the pilot program is five years, as summarized below.

- Year 1: October 1, 2019 through April 30, 2020
- Year 2: October 1, 2020 through April 30, 2021
- Year 3: October 1, 2021 through April 30, 2022
- Year 4: October 1, 2022 through April 30, 2023
- Year 5: October 1, 2023 through April 30, 2024[173]

NMGC, through Witness Lyons, asked in its Application that the Commission make the WNA permanent.[174] The WNA appears to be performing as expected. Additional details about the program are provided to aid the Commission in its assessment of that request.

[171] NMGC Ex. 16 (Lyons Dir.) at 34-35.
[172] Case No. 19-00317-UT, *Certification of Stipulation* at 32 (Nov. 24, 2020), approved by Final Order (Dec. 16, 2020).
[173] NMGC Ex. 16 (Lyons Dir.) at 36.
[174] NMGC Ex. 16 (Lyons Dir.) at 42.

Mr. Lyons explained that the "WNA Mechanism addresses the basic misalignment between the structure of the Company's costs and its rates. Utility costs are largely fixed and change very little (at least in the short run) with changes in usage levels. However, utility rates have a significant variable, or usage-based, component that changes revenues and cost recovery with changes in usage level."[175] The WNA partially corrects for this misalignment by adjusting actual revenues to match the authorized revenues for that portion of the variation due to warmer or colder than normal weather.[176]

The WNA applies to Residential Rate 10 and Small General Service Rate 54 which are the most weather sensitive rate classes.[177] There are three primary benefits of NMGC's WNA:

1. It partially corrects for the basic misalignment between utility rates and costs;

2. It helps stabilize utility cost recovery for variations due to weather; and

3. It helps stabilize customer bills for variations due to weather.[178]

Witness Lyons gave a full account of how the WNA functions. In sum, the weather at the end of a heating season is compared to an average and then the deficit or surplus is collected or returned. Witness Lyons testified on the process that NMGC WNA mechanism derives weather related revenue variances:

> Weather-related revenue variances are derived each month during the October through April winter heating season. The weather-related revenue variances for each month are determined by first calculating the difference between actual and normal heating degree days ("HDD") and then multiplying the difference by a degree day consumption factor for the month and a margin revenue factor included in NMGC Rule 29. A weather-related revenue "excess" occurs when actual HDDs are more than normal HDDs since the Company's authorized revenues are based on normal HDDs. A weather-related

[175] NMGC Ex. 16 (Lyons Dir.) at 35.
[176] NMGC Ex. 16 (Lyons Dir.) at 37.
[177] NMGC Ex. 16 (Lyons Dir.) at 36.
[178] NMGC Ex. 16 (Lyons Dir.) at 36.

> revenue "deficiency" occurs when actual HDDs are less than normal HDDs since the Company's authorized revenues are based on normal HDDs.
>
> Monthly revenue excesses and deficiencies are then accumulated across the October through April heating season to derive the revenue excess to be refunded to customers or revenue deficiency to be recovered from customers in the following October through September period.[179]

Witness Lyons reported that "The WNA is working as intended, providing benefits to customers through bill credits in colder-than-normal weather conditions (when actual revenues are higher than authorized revenues) and benefits to the Company through bill charges in warmer-than-normal weather conditions (when actual revenues are lower than authorized revenues)."[180] He recommended "continuation of the WNA through Rate Rider No. 8 and Rule No. 29."[181]

5.1.8. Regulatory Assets

In the Application, NMGC requested approval regarding several regulatory assets and liabilities, which were testified to by Witness Buchanan. Specifically, NMGC sought approval for the following:

Rate Case Expense Regulatory Asset and Re-amortization. NMGC requested approval to establish and recover a regulatory asset related to rate case expenses incurred in this proceeding ("2023 Rate Case Expenses") as well as a regulatory asset to complete recovery of the remaining balance of rate case expenses incurred NMGC's 2021 rate case, Case No. 21-00267-UT ("2021 Rate Case Expenses"). NMGC sought recovery of approximately $2.3 million for the 2023 Rate Case Expenses

[179] NMGC Ex. 16 (Lyons Dir.) at 39-40.
[180] NMGC Ex. 16 (Lyons Dir.) at 42-43.
[181] NMGC Ex. 16 (Lyons Dir.) at 42.

with a two-year amortization period.[182] With respect to the 2021 Rate Case Expenses, in the stipulation of NMGC's 2021 rate case, NMGC was allowed to amortize its rate case expenses over a period of two years beginning January 2023. By the beginning of the Future Test Year in this case, there will still be a balance and amortization included in rates resulting from these rate case expenses. NMGC would over-collect these costs if an adjustment is not made to the existing recovery period. NMGC proposed to extend the recovery period for these costs for an additional two years beginning October 2024. The amount to be re-amortized is approximately $319,000.[183]

Hansen CIS Regulatory Asset. NMGC sought approval to establish and recover a regulatory asset related to unique one-time costs incurred by the Company in the implementation of the upgrade to Hansen CIS. Implementation of the Hansen CIS project will result in costs associated with training NMGC personnel on how to properly utilize the system to provide service and assistance to customers. This training is substantial, both in the time required and the cost of training. All of the training must be completed before the Hansen CIS system is used and useful for customers. As such, the training will occur before the Future Test Year. NMGC requested permission to book a regulatory asset in the amount of $2.3 million related to training costs, and to begin recovering such costs with rates effective October 1, 2024. NMGC also proposed a fifteen-year amortization period for recovery of these costs.[184]

COVID-19 Regulatory Asset. NMGC sought approval to recover the costs included in its existing COVID-19 Regulatory Asset. As of the filing of this rate case, NMGC has recorded a COVID-

[182] NMGC Ex. 10 (De Young Dir.).
[183] NMGC Ex. 14 (Buchanan Dir.) at 30-33.
[184] NMGC Ex. 14 (Buchanan Dir.) at 33-34.

19 Regulatory Asset of approximately $5.7 million, which it was given permission to establish in Case No. 20-00069-UT. NMGC proposed a four-year amortization period for these costs. During the COVID-19 Pandemic and through June 20, 2023, NMGC tracked the incremental expenses and associated savings resulting from the COVID-19 Pandemic. With the exception of bad debt expense, this tracking resulted in costs and savings that offset. Therefore, NMGC only sought the increased cost of bad debt, net of unused COVID relief funds, that occurred during the COVID-19 Pandemic.[185]

New Regulatory Liability. NMGC requested approval to establish and begin crediting to customers a new regulatory liability related to 1) the sale of a building, and 2) litigation recovery amounts. First, NMGC sold a building in Carlsbad, New Mexico, for a gain of approximately $27,000 after expenses. NMGC proposed to provide this amount as a refund to customers via a regulatory liability, as this is not normal income to NMGC. Second, NMGC recently resolved a litigated matter which resulted in a payment to NMGC in the amount of approximately $1.3 million. NMGC proposed to provide this amount back to customers as well. NMGC proposed to use a regulatory liability as the income will come as a lump sum during the Linkage Period and will not be repeated again during the Future Test Year Period. For ease of calculations, both a litigation refund and a property refund are being proposed via a combined regulatory liability.[186]

Accumulated Deferred Income Tax ("ADIT") Regulatory Liability. NMGC sought approval to continue to refund certain ADIT amounts to NMGC's customers. NMGC has been providing credits to customers related to ADIT balances since its 2019 Rate Case. NMGC's proposal is the same

[185] NMGC Ex. 14 (Buchanan Dir.) at 34-36.
[186] NMGC Ex. 14 (Buchanan Dir.) at 37-38.

proposal it made in its 2019 and 2021 Rate Cases. The Future Test Year period in this case contains credits related to these ADIT balances of $0.7 million, which reflects amortization of these balances over a period of 27 years.[187]

Credit Card Processing Fee Regulatory Asset. NMGC sought approval to establish a new regulatory asset for potential recovery in a future rate case related to certain credit card processing fees. NMGC was aware that Public Service Company of New Mexico ("PNM") requested the ability to include in rates the costs that banks charge to PNM when customers use their credit cards to pay their bills. In the event the Commission approved PNM's request, the Company sought permission to record a regulatory asset for the same purpose and include the fees it actually incurs when customers pay their bills with credit cards. NMGC would seek recovery of these amounts in a future rate case filing.[188]

Liquefied Natural Gas ("LNG") Regulatory Asset. NMGC proposed to establish a new regulatory asset for potential recovery in a future rate case related to certain expenses for the LNG storage facility proposed in Case No. 22-00309-UT. In order to move forward in a timely manner with the LNG project, NMGC stated that it must incur certain costs related to certain engineering studies that are the foundation for the construction of the LNG facility. NMGC anticipated these costs would be between $7 and $10 million. NMGC stated that if the Commission did not approve the LNG Facility, it would have expended significant amounts of money on a project with no other way to

[187] NMGC Ex. 14 (Buchanan Dir.) at 37-38.
[188] NMGC Ex. 14 (Buchanan Dir.) at 38-39.

recover the costs. NMGC proposed the regulatory asset would only be triggered in the event the Company's Application for approval of the LNG facility were denied.[189]

IMP Regulatory Asset Re-Amortization. In the stipulation of NMGC's 2021 rate case, Case No. 21-00267-UT, NMGC was allowed to record a regulatory asset for certain qualifying IMP projects placed in service during calendar year 2022. NMGC began recovering this regulatory asset in 2023, with a duration of two years. By the beginning of the Future Test Year in this case, there will still be a balance and amortization included in rates resulting from the IMP Regulatory Asset. NMGC would over-collect this asset if an adjustment is not made to the existing recovery period. NMGC proposed to extend the recovery period for these costs for an additional two years beginning October 2024. The amount to be re-amortized is approximately $15,000.[190]

5.1.9. Labor

NMGC Witness Wilcox explained that in March 2022, during NMGC's 2021 rate case, the Company experienced a sudden change in the employment market when certain employees were being heavily recruited by competing employers. Witness Wilcox stated that since that time, the labor market has continued to be challenging, requiring the Company to expend additional effort and funds.[191] She stated that NMGC has seen increased competition, both in New Mexico and from other states, an increased desire for and priority of remote work, and generally a less experienced workforce. Due to these conditions, Witness Wilcox stated that at the time of the Application the Company was experiencing a high level of turnover and increased vacancies.[192]

[189] NMGC Ex. 14 (Buchanan Dir.) at 39.
[190] NMGC Ex. 14 (Buchanan Dir.) at 40.
[191] NMGC Ex. 8 (Wilcox Dir.) at 4.
[192] NMGC Ex. 8 (Wilcox Dir.) at 12-15.

Witness Wilcox stated that as of the filing of this Application, NMGC had 93 vacancies, which was more than the Company had forecasted for 2023. In its 2021 Rate Case, the Company had projected that its vacancy rate in 2023 would be approximately 36. The Company based this projection on its belief that the vacancy rate in 2023 would return to pre-COVID-19 Pandemic numbers.[193] Witness Wilcox explained that while the vacancy number has increased, the Company's headcount had remained at around 700.[194]

After experiencing these difficulties with employee retention and attraction, NMGC engaged the help of an industry expert, Mercer, to conduct an analysis of the competitiveness of NMGC's compensation levels. Mercer's analysis indicated that 1) median salaries in New Mexico are currently higher than those nationally and 2) that NMGC's salaries are approximately 10% below the New Mexico market median, even factoring in supplemental pay for certain employees. Mercer also analyzed the current economic environment and provided projections for the 2024 and 2025 base salaries in the United States. Mercer's projections expect the 2024 national salary increase budget to be around 4% and the 2025 national salary increase budget to be between 3% and 3.5%. In sum, Ms. Wilcox stated that Mercer's analysis confirmed what NMGC had been experiencing in the New Mexico labor market – mainly that NMGC's compensation levels were below market.[195]

Witness Wilcox stated that NMGC planned to bring its salaries in line with the market median between the filing of the Application and 2025. Based largely on Mercer's analysis, NMGC planned to raise base salaries overall by approximately 17% by January 2025, subject to the discretion of

[193] NMGC Ex. 8 (Wilcox Dir.) at 28-29.
[194] NMGC Ex. 8 (Wilcox Dir.) at 29.
[195] NMGC Ex. 8 (Wilcox Dir.) at 15-16.

NMGC management and on an employee-by-employee basis.[196] NMGC believes that closing the pay-gap between what NMGC pays and the New Mexico pay scale will help reduce its vacancy level. Additionally, NMGC planned to continue its additional recruitment efforts, including engaging external recruiters to help find quality candidates and fill positions. NMGC Witness Wilcox believes that these efforts will help it to retain and recruit talent.[197]

5.1.10. Rights-of-Way

NMGC Witness Bullard testified that explained that NMGC will continue its efforts to renew multiple rights-of-way necessary for NMGC's Albuquerque Mainline transmission system.[198] The Albuquerque Mainline is a critical component of NMGC's Northern System. The Albuquerque Mainline primarily transports gas produced in the San Juan Basin in the Four Corners area, approximately 180 miles to Albuquerque. Many of the rights-of-way for the Albuquerque Mainline are not permanent and must be renewed in order for NMGC to continue to operate this pipeline and supply customers with natural gas.[199]

NMGC estimated its right-of-way costs based on recent right-of-way agreements, which represent and incorporate current market and economic conditions.[200] For rights-of-way across Native American-owned land, NMGC estimated costs based on its experience and regular communication

[196] NMGC Ex. 8 (Wilcox Dir.) at 16-17.
[197] NMGC Ex. 8 (Wilcox Dir.) at 30.
[198] NMGC Ex. 3 (Bullard Dir.) at 62.
[199] NMGC Ex. 3 (Bullard Dir.) at 62.
[200] NMGC Ex. 3 (Bullard Dir.) at 62.

with each Native American Pueblo or Nation.[201] NMGC has identified those rights-of-way that will be renewed in by September 30, 2025 in Rule 630 Schedules H-7.2 and H-7.3.[202]

NMGC Witness Bullard testified that the facilities located on the subject rights-of-way are vital components of NMGC's system and are critical to providing reliable service to NMGC customers throughout New Mexico.[203] For each of the new and renewed rights-of-way NMGC is including in this case, there is no cost-comparable alternative to the rights-of way across Native American-owned lands.[204] The expenses associated with these rights-of-way are necessary for NMGC to install and maintain NMGC's facilities on these properties and prevent NMGC from incurring costly relocations of these facilities and having to build around Native American Nations.[205]

5.1.11. IT&T Investments

NMGC Witness Farr provided testimony about IT&T investment included in the company's projections between January 1, 2024 and September 30, 2025. The total of the IT&T investments made by the Company during the period covered by this case total $17 million.[206] These expenses include costs for internal and external threat reduction, enhancing the customer experience, business analytics, and maintaining and improving IT&T assets including hardware and software.[207] This number does not include investment in the Hansen CIS, discussed in the capital projects above.[208]

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[201] NMGC Ex. 3 (Bullard Dir.) at 62-63. Schedule H 7.2 is entitled "Other Rate Base Transmission Right of Way Estimates". The Hearing Examiner notes that "Other Rate Base, Distribution Right of Way Estimates are found at Schedule H-7.1. However, H-7-3 could not be located.
[202] NMGC Ex. 3 (Bullard Dir.) at 62-63.
[203] NMGC Ex. 3 (Bullard Dir.) at 63-64.
[204] NMGC Ex. 3 (Bullard Dir.) at 64.
[205] NMGC Ex. 3 (Bullard Dir.) at 64.
[206] NMGC Ex. 6 (Farr Dir.) at 3.
[207] NMGC Ex. 6 (Farr Dir.) at 10-11.
[208] NMGC Ex. 6 (Farr Dir.) at 3.

5.2. The Company's Initial List of Revisions to Rate Application

On December 15, 2023, NMGC, pursuant to 17.1.3.19(C) NMAC and paragraph D of the Procedural Order in this case, filed its initial list of revisions to correct NMGC's initial rate case filing package and to account for errors and changed circumstances that occurred since the filing of the case, which impacted the forecasted revenue requirement.[209] NMGC also proposed several non-revenue related corrections to the COS Model to correct errors in the functionality and to make it easier to use.[210]

NMGC identified the following revisions to the revenue requirement:

1. <u>COVID-19 Regulatory Asset – Decrease to Revenue Requirement</u> – NMGC updated its forecast and reduced its estimate for uncollectible accounts. NMGC reduced the COVID-19 Regulatory Asset by approximately $800,000, resulting in a decrease in the FTY revenue requirement of $282,262.[211]
2. <u>Property Taxes – Decrease to Revenue Requirement</u> – NMGC successfully challenged property tax valuations resulting in a decrease in the FTY revenue requirement of $689,943.[212]
3. <u>Cash Working Capital – Decrease to Revenue Requirement</u> – NMGC discovered and corrected an error in the amount of cash working capital included in the COS model, resulting in a decrease in the FTY revenue requirement of $266,011.[213]

[209] *See NMGC's Initial List of Revisions to Rate Application Pursuant to 17.1.3.19 NMAC* at 1 (Dec. 15, 2023).
[210] *Id.* at 1, 4-5.
[211] *Id.* at 2.
[212] *Id.*
[213] *Id.*

4. Cost of Debt – Increase to Revenue Requirement – NMGC updated the interest rates for two long-term debt issuances, one actually issued and one forecasted, resulting in an increase in the FTY revenue requirement of $407,780 and $122,363 respectively.[214]
5. Labor Expense – Increase to Revenue Requirement – NMGC accidentally omitted estimated overtime pay when forecasting payment under its Short-Term Incentive Program. Correctly including anticipated overtime resulted in an increase in the FTY revenue requirement of $280,572.[215]
6. Income Tax Expense and Related Balances – Decrease to Revenue Requirement – NMGC updated its calculation of income tax expense and related income tax balances for changes in the above items. These updates also identified an error in the calculation of ADIT related to the COVID-19 Regulatory Asset that was corrected. These updates resulted in a decrease in the FTY revenue requirement of $116,425.[216]

The cumulative impact of the corrections and changed circumstances was a net decrease in the revenue requirement during the FTY in the amount of $543,926, which was a 1.11% change. NMGC's revised FTY revenue requirement was $264,609,790, and the revised FTY revenue deficiency was $48,430,057.[217] NMGC stated that none of these revisions, individually or collectively, constituted "an amount that materially affects its original filing," as that phrase is used in 17.1.3.19(A) NMAC.[218]

[214] *Id.* at 2-3.
[215] *Id.* at 3.
[216] *Id.*
[217] *Id.* at 4.
[218] *Id.* at 2.

5.3. Stipulation

5.3.1. Summary of the Stipulation

The Stipulation provides for the following:

The first seven paragraphs of the Stipulation contain background regarding the filing of the case and its contents; the Stipulating Parties' agreements that the Stipulation was a result of arm's length negotiations and properly balanced the interests of customers and investors; and their conclusion that the Stipulation is in the public interest and results in fair, just, and reasonable rates.[219]

Paragraphs 8, 9, and 10 of the Stipulation contain[220]:

- Preparation and attachment to the Stipulation of a Stipulated Cost of Service Reconciliation prepared by NMGC.[221]
- A negotiated increase in revenues, to be recovered through NMGC's base rates, of $30.00 million; an ROE of 9.375%; and a capital structure of 52% equity and 48% debt.[222]
- A calculated cost of debt of 3.99% and a post-tax weighted average cost of capital ("WACC") of 6.79%.[223]
- Continued use by NMGC of its current depreciation rates until they are changed in accordance with 17.3.340 NMAC.[224]

[219] Stipulation para. 1-7. The Stipulation is attached to NMGC Ex. 1 (Shell Stip.) at Ex. RAS-1 Stipulation, pages 1- 13.
[220] Some of the paragraphs in this section have been previously discussed in the summary section of this Certification or will be discussed in subsequent sections.
[221] Stipulation, para. 8; Stipulation Ex. 1.
[222] Stipulation, para. 9.
[223] Stipulation, para. 9.
[224] Stipulation, para. 9.

- Agreement by the Stipulating Parties that the amounts reflected in the Reconciliation Statement are fair, just and reasonable.[225]

Paragraphs 11, 12, 13 and 14 of the Stipulation contain a different rate design than the one proposed in the Corrected Application.[226] Paragraph 14 provides that the rates shall be implemented October 1, 2024, or within seven days following the Commission's Order approving the Stipulation (whichever is later).[227]

Paragraphs 15 - 19 of the Stipulation set out the Stipulating Parties' agreement for handling the regulatory assets identified in the Company's Corrected Application. These provisions of the Stipulation are discussed later in the Certification.

Paragraphs 20 and 21 of the Stipulation identify the Discounted Transportation Rates contained in Stipulation Exhibit 5 and contain the Stipulating Parties' agreement that they are fair, just, and reasonable, and set forth the Stipulating Parties' agreement to continue the WNA without any automatic termination provision.[228] These provisions of the Stipulation are discussed later in the Certification.

Paragraph 22 of the Stipulation is a standard provision which provides that the Company shall withdraw existing rate schedules and file revised rate schedules.

Paragraph 23 of the Stipulation contains the Stipulating Parties' negotiated agreement that in its next rate case NMGC will recommend to the Hearing Examiner in that case that the Notice in that

[225] Stipulation para. 10.
[226] Stipulation para. 11, 12, 13 and 14; Stipulation Ex. 2, 3, and 4.
[227] Stipulation para. 14.
[228] Stipulation para. 20-21.

case should contain additional information as described in Paragraph 23.[229] This provision is discussed later in this Certification.

Paragraph 24 of the Stipulation contains the Stipulating Parties' negotiated agreement that before the end of 2024 NMGC will engage interested parties in a revaluation of the Company's Rule 16 Line Extension policy as is described in that paragraph of the Stipulation.[230] This provision is discussed later in this Certification, including a discussion of further agreement of the Stipulating Parties as developed during the Hearing.

Paragraph 25 of the Stipulation contains the Stipulating Parties' negotiated agreement that the residential access fee will remain at $12.40.

Paragraphs 26-37 contain the General Provisions section and will be discussed as necessary.[231]

Paragraph 38 contains the Stipulating Parties' agreement to toll the running of the applicable suspension period as provided for in the paragraph.[232]

5.3.2. Benefits of Stipulation

Since 2018, NMGC has, including this one, filed four rate cases and settled all four rate cases. The last two, including this one, have been uncontested and/or unanimous settlements. During the hearing, the Hearing Examiner inquired of several witnesses regarding this trend. When asked why the Company settled this case, NMGC Witness Shell stated, "we're settling because we think the

[229] Stipulation para. 23.
[230] Stipulation para. 24.
[231] Stipulation para. 26-37.
[232] Stipulation para. 38. The Hearing Examiner notes that should the Commission choose to toll the suspension period while it considered the Stipulation as agreed to by the Parties in this section, tolling would start with the beginning of Parties negotiation on February 23, 2024.

outcome of the settlement is good for everybody, including the Company."[233] When asked how credit rating companies view stipulations, NMDOJ Witness Woolridge stated,

> I generally think it's a positive because, obviously, the utility, like New Mexico Gas, they've operated in New Mexico a long time. They know how the Commission – they deal with the Commission every day. So they kind of can get a pretty good reading of the pluses and minuses from the Company side about, you know, their rates and what all is in their rates and how that's going to impact them in terms of their earnings, their ROEs. Obviously, the Attorney General and other Intervenors, they deal with the Commission a lot. So if you – when you can come to agreement, it means that the Staff, the Intervenors, the Company all see positives into it, and that's why they've elected to agree. So I think, generally, those are viewed as being a positive.[234]

When asked at the hearing, whether the Commission should at some point require a litigated rate case, Staff Witness Tupler testified that,

> [O]ne of the benefits of a stipulation is the arm's-length negotiation and the meeting of the minds of the parties. I think when you have a meeting of the minds, it settles and addresses the major issues, of course, that the Commission would otherwise have to adjudicate. I think that meeting-of-the-minds concept is what makes these settlements and these stipulations good at the end of the day. If there's no legal requirement or a contested case or adjudicated case, I don't see how a meeting of the minds would be considered detrimental at all.[235]

5.3.3. Stipulated ROE

NMGC originally requested an increase in revenues of approximately $48.97 million to be recovered through base rates, an overall WACC of 7.38% including a requested ROE of 10.50%, and a capital structure comprised of 53% equity and 47% debt.[236] The Stipulation leaves NMGC's ROE at its current 9.375%.[237] In its Corrected Application, NMGC requested an increase in the ROE to

[233] Tr. (Vol. 1) 56 (NMGC Witness Shell).
[234] Tr. (Vol. 3) 668-669 (NMDOJ Witness Woolridge).
[235] Tr. (Vol. 4) 904 (Staff Witness Tupler).
[236] Stipulation para. 2.
[237] NMGC Ex. 1 (Shell Stip.) at 8.

10.50%. As was discussed above, NMGC's ROE witness, Mr. D'Ascendis, testified in his direct testimony that his unadjusted range of ROEs for the Company was between 9.65% and 12.15%.[238] Mr. D'Ascendis then opined that based on his full analysis, and following adjustments, "an ROE of 10.50% is appropriate for the Company at this time."[239]

In subsequent testimony, Mr. D'Ascendis explained that "Although the Stipulated ROE [9.375%] falls below my recommended range (the low end of which is 9.65%), it is within the range of the analytical results presented in my Direct Testimony. It remains my position that in a fully litigated proceeding, a range of common equity cost rates between 9.65% and 12.15% (unadjusted) and 10.17% and 12.67% (adjusted) is reasonable, if not conservative. Nonetheless, I recognize the benefits associated with the decision to enter into the Stipulation and as such, it is my view that the 9.375% Stipulated ROE is a reasonable resolution of an otherwise contentious matter."[240]

Staff's ROE witness, Marc Tupler, in Direct Testimony testified that the "range of reasonableness" for the Company's ROE would be 9.41% to 10.24% and recommended an ROE slightly above the average of the range of 9.85% for the Company.[241] Mr. Tupler in his Testimony in Support of the Uncontested Stipulation testified that the "ROE stated in the Stipulation at 9.375% does fall very near (variance of only 0.035%) the bottom bracket of Staff's derived ROE range of reasonableness of 9.41% to 10.24%, as calculated in the Direct Testimony, albeit at the low-end parameter of the established range. As such, the stipulated ROE would be considered fair, just and

[238] NMGC Ex. 11 (D'Ascendis Dir.) at 60.
[239] NMGC Ex. 11 (D'Ascendis Dir.) at 69.
[240] NMGC Ex. 12 (D'Ascendis Stip.) at 3-4.
[241] Staff Ex. 4 (Tupler Dir.) at 30 of the PDF.

reasonable, as negotiated by the Signatories to the Stipulation."[242] At the Hearing, Mr. Tupler testified that he supports the Stipulated ROE number since it is only "slightly outside" lower bound of his range.[243]

NMDOJ's ROE Witness J. Randall Woolridge in Direct Testimony testified "that the appropriate ROE for the Company is in the 9.0% - 9.5.% range" and recommended "a ROE of 9.375%".[244]Dr. Woolridge, did not file written testimony in Support of the Uncontested Stipulation. At the Hearing, NMGC Witness Dr. Woolridge supported the Stipulated ROE since it fell right on his recommended ROE of 9.375%.[245]

FEA's Witness, Ms. Reno, in Direct Testimony, recommended an ROE of 9.50% based on the midpoint of her "recommended DCF range of 9.00% to 10.00% [which] represents a fair and reasonable ROE for NMGC".[246] Ms. Reno in her Testimony in Support of the Stipulation supported the stipulated ROE of 9.375% and stated "[t]his stipulated ROE falls within my ROE range of 9.0% to 10.0% and represents a fair and reasonable ROE for NMGC in light of its risks and investors' current valuation of public utilities and equity assets in general. In fact, it is lower than my recommended ROE of 9.5%. The stipulated ROE is also equivalent to the last ROE allowed by the Commission in NMGC's last rate case 21-00267-UT, which was also set through an unopposed stipulation."[247]

NM AREA Witness Walters in Direct Testimony testified that he "estimate[d] the Company's

[242] Staff Ex. 9 (Tupler Stip.) at 2-3.
[243] Tr. (Vol. 4) 897 (Staff Witness Tupler).
[244] NMDOJ Ex. 3 (Woolridge Dir.) at 124.
[245] Tr. (Vo. 3) 661 (DOJ Witness Woolridge).
[246] FEA Ex. 1 (Reno Dir.) at 71.
[247] FEA Ex. 2 (Reno Stip.) at 2.

current market cost of equity to be in the reasonable range of 9.25% to 9.85%" and that he recommended the Commission authorize NMGC an ROE of 9.55%.[248] Using the DCF models, the average of the mean and the average of the median results were 9.4% and 9.38% respectively.[249] Mr. Walters in his Testimony in Support of the Stipulation supported the stipulated ROE and stated "[t]he stipulated ROE of 9.375% is virtually identical to the median results of my DCF models, and represents a just and reasonable outcome."[250] At the Hearing, Mr. Walters testified that he supported the Stipulated ROE of 9.375% as being consistent with his recommendations.[251]

NEE Witness Sandberg in Direct Testimony recommended an ROE between 8.5% and 9.0%[252] Mr. Sandberg in his Testimony in Support of the Uncontested Stipulation testified that "I believe that an ROE which is just 37.5 basis points above the range to which I testified is not unreasonable."[253] At the Hearing, Mr. Sandberg testified that he supported the 9.375% ROE because "you try to find a compromise that everyone can go home with. I would have, of course, been much happier to have the Commission adopt a range within my proposed testimony. But being a little higher than that and getting a significant reduction in the overall revenue requirement was a reasonable compromise."[254]

Despite the existence of evidence supporting a lower or higher ROE than provided for in the Stipulation, no witness in the case offered evidence that the stipulated ROE was not within a zone of reasonableness. All parties have accepted this number. The 9.375% ROE is within the range of reasonable outcomes based upon the substantial evidence in the record, is unopposed, and should be

[248] NM AREA Ex. 3 (Walters Dir.) at 68.
[249] NM AREA Ex. 3 (Walters Dir.) at 50.
[250] NM AREA Ex. 4 (Walters Stip.) at 3.
[251] Tr. (Vol. 3) 775-776 (NM AREA Witness Walters).
[252] NEE Ex. 1 (Sandberg Dir.) at 30.
[253] NEE Ex. 2 (Sandberg Stip.) at 3.
[254] Tr. (Vol. 1) 136 (NEE Witness Sandberg).

adopted by the Commission.

While evaluating the reasonableness of the ROE provision in the Stipulation, the Hearing Examiner questioned several witnesses on the question of whether the Company's earnings over the last few years should influence the determination of the proper ROE for the Company going forward, or influence evaluation of whether the Stipulated ROE of 9.375% is reasonable. To start this discussion the Hearing Examiner inquired of NMGC Witness Shell regarding the following table prepared by the Company in response to Interrogatory AG 1-10.[255]

NMGC Table AG 1-10		
	Return on Equity	
	Regulated(1)	**Allowed**
2018	9.8%	10.0%
2019(2)	11.5%	10.0%/9.1%
2020	9.7%	9.10%
2021	9.6%	9.375%
2022	7.1%	9.375%
Twelve Months Ending June 2023	9.4%	9.375%

(1) Using simple average rate base
(2) 9.1% beginning August 2019

The Hearing Examiner posited questions to NMGC Witness Shell regarding the numbers in this table and he explained what Regulated ROE was, and described the difference between the regulated ROE and actual ROE but did not have figures at hand.[256] The Hearing Examiner then issued a Bench Request to NMGC to develop an alternative table which contained both the "actual or

[255] Tr. (Vol. 1) 37 (NMGC Witness Shell).
[256] Tr. (Vol. 1) 40-46 (NMGC Witness Shell).

financial ROE" alongside the "regulated ROE" to compare.[257] In Response the Company produced the following table in response to Bench Request No. 4:

NMGC ROE Calculations Bench Request Table 4-1			
	Regulated(1)	**Actual(2)**	**Allowed(3)**
2018	9.8%	3.74%	10.00%
2019	11.5%	7.14%	10.0%/9.1%
2020	9.7%	4.54%	9.10%
2021	9.6%	4.64%	9.375%
2022	7.1%	4.84%	9.375%
2023	9.2%	5.93%	9.375%

(1) Using simple average rate base
(2) Using net income divided by total equity
(3) 9.1% beginning August 2019

The Hearing Examiner then proceeded to question various witnesses about the two tables, including Witnesses Shell, Sandberg, Reno, and Buchanan. The Hearing Examiner concludes that the past earnings in the table and the testimony surrounding those numbers are inconclusive as to whether the Company's earnings were greater than the Company's authorized ROE for these same periods. Further, the testimony as to whether the historical Regulated ROE should influence the validity of the ROE provided for in the Stipulation was not sufficient to make a recommendation on this issue.

NM Area Witness Mr. Gorman testified that he had not studied these year-to-year numbers and therefore could not give any guidance about whether the variation would be expected or if there was anything being missed in the Company's profitability.[258] However, he went on to say that "2020 through 2023 looks like kind of, you know, normal year-to-year variation around an authorized

[257] Tr. (Vol. 1) 46 (NMGC Witness Shell).
[258] Tr. (Vol. 3) 674 (NM AREA Witness Gorman).

ROE."[259]

Despite the existence of evidence supporting a lower or higher ROE than proposed in the Stipulation, no witness in the case offered evidence that the stipulated ROW was not within a zone of reasonableness. All Parties have accepted that number, and the evidence in the record indicates that the stipulated ROE is reasonable. The stipulated ROE would remain at the same level NMGC has had since its 2019 rate case and is within the range of the results of most of the expert witnesses and is lower than the recommendations of some expert witnesses. The evidence demonstrates that the stipulated ROE will continue to provide the Company with the necessary financial attributes to continue to attract capital, maintain healthy financial metrics, and continue to serve customers. The 9.375% stipulated ROE is within the range of reasonable outcomes based upon the substantial evidence in the record, is unopposed, and as part of the overall Stipulation, should be adopted by the Commission.

5.3.4. Other Agreed Upon Financial Terms

The Parties negotiated and agreed on the revenue deficiency of $30.0 million, the ROE of 9.375%, the capital structure of 52% equity/ 48% debt, and to hold the Residential Rate No. 10 access fee steady at $12.40.[260] The parties used the agreed upon ROE and capital structure along with an anticipated 3.99% cost of debt, to calculate the WACC.[261]

NMGC Witness Shell testified that the Company's "cost of service is forecast to increase compared to our prior rate case primarily due to the Company's ongoing capital investment program

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[259] Tr. (Vol. 3) 675 (NM AREA Witness Gorman).
[260] Stipulation para. 9, 25.
[261] NMGC Ex. 2 (Shell Stip.) at 8.

and increased operating expenses."[262] Additionally, NMGC "has been, and is, operating in an environment of rising costs and heightened regulations which are increasing both the Company's operating costs and capital expenditures."[263] NMGC settled for approximately 60% of its request because "the negotiated Stipulation provides the Company with $30 million of revenue to address the[se] conditions... The increased revenue enables NMGC's continued provision of safe and reliable service, the attraction of capital, which benefits both the Company and its customers."[264] As reflected in the Stipulation Cost of Service, management analyzed how to plan for deferral of some capital projects without compromising safety, reliability, and compliance obligations, and to operate the Company with reduced controllable Operations and Maintenance ("O&M") expenditures.[265]

Finally, Mr. Shell testified in support of the Stipulation, the Company supports the Stipulation because, while providing necessary revenues to the Company, it results in a smaller rate increase than provided for in the Corrected Application, and therefore the Company believes the Stipulation balances the interests of the Company with reasonable rates to customers. The Stipulation, according to Mr. Shell, results in fair, just, and reasonable rates for NMGC customers. In this respect, the Stipulation reflects a compromised decrease in the rate increase requested in the Corrected Application while providing necessary revenues to the Company, which is the essence of a compromise.[266] Mr. Shell also stated that the Stipulation results in a 13.9% base rate increase for the Rate 10 residential customer group. See Stipulation Exhibit No. 3. As Mr. Lyons explained, the "resulting total monthly

[262] NMGC Ex. 1 (Shell Dir.) at 7.
[263] NMGC Ex. 2 (Shell Stip.) at 14.
[264] NMGC Ex. 2 (Shell Stip.) at 14.
[265] NMGC Ex. 15 (Buchanan Stip.) at 9-11.
[266] NMGC Ex. 2 (Shell Stip.) at 15.

increase in customers' bills is approximately half this number – approximately 7% – since the rates affected by this case make up only about half of the residential customers' bill."[267] The point is that "as a result of this Stipulation, residential customers will see an increase in the service portion of their bills that is reasonable while providing the Company with revenues needed to operate effectively in the future test year."[268]

The evidence in the record demonstrates that the agreed upon financial terms, as part of the overall Stipulation, are reasonable and should be approved.

5.3.5. Rate Design and Implementation

The Stipulating Parties agreed in the Stipulation to a rate design and the Company prepared Stipulation Exhibit Nos. 2, 3, and 4 to reflect the agreed-to rate design.[269] This design includes no increase in the Residential Rate No. 10 access fee as agreed to by all the Parties.[270]

NMGC Witness Lyons testified that the revenue allocation among classes depicted in Stipulation Exhibit No. 2 was based on "three important rate design principles: (a) rates should recover the overall cost of providing service; (b) rates should be fair in that each rate class should recover the costs caused by that customer class, minimizing inter- and intra-class inequities to the extent possible; and (c) rate changes should be tempered by rate continuity concerns. Because these principles can

[267] NMGC Ex. 2 (Shell Stip.) at 15. NMGC Witness Shell relies upon NMGC Witness Lyons testimony (Stipulation Ex. 3) when discussing the bill impacts. Mr. Shell further testified that the cost of gas makes up most of the other half of the monthly bill, and the cost of gas component of the bill is not affected by this rate case. NMGC Ex. 2 (Shell Stip.) at 15. NMGC Witness Lyons testified that "it should be noted that individual customer bill impacts based on actual consumption will most likely vary from the customer bill impacts for various reasons, including size of the building, number of appliances, time of the year, weather, and cost of gas. NMGC Ex. 17 (Lyons Stip.) at 8.
[268] NMGC Ex. 2 (Shell Stip.) at 16.
[269] NMGC Ex. 2 (Shell Stip.) at 12.
[270] Stipulation para. 25.

conflict, the stipulated rate design reflects a level of judgement to balance the principles."[271] The approach also considered that a full movement to 100.00 percent EROR[272] or cost-based rates raises rate continuity concerns because it would result in large percentage increases for the Rate 61 (Sales for Resale) and Rate 70 (Off-System Transportation) rate classes of 119.60 percent and 155.20 percent, respectively, as compared to the overall increase of 13.90 percent.[273] This represents approximate increases of 8.60 and 11.20 times the overall increase.[274]

Mr. Lyons testified that "[t]he stipulated base rates balance a movement to EROR [Equalized Rates of Return] or cost-based rates while mitigating rate continuity concerns." Specifically, the stipulated base rates reflect a weighting of 2.50 percent EROR and 97.50 percent an equal percentage increase.[275]

Mr. Lyons concludes that the class-by-class base rate revenues under the Stipulation are reasonable because "they reflect the principles discussed earlier: (1) the base rate revenues recover the Company's overall cost of service agreed to in the Stipulation; (2) the base rate revenues move toward EROR or cost-based rates, reducing inter-class inequities; and (3) the base rate revenue increases were

[271] NMGC Ex. 17 (Lyons Stip.) at 2. In his Direct Testimony NMDOJ Ex. 2 at 17, NMDOJ Witness Dr. Gegax testified about the other factors that should be used when setting a residential customer charge. "Other factors include such considerations like gradualism and bill continuity concerns, balancing the interests of above average and below average residential users and incentivizing customers to conserve. In his Stipulation Testimony NMDOJ Ex. 5, at 5-6, Dr. Gegax testified that the Stipulation modifications to his proposed 10% EROR approach represents a balancing of various interests, view, and concerns, and he concludes that the proposed allocation of $245.9 million in base revenues across the rate classes is fair and reasonable.
[272] "EROR" is defined as Equalized Rates of Return, where the rate of return for each rate class is equal to the system or overall rate of return. Setting rates based on EROR results in cost-based rates, where each rate class recovers the costs caused by that customer class. NMGC Ex. 17 (Lyons Stip.) at 3, FN 1.
[273] NMGC Ex. 17 (Lyons Stip.) at 2-3.
[274] NMGC Ex. 17 (Lyons Stip.) at 3.

[275] NMGC Ex. 17 (Lyons Stip.) at 3.

tempered to mitigate rate continuity concerns. In addition, no rate class receives a base rate revenue increase of more than 1.25 times the overall increase."[276] In Stipulation Exhibit 2, at Column H, the proposed base revenue percentage change for all classes ranges between 12.6% and 17.4%. No party objected to the revenue allocation among classes.[277]

Stipulation Exhibit 3 provides a proof of revenues demonstrating the stipulated base rates recover the agreed upon base revenue increase of $30.0 million and does so using the same billing determinants as those filed by the Company as part of its initial base rate filing.[278]

Finally, NMGC in Stipulation Exhibit 4 detailed the customer bill impacts resulting from the Stipulation. "The customer bill impacts include other applicable charges and fees, including the cost of gas charge, to reflect the overall bill impact of the proposed changes."[279] Other charges and fees include (1) weighted average Cost of Gas of $0.5403 per therm in peak period (November through March), $0.3396 per therm in off-peak period (April through October), and $0.4781 per therm on an annual basis; (2) Rate Rider 15 of $0.0304 per therm; (3) Pipeline Safety Fee of $0.0800 per month; (4) Franchise Fee of 3.000 percent; and (5) Gross Receipts Tax of 7.625 percent.[280] Mr. Lyons concluded that the customer bill impacts reflected in Stipulation Exhibit 4 "present a reasonable assessment of the impact of the stipulated base rates since they present a wide range of monthly usage representing customers whose consumption varies by size of the building, number of appliances, time

[276] NMGC Ex. 17 (Lyons Stip.) at 5.
[277] NMDOJ Ex. 5 (Gegax Stip.) at 7. Dr. Gegax testified that the stipulated allocation shown in Stipulation Exhibit No. 2 reflects a gradual movement towards cost of service while avoiding a large base revenue percent increase to any one particular rate class. Therefore, the Stipulation balances the interests of the various parties who have negotiated the terms of the Stipulation.
[278] NMGC Ex. 17 (Lyons Stip.) at 6.
[279] NMGC Ex. 17 (Lyons Stip.) at 6.
[280] NMGC Ex. 17 (Lyons Stip.) at 6.

of year, and weather. While the customer bill impacts do not present alternative cost of gas amounts, the customer bill impacts reflect the Company's current estimate of the cost of gas at the time rates will take effect."[281]

Staff's rate design witness Leyba-Tercero testified that based upon her analysis the cost-of-service revenue increases reflected in Stipulation Exhibit 2 are fair, just and reasonable. She stated "the various steps taken by NMGC in developing its FACOS study, and the methods utilized by the Company constitute a reasonable approach to identifying and allocating the costs of serving its customers. Aside from NMGC's proposed changes discussed on pages 4-5 of my direct testimony, to which Staff was not opposed, the methods utilized by the Company to identify and allocate costs in this case are consistent with those that have been accepted by the Commission in prior NMGC rate cases."[282] Ms. Leyba-Tercero concluded "Staff believes that the allocation of the base rate increases by rate class is fair, just and reasonable as it is consistent with the concept of gradualism or movement of customer classes toward full cost of service in a moderate way that avoids rate shock."[283]

Ms. Leyba-Tercero testified that the revised base rates reflected in Stipulation Exhibit No. 3 are fair, just and reasonable.[284] Ms. Leyba-Tercero stated that Stipulation Exhibit No. 4 shows the percentage changes in the bills for each rate class at various usage levels.[285]

At the hearing, the Hearing Examiner engaged several witnesses in a discussion of the figure on page 4 of NMGC Witness Lyon's Direct Testimony depicting the results of the FACOS study. The

[281] NMGC Ex. 17 (Lyons Stip.) at 10.
[282] Staff Ex. 6 (Leyba-Terrero Stip.) at 5
[283] Staff Ex. 6 (Leyba-Terrero Stip.) at 8.
[284] Staff Ex. 6 (Leyba-Terrero Stip.) at 8.
[285] Staff Ex. 6 (Leyba-Terrero Stip.) at 3.

Figure is provided in section 5.1.6 of this Certification.

Staff's rate-design witness, Ms. Leyba Tercero, testified extensively about the philosophy behind a FACOS and did not have any disagreement with the FACOS prepared by NMGC's Witness Mr. Lyons.[286] Additionally, as Mr. Gorman, NM AREA's rate design witness stated in his testimony at the hearing: "the Stipulation does not resolve the differences in opinion on fully allocated cost of service studies … But the purpose of those fully allocated cost of service studies is to arrive at a revenue spread across the rate classes, which actually impacts the design of rates based on this rate case. And those issues were resolved in the settlement. So, there is one important issue that will be left for discussion in the next rate case: the fully allocated cost of service study and the proper mechanics in that study. But in this case, we were able to come to an agreement on how to spread the revenue increase across the various rate classes."[287]

Finally, with regard to the provision in Paragraph 14 of the Stipulation that the rates "shall be implemented October 1, 2024 or within seven days following the Commission's Final Order approving the Stipulation in this case (whichever is later)", NMGC Witness Sanders testified that NMGC's intent is that the new rates requested in this case be effective with actual services rendered after October 1st."[288]

The stipulated allocation is the result of negotiation, compromise, settlement and accommodations made by each of the Stipulating Parties. All of the parties, including Staff believe

[286] Tr. (Vol. 4) 916-922 (Staff Witness Leyba-Tercero).
[287] Tr. (Vol. 3) 752 (NM AREA Witness Gorman).
[288] Tr. (Vol. 2) 305-306 (NMGC Witness Sanders); NMGC Ex. 5 (Sanders Dir.) at 24.

that the overall results of the Stipulation are reasonable and in the public interest.[289] Finally, the stipulated rates are consistent with the Commission's long-standing policy of gradualism with regard to increases in fixed monthly customer charges.[290] WRA witness Farnsworth supported maintaining the current monthly access charge at $12.40, testifying that it provides customer benefits by avoiding an increase in the fixed portion of their bill and also promotes efficient use of gas.[291]

The Hearing Examiner finds that Stipulation Exhibits 2, 3, and 4 that have been stipulated to without objection by all parties to this case, are reasonable.

5.3.6. Accounting Positions and Amortizations

Paragraph 19 of the Stipulation in this case provides as follows in its first sentence: "[t]o provide NMGC with the guidance needed to record transactions in its books and records, the Signatories agree that historic accounting treatment by the Company can be carried forward and that NMGC may incorporate the accounting positions as detailed in Direct Testimony of NMGC Witness Davicel Avellan." This language is very similar to the language used in paragraph 28 of the Stipulation entered into in that 2021 case (Case No. 21-00267-UT) and the reasoning for this language has not changed. The specific historic accounting treatments can be found in Mr. Avellan's Direct testimony.[292] The accounting positions, similar to other individual cost of service assumptions, have no impact on the agreed upon increase in base revenues.[293]

[289] Staff Ex. 6 (Leyba Tercero Stip.) at 27-28. The Hearing Examiner notes that Staff's original proposed revenue requirement was $246,832,337, which reflected a base rate revenue increase of $30,652,604 or 14.2% increase. Staff Ex.1 (Mauldin Dir.) at 12-13. Staff's proposed changes were implemented in documentation, required in Paragraph N of the Procedural Order, by Staff Witness Ouattara in Staff Ex. 3 (Ouattara Dir.).
[290] Staff Ex. 6 (Leyba Tercero Stip.) at 8, 12.
[291] WRA Ex. 1 (Farnsworth Stip.) at 12.
[292] NMGC Ex. 13 (Avellan Dir.) at 5-23.
[293] NMGC Ex. 15 (Buchanan Stip.) at 17.

The second half of paragraph 19 refers to the parties' agreement that the Company is free in future proceedings to propose amortization schedules as it deems appropriate for any expense and that any Signatory will be free to take any position on the Company's proposed amortization schedule. The significance of this provision is that while NMGC depreciates capital additions to plant based on accounting standards, some items that are included in plant do not depreciate. These items include the period for accumulated and excess deferred income taxes."[294] The Stipulation COS includes these items as evidence to the Company's external auditors for purposes of this Stipulation.[295] NMGC is proposing to amortize the ADIT amounts over 33 years.[296]

There is sufficient evidence that this uncontested provision is needed by NMGC for accounting and auditing purposes and is not binding on any party or on the Commission itself. As such, in order to allow NMGC the guidance necessary to record transactions in its books and records, this provision of the Stipulation is reasonable and should be approved.

5.3.7. O&M Labor Costs

NMGC Witnesses Wilcox and Buchanan each testified about the Company's approach to prioritizing and controlling its operations and maintenance ("O&M") costs under the Stipulation. Ms. Wilcox addressed labor costs,[297] and Mr. Buchanan addressed O&M costs generally and as outlined in the Stipulated Cost of Service.[298]

In her Direct Testimony, Ms. Wilcox described that because the Company has experienced

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[294] NMGC Ex. 15 (Buchanan Stip.) at 18.
[295] NMGC Ex. 15 (Buchanan Stip.) at 18.
[296] NMGC Ex. 15 (Buchanan Stip.) at 18.
[297] NMGC Ex. 9 (Wilcox Stip.) at 3-6.
[298] NMGC Ex. 15 (Buchanan Stip.) at 6-9.

changes in the employment market since 2022 they had been making efforts to improve employee retention and recruitment including supplemental pay programs, and increased salary adjustments.[299] In her Testimony in Support of the Stipulation, Ms. Wilcox testified that these efforts have begun to show results, and the Company can reduce its anticipated increase in labor costs from 17% to 12%.[300] As Witness Wilcox testified, "[b]y carefully managing labor costs, the Stipulation revenue will allow NMGC to increase base salaries and continue to both retain and recruit employees essential to providing safe, reliable service while providing just and reasonable rates through the end of the Future Test Year."[301]

NMGC Witness Buchanan has outlined in Stipulation Exhibit 1, a Stipulation Cost of Service, based on the Stipulated $30 million revenue recovery in this case. Mr. Buchanan identified the specific adjustments made to arrive at the Stipulation COS, which included a reduction to O&M expenses in the FTY by $4.8 million.[302] Mr. Buchanan also verified an answer to the Hearing Examiner's Second Bench Request which further detailed the $4.8 million O&M reduction.[303]

The record reflects sufficient evidence to determine that the adjustments NMGC has proposed to its O&M, including revisions to labor costs, that are necessary for the Company to reach the stipulated revenue increase, are reasonable in the context of the evidence presented supporting the Stipulation.

5.3.8. Regulatory Assets

As discussed in the summary of NMGC's Corrected Application, the Company requested a

[299] NMGC Ex. 8 (Wilcox Dir.) at 9-12; NMGC Ex. 9 (Wilcox Stip.) at 2.
[300] NMGC Ex. 9 (Wilcox Stip.) at 2.
[301] NMGC Ex. 9 (Wilcox Stip.) at 2.
[302] NMGC Ex. 15 (Buchanan Stip.) 6-9
[303] See NMGC Response to Bench Request No. 2.

number of regulatory assets in its Corrected Application. These regulatory assets are addressed in paragraphs 15, 16, 17, and 18 of the Stipulation.

In Paragraph 15, the Company agrees to withdraw, without prejudice, its request to establish a regulatory asset for expenses related to third-party fees that are charged when customers use credit cards to pay their utility bills ("Credit Card RA").[304] As noted earlier, the Company originally requested permission to record the Credit Card RA in the event that the Commission granted PNM's request for to recover credit card fee costs in PNM's recent rate case. The Company did not specify an amount for the Credit Card RA in its Corrected Application, and did not request recovery of any amounts in this rate case related to the Credit Card RA.

Staff Witness Mauldin opposed the Credit Card RA on the basis that the Commission denied PNM's Fee Free credit card proposal in Case No. 22-0070-UT.[305] Staff also stated that in discovery, NMGC was asked if the Credit Card RA would be withdrawn in the event the Commission denied PNM's request, and NMGC responded yes.[306] In his Testimony in Support of Uncontested Stipulation, Mr. Mauldin reiterated Staff's opposition to the Credit Card RA, and pointed out NMGC's agreement to withdraw the Credit Card RA as part of the Uncontested Stipulation.[307] NMDOJ Witness Crane positively noted NMGC's agreement to withdraw the Credit Card RA in her testimony in her Supplemental Testimony in Support of Unopposed Stipulation.[308]

Liquified Natural Gas Regulatory Asset

[304] Stipulation, para. 15; NMGC Ex. 15 (Buchanan Stip.) at 14-15.
[305] Staff Ex. 1 (Mauldin Dir.) at 15-16.
[306] Staff Ex. 1 (Mauldin Dir.) at 15-16.
[307] Staff Ex. 8 (Mauldin Stip.) at 13-14.
[308] NMDOJ Ex. 4 (Crane Stip.) at 9-10.

In Paragraph 16 of the Stipulation, NMGC agrees to withdraw its request to establish a regulatory asset for expenses it incurred in filing for and obtaining a certificate of public convenience and necessity to construct a liquified natural gas storage facility in NMPRC Case No. 22-00309-UT ("LNG Regulatory Asset"). NMGC further agrees to not assert the LNG Regulatory Asset in any future rate cases.

NEE Witness Sandberg recommended the Commission deny NMGC's request to record the LNG Regulatory Asset in his Direct Testimony.[309] Mr. Sandberg stated that such a regulatory asset would place between \$7 million and \$10 million into rate base when he believed the Company had never proven that there is an asset which is used and useful or would provide a net public benefit.[310] Mr. Sandberg highlighted the fact that the Stipulation provided that no regulatory asset related to the LNG project would be created, as he had recommended in his direct testimony.[311]

NMDOJ Witness Crane likewise recommended the Commission deny NMGC's request to record the LNG Regulatory Asset.[312] In discussing why she believed the Stipulation was in the public interest, Ms. Crane testified that the Stipulation ensures that ratepayers will not pay any of the deferred costs associated with the LNG Facility that was the subject of Case No. 23-00309-UT, and provides ratepayers a guarantee that they will not be responsible for these costs.[313]

Staff Witness Mauldin testified that Staff opposed the creation of the LNG Regulatory Asset, and recommended the Commission deny NMGC's request.[314] Staff listed the withdrawal of the LNG

[309] NEE Ex. 1 (Sandberg Dir.) at 57-59.
[310] NEE Ex. 2 (Sandberg Stip.) at 4.
[311] NEE Ex. 2 (Sandberg Stip.) at 5.
[312] NMDOJ Ex. 1 (Crane Dir.) at 7.
[313] NMDOJ Ex. 4 (Crane Stip.) at 16, 18.
[314] Staff Ex. 8 (Mauldin Stip.) at 14.

Regulatory Asset and the Company's commitment not to assert this asset in future rate cases in testimony supporting the Stipulation.[315]

WRA Witness Farnsworth also supported the withdrawal of the LNG Regulatory Asset. Ms. Farnsworth stated that removal of this proposed regulatory asset prevents a future rate increase for NMGC customers related to these costs.[316] Ms. Farnsworth testified that WRA supports the withdrawal of this regulatory asset because WRA filed testimony and participated in the hearing in the LNG case (Case No. 22-00309-UT), in opposition to the proposed LNG facility. [317]

Hanson CIS Regulatory Asset

In paragraph 17 of the Stipulation, the Company agrees to modify its request to establish a regulatory asset related to the costs the Company will incur in the implementation of the upgrade of its customer information system ("Hanson CIS Regulatory Asset"). The Company's request is modified to establish the Hansen CIS Regulatory Asset, but not begin recovery of these amounts in this rate case. Instead, NMGC will seek recovery of the Hansen CIS Regulatory Asset in a future rate case filing. The Signatories agree with this modification, and it is specifically stated in the Stipulation that the Signatories are not taking any position as to the future recoverability of the Hansen CIS Regulatory Asset and they will be free to oppose or support any future proposed cost recovery in full or in part.[318]

NMDOJ Witness Crane originally recommended the Hanson CIS Regulatory Asset be recovered in the Company's revenue request, but recommended exclusion of any carrying costs and

[315] Staff Ex. 8 (Mauldin Stip.) at 13-14.
[316] WRA Ex. 1 (Farnsworth Stip.) at 6.
[317] WRA Ex. 1 (Farnsworth Stip.) at 6.
[318] Stipulation, para. 17.

that it only include external and third-party expenses.[319] Ms. Crane testified that the Stipulation excludes recovery of Hanson CIS Regulatory Asset costs in this rate case and defers them to NMGC's next base rate case. This results in a decrease in Ms. Crane's revenue requirement recommendation of \$160,655.[320] Ms. Crane further testified that the Stipulation permits the Company to defer certain start-up costs without guarantee of future recovery, and the parties will have the ability to review and evaluate any claims for future cost recovery in a future rate case.[321]

Staff Witness Mauldin originally recommended the Commission approve the Hanson CIS Regulatory Asset, but remove it from rate base.[322] Mr. Mauldin testified that the Stipulation provides that the Hansen CIS Regulatory Asset will not be included in the cost of service in this case, but defers the recovery of associated costs to a future base rate case where parties will be free to oppose or support any future proposed cost recovery in full or in part. Mr. Mauldin stated Staff believes this provision is positive as it allows for reevaluation of the Hanson CIS Regulatory Asset in a future base rate case, which not only reduced the current cost of service but also does not predetermine rate making in the future. According to Mr. Mauldin, this allows both NMGC and Staff to further evaluate actual costs associated with the Hanson CIS Regulatory Asset.[323]

Remaining Regulatory Assets

In paragraph 18 of the Stipulation, the Signatories agree that for remaining regulatory assets proposed in the case (i.e. other than the Credit Card RA, the LNG Regulatory Asset, and the Hanson

[319] NMDOJ Ex. 4 (Crane Stip.) at 8.
[320] NMDOJ Ex. 4 (Crane Stip.) at 8.
[321] NMDOJ Ex. 4 (Crane Stip.) at 16.
[322] Staff Ex. 8 (Mauldin Stip.) at 14.
[323] Staff Ex. 8 (Mauldin Stip.) at 15.

Regulatory Asset), the amortization and recovery of these items are included without specificity within the $30 million base revenue increase. NMGC also agrees to fully amortize the amounts in these regulatory assets prior to the effective date of the future test period in its next base rate case filing and will not seek recovery of these amounts in any future base rate case. NMGC further agrees that it will not reassert its COVID-19 Regulatory Asset in its next rate case.

NMDOJ Witness Crane originally recommended that the Commission exclude from rate base all of these regulatory assets, which were comprised of rate case costs related to prior rate cases, rate case costs for the current rate case, deferred Integrity Management Program costs, and COVID-19 related costs.[324] Ms. Crane testified that under the Stipulation, all of these regulatory assets and liabilities are resolved by the $30 million base revenue increase.[325] Ms. Crane stated that under the Stipulation, the Company will have the option of applying part of the $30 million to recover all or a portion of these deferred costs, or alternatively, the Company may choose to write-off some of these deferrals.[326] None of these regulatory assets, however, may be carried forward to the Company's next base rate case, and any deferrals not recovered by the Company by the time of the next base rate case will be absorbed by shareholders.[327] Ms. Crane believes these provisions are in the public interest as they will eliminate the need to track most of the regulatory assets and regulatory liabilities that were proposed in the Company's Application.[328]

Similarly, Staff Witness Mauldin identified benefit to NMGC agreeing to fully amortize these

[324] NMDOJ Ex. 4 (Crane Stip.) at 10-11.
[325] NMDOJ Ex. 4 (Crane Stip.) at 11.
[326] NMDOJ Ex. 4 (Crane Stip.) at 11.
[327] NMDOJ Ex. 4 (Crane Stip.) at 11.
[328] NMDOJ Ex. 4 (Crane Stip.) at 17, 19.

regulatory assets before the next base rate case filing and NMGC's commitment to not seek recovery of these amounts in any future rate case. Mr. Mauldin testified that this provision will essentially allow a blank slate in the next base rate proceeding when it comes to regulatory assets and liabilities, apart from the Hanson CIS Regulatory Asset.[329] Mr. Mauldin also stated fully amortizing all of the current regulatory assets (other than Hanson CIS Regulatory Asset) before NMGC's next rate case would allow Staff and the Commission time to develop consistent positions and precedence regarding rate making treatment for regulatory assets and liabilities.[330] Mr. Mauldin further stated that while NMGC's proposed treatment of regulatory assets in the reconciliation, attached to the Stipulation as Stipulation Exhibit 1, would result in a cumulative increase of $281,537 compared to Staff's original revenue requirement. The agreement related to regulatory assets aims to establish common ground and resolve differences to find solutions that mutually benefit all parties involved in the settlement process.[331]

Taken as a whole the agreements in paragraphs 15 through 18 of the Stipulation are in the public interest. The agreements result in the withdrawal of two regulatory assets entirely, LNG Regulatory Asset and Credit Card RA, ensuring that rate payers will not be responsible for paying for these amounts. The agreement to authorize recording of the Hanson CIS Regulatory Asset will eliminate recovery of a multi-million-dollar cost in this rate case, while also allowing the Company the ability to record actual expenses and request recovery of those costs in a future case using historical data to support the request. Finally, there is benefit in ensuring that all of NMGC's remaining claimed

[329] Staff Ex. 8 (Mauldin Stip.) at 15.
[330] Staff Ex. 8 (Mauldin Stip.) at 15.
[331] Staff Ex. 8 (Mauldin Stip.) at 16.

regulatory assets will be fully amortized one way or the other and will not appear in future base rate proceedings.

5.3.9. Discounted Transportation Rates

Paragraph 20 contains the Signatories' agreement that the discounted transportation rates identified in the Direct Testimony of NMGC Witness Bullard, and listed in Stipulation Exhibit No. 5**,** are fair, just, and reasonable and no changes to these rates are necessary.

NMGC Witness Bullard testified that the discounted transportation rates did not change from the approvals provided in Case No. 21-00255-UT, and that NMGC did not anticipate any discounted transportation rates for the linkage or future test year periods.[332] No other party addressed the discounted transportation rates in direct testimonies. In support of the Stipulation, Staff Witness Zigich stated the discounted transportation rates were previously approved based, presumably, on them being fair, just, and reasonable and in compliance with 17.10.660 NMAC. Mr. Zigich stated that Staff was not aware of any new information contradicting the earlier approvals and thus Staff finds that the discounted transportation rates listed in Stipulation Exhibit No. 5 remain fair, just, and reasonable.[333] No other party addressed discounted transportation rates in testimony filed in support of the Stipulation.

At the hearing, the discounted transportation rates were discussed during the testimony of several witnesses. NMGC Witness Shell testified that the Company has between three and four thousand customers who procure their own gas supply and simply arrange transportation of that gas

[332] NMGC Ex. 3 (Bullard Dir.) at 65.
[333] Staff Ex. 10 (Zigich Stip.) at 5.

across the Company's system.[334] Most of these customers are charged the same rates as gas distribution customers who rely on the Company for gas supplies, which means they are charged the same distribution, transmission, and access fees that gas sales customers are charged.[335] Discounted transportation customers are large customers that have the ability in many cases to bypass NMGC's system by building a privately owned pipeline and connecting it to an interstate pipeline or third-party pipeline.[336] In those instances, NMGC provides discounts because obtaining some revenue from these customers which contributes to the Company's revenue requirement, as opposed to no revenue, is good for all customers.[337] If the Company provides a discount to a customer, the contract and tariff schedule is filed with the Commission.[338] There are only a handful of discounted transportation customers.[339]

NMGC Witness Tom Bullard testified that transportation customers who wish to obtain a discount must ask the Company for a discounted rate and explain why the Company would need to give a discount.[340] Mr. Bullard explained that discounts can be given to keep customers on NMGC's system, typically when the customer has the ability to bypass NMGC's system.[341] NMGC typically requires some documentation, a letter or email, that demonstrates the rate the customer could obtain from another pipeline or provide evidence of the tariff the customer would qualify for on an interstate

[334] Tr. (Vol. 1) 77 (NMGC Witness Shell).
[335] Tr. (Vol. 1) 78 (NMGC Witness Shell).
[336] Tr. (Vol. 1) 78-79 (NMGC Witness Shell).
[337] Tr. (Vol. 1) 79 (NMGC Witness Shell).
[338] Tr. (Vol. 1) 79, 81 (NMGC Witness Shell).
[339] Tr. (Vol. 1) 210 (NMGC Witness Bullard).
[340] Tr. (Vol. 1) 199 (NMGC Witness Bullard).
[341] Tr. (Vol. 1) 199-200 (NMGC Witness Bullard).

pipeline.[342] NMGC will not discount transportation rates if it would cause bottlenecks or cause capacity issues.[343]

The limitation on the discounted rate the Company can offer transportation customers is that the discount must be above the variable cost of service the Company provides.[344] The variable cost is the marginal cost to move additional gas across NMGC' system, and it is calculated by taking the total compression costs for the year (including O&M, fuel, and labor) and dividing it by the total throughput through NMGC's system.[345] NMGC's most recent calculation of the variable cost concluded the cost was 1.05 cents per MMBtu.[346] Mr. Bullard testified that after each rate case, or any time the Company's Transportation Rate, which is Rate 70, changes the Company files a statement with the Commission as to the amount of the variable cost of service.[347] Mr. Bullard stated this filing was pursuant to NMPRC Case No. 2183, and includes a worksheet that shows the calculation to arrive at the variable cost.[348] Mr. Bullard testified that his team at NMGC verifies that the discounted transportation rate that has been negotiated is above the variable cost.[349] Mr. Bullard also confirmed that all of the current discounted transportation rates are above the variable cost, and that there are no discounted transportation rates below the variable cost.[350]

At the hearing, the Hearing Examiner issued two Bench Requests to NMGC on the issue of

[342] Tr. (Vol. 1) 201 (NMGC Witness Bullard).
[343] Tr. (Vol. 1) 215-216 (NMGC Witness Bullard).
[344] 17.10.660.10(F)(8) NMAC.
[345] Tr. (Vol. 1) 214 (NMGC Witness Bullard).
[346] Tr. (Vol. 1) 215 (NMGC Witness Bullard).
[347] Tr. (Vol. 1) 202 (NMGC Witness Bullard).
[348] Tr. (Vol. 1) 202-203 (NMGC Witness Bullard).
[349] Tr. (Vol. 1) 203 (NMGC Witness Bullard).
[350] Tr. (Vol. 1) 268 (NMGC Witness Bullard).

discounted transportation rates. In the Fifth Bench Request, NMGC was required to confirm that all of NMGC's discounted transportation rates exceed the variable cost pursuant to 17.10.660.10(F)(8) NMAC. In its response, NMGC confirmed that all discounted transportation rates were above the variable cost and provided a copy of the most recent NMGC variable cost report filing, which was filed on July 5, 2023 in Case No. 2183.[351] NMGC's current transmission variable cost is \$0.01047/MMBtu (\$0.001047/therm).[352]

In the Seventh Bench Request, NMGC was required to explain how non-discounted transportation customers are charged versus discounted transportation customers. In NMGC's Response to Seventh Bench Request, NMGC Witness Bullard explained that non-discounted transportation customers are charged all applicable fees and charges contained in Rate 70.[353] As of December 31, 2023, NMGC had 3,314 Non-Discounted Transportation Customers and 6 Discounted Transportation Customers. [354] The Company considers negotiated discounted rates when bypass or loss of load is likely. Non-Discounted Transportation Customers and Discounted Transportation Customers include both on-system transportation customers and off-system transportation customers.[355] NMGC then provided a table showing that there are six discounted transportation customers, and the charges for all of them differ. Some are charged a monthly "access fee", others are not. All appeared to be charged a different variable charge. Some had volume commitments attached to the discounted rate, while others had special commitments related to fuel charges.[356] The table

[351] NMGC Response to Fifth Bench Request.
[352] NMGC Response to Fifth Bench Request.
[353] NMGC Response to Seventh Bench Request at 1.
[354] NMGC Response to Seventh Bench Request at 1-2.
[355] NMGC Response to Seventh Bench Request at 2.
[356] NMGC Response to Seventh Bench Request at 4 Table 7-1.

demonstrated that all discounted transportation customers are paying a rate above the \$0.01047/MMBtu variable charge.[357]

Commission rule 17.10.660.10(F)(8) NMAC allows NMGC to provide discounted service to transportation customers who procure gas on their own and are only asking NMGC to move that gas across its system. NMGC offers discounts to customers in limited circumstances, primarily to avoid the customer from bypassing NMGC's system.[358] NMGC only offers discounts when there is excess capacity on its system and does not offer discounts if it would result in system constraints.[359] Maintaining the discounted customers' throughput generally benefits NMGC's customers as this provides additional revenues that help offset NMGC's overall revenue requirement from the remaining customers. All of NMGC's discounted transportation rates are above NMGC's most recent calculation of the variable cost of service. The Hearing Examiner finds that NMGC has complied with all requirements of 17.10.660.10(F)(8) NMAC and the discounted transportation rates contained in Stipulation Exhibit 5 are fair and reasonable and should be approved.

5.3.10. Customer Notice

In Stipulation Paragraph 23, the Signatories agree that NMGC will recommend to the Hearing Examiner in its next rate case that the Notice to Customers, in addition to the language currently in the Notice to Customers, contain language the reflects the increase that a range of typical residential customers would see under the agreed-to rates at the times of the year when natural gas usage by NMGC customers is at its lowest and at its highest. This new language will include:

[357] NMGC Response to Seventh Bench Request at 4 Table 7-1.
[358] Tr. (Vol. 1) 78-79 (NMGC Witness Shell); 199-201; 204; 216 (NMGC Witness Bullard).
[359] Tr. (Vol. 1) 215-216 (NMGC Witness Bullard).

- in the Summer (non-heating months), customers using 10 therms in a month will see a[n] _____% increase in their monthly bill from $_____________ under previous rates to $______________under the proposed new rates;
- in the Winter (heating months), customers using 100 therms in a month will see a[n] _____% increase in their monthly bill from $_____________ under previous rates to $______________under the proposed new rates;
- in the Winter (heating months), customers using 150 therms in a month will see a[n] _____% increase in their monthly bill from $_____________ under previous rates to $______________under the proposed new rates.

Additionally, the Signatories agree that NMGC will recommend to the Hearing Examiner in NMGC's next rate case that Table 1 in the Customer Notice utilized in this case be amended to include an additional row at the bottom which calculates the average for each of the columns of residential use contained in the table.

The Signatories acknowledge at the end of Paragraph 23 of the Stipulation that the Hearing Examiner in NMGC's next rate case will ultimately make the final determination as to the exact additional language to be included in the Customer Notice, but the Signatories agree that more information will provide ratepayers a better sense of the impact the requested rate increase will have on their bills during the winter and summer months.

NMGC Witness Shell testified that NMGC supported the provisions of Paragraph 23 and agreed to them in the belief that the additional information could be beneficial to customers.[360] Mr.

[360] NMGC Ex. 2 (Shell Stip.) at 11.

Shell stated that the additional recommended information have the potential to make the Notice clearer to customers and would allow for the inclusion in the Notice information which is not currently called for in the rules, and further stated that all Parties agree to these proposals thinking they could be beneficial to customers.[361]

NEE Witness Sandberg testified that he was concerned that the public notice in this case was inadequate and misleading.[362] Mr. Sandberg stated that providing customer notices which are more representative of actual usage patterns, and which let customers see likely impact on their bills during the year are positive changes and make rate increase requests more transparent to customers.[363] In his Direct Testimony on this topic and information related to low income residential customer gas usage and payment, NEE Witness Sandberg testified regarding LIHEAP (Low Income Heating Assistance Program) payments that NMGC received.[364]

Staff supports the provisions of Paragraph 23 of the Stipulation. Staff Witness Leyba-Tercero testified that while Staff did not take issue with the Company's proposed Notice to Customers in this case, Staff is not opposed to including additional information in the Notice that may be useful to NMGC's residential customers, to the extent such information is acceptable to the Hearing Examiner in NMGC's rate case.[365] Ms. Leyba-Tercero stated that Staff agrees that "more information will

[361] NMGC Ex. 2 (Shell Stip.) at 20-21.
[362] NEE Ex. 2 (Sandberg Stip.) at 6.
[363] NEE Ex. 2 (Sandberg Stip.) at 6.
[364] NEE Ex. 1 (Sandberg Dir.) at 38; Tr. (Vol. 1) 145-147. As a Bench Request, NEE was required to provide the NMGC Table NEE 1-3 he referred to from NMGC's Response to NEE Interrogatory 1-3. NEE filed its Response to the Bench Request on April 1, 1024.
[365] Staff Ex. 6 (Leyba-Tercero Stip.) at 19-20.

provide ratepayers with a better sense of the impact the requested rate increase will have on their bills during the winter and summer months."[366]

The Commission favors transparency and providing customers with information that will aid customers in better understanding the impact that public utility proceedings may have on all customers. The Commission is interested in working to make notices more useful to customers. The Hearing Examiner agrees that the additional information NMGC has agreed to provide in its next rate case could be beneficial to crafting a more informative customer notice. Moreover, this provision specifically recognizes that the Commission and its Hearing Examiners will have the final approval of all information that will appear in the official Customer Notice issued in NMGC's next rate case. This provision is important as it ensures that the Commission is not binding the hands of future Commissions and Hearing Examiners. Overall, this provision could result in more user-friendly customer notices and as such is in the public benefit and should be approved.

5.3.11. Line Extension

In Paragraph 24 of the Stipulation, NMGC agrees to file a revised Rule No. 16 – Line Extension Policy, after a process that reevaluates the credits (revenue credits, lot credits (both vacant & other) and system improvement credits) and the Advantage Program Advance. NMGC also agrees to consult with WRA, Staff, and any other interested party in its evaluation process. The Stipulation provides that once the revised policy is filed with the Commission, parties and Staff retain the right to object to the new line extension policy and seek Commission review and hearing.

[366] Staff Ex. 6 (Leyba-Tercero Stip.) at 19-20.

NMGC Witness Shell testified that this provision "provides a roadmap for the Company to consider its lot credit policies with engagement by interested intervenors. This is in the public interest."[367]

WRA Witness Farnsworth testified that WRA supports this review of the Company's existing Line Extension Policy ("LXP") in a stakeholder process, followed by the Company filing a revised LXP by the end of this year because WRA believes the existing LXP should be revised in recognition of policy changes and new opportunities.[368] Ms. Farnsworth stated that NMGC's current LXP has been in effect for 8 years without an update, and is due for a thorough review.[369] Ms. Farnsworth further expressed concern that the lot credits contained in the existing LXP may constitute subsidies for new customers and for utility investment in the expansion of the gas system.[370]

Staff Witness Zigich testified that NMGC's Rule No. 16 was last revised in August 2015 and a review and revision appears to be justified.[371] Mr. Zigich noted that the fairness and reasonableness of a revised LXP rule will be evaluated by WRA, Staff, and other interested parties during the review process, and by Staff after submittal of the proposed final rule.[372] Mr. Zigich also stated that ultimately, at the end of the process, it will be for the Commission to decide to suspend or not suspend final rule revisions, providing an additional level of confirmation on the fair, just and reasonable question.[373]

[367] NMGC Ex. 2 (Shell Stip.) at 20-21.
[368] WRA Ex. 1 (Farnsworth Stip.) at 7.
[369] WRA Ex. 1 (Farnsworth Stip.) at 7.
[370] WRA Ex. 1, Farnsworth Stip.) at 8-9.
[371] Staff Ex. 10 (Zigich Stip.) at 6.
[372] Staff Ex. 10 (Zigich Stip.) at 6.
[373] Staff Ex. 10 (Zigich Stip.) at 6.

The Hearing Examiner expressed concern during the hearing that there was no agreed upon process for the LXP review to follow and issued a Sixth Bench Request asking the parties to jointly submit the proposed process for the review. WRA, NMGC, Staff, NMDOJ, NM AREA, and CCAE filed a Joint Response to the Sixth Bench Request on April 4, 2024. In the response, the respondents provided a process with timelines by which certain events will occur.[374] For example, by September 15, 2024, NMGC shall provide notice to all parties in this case of a meeting to be held with stakeholders by no later than October 15, 2024.[375] At that meeting NMGC will present its evaluation of its LXP and will present any proposed revisions to the group for consideration and feedback. NMGC will also consider additional revisions.[376]

The Commission encourages utilities and stakeholders to examine tariffs and ensure that all aspects of existing tariffs are still reasonable and appropriate. This agreement requires a process for review and update of NMGC's LXP tariff and further requires stakeholder input into the revision. This collaborative process to review and propose updated tariffs is in the public interest and should be approved.

5.3.12. <u>WNA</u>

In Paragraph 21, Signatories agree that NMGC's request to continue the Company's Weather Normalization Adjustment Mechanism (detailed in Rate No. 1-8, Rate Rider No. 8 - Weather Normalization Adjustment Mechanism and codified in Second Revised Rule No. 29 – Rate Design) as a tariff provision without any automatic termination provisions, as opposed to a pilot with a sunset

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[374] Joint Response to Sixth Bench Request. The Joint Response to the Sixth Bench Request is incorporated to this Certification by reference.
[375] Joint Response to Sixth Bench Request.
[376] Joint Response to Sixth Bench Request.

provision, should be granted. The Stipulation also provides that any Signatory is free to take any position on the Company's Weather Normalization Adjustment Mechanism in the future.

Staff Witness Leyba-Tercero explained that the WNA Mechanism adjusts base rate revenue recoveries for variations in weather. Rates are set in base rate case proceedings based on projections under normal weather conditions. When actual weather varies from normal weather, the utility's base revenue recoveries differ from the level of expected revenues under normal weather. The WNA Mechanism normalizes base revenue recoveries for the effects of inconsistent and abnormal weather.[377] The WNA Mechanism applies to two rate classes, Rate No. 10 Residential Service and Rate No. 54 – Small Volume General Service.[378] Ms. Leyba-Tercero stated that the WNA Mechanism was initially approved by the Commission in Case No. 18-00038-UT as a pilot program with a term of five years, and the fiver year-term is scheduled to end in 2024.[379]

Ms. Leyba-Tercero testified that Staff supports the continuation of the WNA Mechanism, and agrees with the company that the WNA Mechanism is working as intended, providing benefits to customers through bill credits in colder-than-normal weather conditions, and benefits to the Company through bill charges in warmer-than-normal weather conditions.[380] Ms. Leyba-Tercero testified that NMGC's most recent WNA Mechanism compliance filing in June 2023 resulted in a credit to customers in the amount of \$0.016 per therm to residential customers under Rate 10 and \$0.088 per therm for small commercial customers under Rate 54.[381]

[377] Staff Ex. 6 (Leyba-Tercero Stip.) at 16.
[378] Staff Ex. 6 (Leyba-Tercero Stip.) at 16.
[379] Staff Ex. 6 (Leyba-Tercero Stip.) at 16-17.
[380] Staff Ex. 6 (Leyba-Tercero Stip.) at 17.
[381] Staff Ex. 6 (Leyba-Tercero Stip.) at 17.

NMGC Witness Lyons testified that the WNA Mechanism is working as intended and provides benefits to customers through bill credits in colder-than-normal weather conditions, and benefits the Company through bill charges in warmer-than-normal weather conditions.[382] NMGC Witness Shell agreed, stating that approval of the WNA Mechanism without any automatic termination provision "is in the public interest since the testimony is that the WNA is operating beneficially, was set to expire, but should be continued."[383]

The Signatories all agree that the WNA Mechanism should continue on without an automatic termination provision. No party opposed this request. The evidence in the record is that the WNA Mechanism is working as intended and is providing credits to customers when there is colder-than-normal weather and revenues to the Company when there is warmer-than-normal weather. The Weather Normalization Mechanism as detailed in Stipulation Exhibit No. 6 results in fair, just, and reasonable rates and should be approved as a normal tariff without any automatic termination provisions.

5.3.13. Stipulation General Provisions

Paragraphs 26-27, 29-35 and 37 contain "general provisions" regularly included in stipulations in New Mexico, some of which constitute an important part of the consideration for the agreement of the Signatories to settle this case. Other provisions in this group are procedural agreements for processing the Stipulation that are typically accepted by the Commission. An example of the former is paragraph 32 where the understanding of the Signatories is that "by approving this Stipulation, the

[382] NMGC Ex. 17 (Lyons Stip.) at 10.
[383] NMGC Ex. 2 (Shell Stip.) at 11.

Commission is neither granting any approval nor creating any precedent regarding any issue in future proceedings, except as specifically provided in the final order". An example of the latter is paragraph 37 regarding execution of multiple counterparts to execute the Stipulation.

5.3.14. Stipulation Attachments and Schedules

The Stipulation contained the following exhibits:

- The Stipulation COS Schedules provided in Stipulation Exhibit No. 1 include:
  - The Stipulation COS Reconciliation, which provides NMGC's Corrected Application Adjusted Future Test Period cost of service and all adjustments needed to arrive at the Stipulation COS; and
  - Exhibit A
    - Stipulation Schedule A-1, which summarizes the Adjusted Test Period As Filed, the adjustments, and the Stipulation COS and related changes on a single page;
    - Stipulation Schedule A-3, which summarizes the impact of the adjustments on the Stipulation COS;
    - Stipulation Schedule A-4, which summarizes rate base for the Adjusted Test Period As Filed, the adjustments, and the Stipulation COS on a single page; and
    - Stipulation Schedule A-5, which summarizes NMGC's WACC in its Corrected Application and the WACC under the Stipulation.
  - 630 Schedule C-2, which contains the Company's depreciation rates.
- Stipulation Exhibit 2 is the Allocation of Proposed Revenue Increase to Base Rates.
- Stipulation Exhibit 3 contains the Base Rates and Revenues Past and Present at Present and Proposed Rates.
- Stipulation Exhibit 4 contains the Typical Bill Impacts for Residential and Small Volume General Service Rates.
- Stipulation Exhibit 5 contains a description of the Discounted Transportation Rates.

- Stipulation Exhibit 6 is the Company's proposed Third Revised Rule No. 29 – Base Rider No. 8 Details, which is NMGC's Weather Normalization Mechanism. This has been updated to account for the provisions in this Stipulation.

5.3.15. Agreements Outside of the Stipulation

NMGC and Staff arrived at an agreement (which was not made part of the Stipulation) in which NMGC "will perform a cost study analyzing the charges contained in NMGC Rate No. 11 – Misc. Fees and Charges and subsequently, based on the results of such study, to propose updates to charges in NMGC Rate No. 11 in its next base rate case filing."[384] This agreement arose out of Staff's concern that NMGC had not proposed changes to NMGC Rate No. 11 in the current rate case nor NMGC's prior two rate cases, Case Nos. 19-00317-UT and 21-00267-UT.[385] Staff said the charges in NMGC Rate No. 11 may not fully and adequately recover the costs of the services provided, and that either unrecovered costs would be borne by all of NMGC's natural gas distribution service customers, or that charges are currently above cost and customers to whom these rates apply to would be overcharged for the services.[386] Staff Witness Leyba-Tercero testified that the informal agreement between Staff and NMGC to discuss the issue and for the Company to include a Rate No. 11 revision in its next rate case, is not part of the Stipulation but has alleviated Staff's concern on this issue. Because this issue is not formally part of the Stipulation, the Commission will not determine whether the agreement between Staff and NMGC is in the public interest.

6. ANALYSIS OF THE STIPULATION

6.1 Was the Stipulation the product of serious bargaining among capable knowledgeable persons?

[384] Staff Ex. 6 (Leyba-Tercero Stip.) at 21-22 and Exhibit ELT-1S.
[385] Staff Ex. 6 (Leyba-Tercero Stip.) at 21.
[386] Staff Ex. 6 (Leyba-Tercero Stip.) at 21.

The public was provided notice of the case by publication. NMGC ratepayers were provided notice of this proceeding by individual notice. Prior intervenors in NMGC's most recent rate case, NMPRC Case No. 21-00267-UT, were also provided e-mail notice of this case. All parties in this case were provided notice of the Stipulation, opportunity to participate in the negotiation or development of stipulated terms and agreements, or opportunity to present objections.

Most of the Stipulating Parties filed testimony stating that the Stipulation was the result of arm's length negotiations among parties with diverse interests.[387] NMGC Witness Shell, Staff Witness Mauldin, and NMDOJ Witness Crane each described the serious bargaining that led to the Stipulation. NMGC Witness Shell described the history of the negotiations, which began after Staff and Intervenors filed their direct testimony. Settlement negotiations occurred via video conferences between the parties over the course of several days, and culminated with an agreement.[388] Staff Witness Mauldin discussed how "the parties engaged in serious discussions to find a reasonable resolution of the matter" and how "[t]hese discussions involved frank exchanges about [the Stipulating Parties'] relative positions and resulted in a compromise that was acceptable to NMGC, Staff, and the other Stipulating Parties."[389] According to NMDOJ Witness Crane, "the stipulation was the product of intense negotiation and it is supported by various parties with divergent interests, including the Company, Staff, NMDOJ, large customer representatives, and parties representing environmental interests. The fact that such a diverse group came to a unanimous settlement implies a balancing of

[387] NMGC Ex. 2 (Shell Stip.) at 17; NMDOJ Ex. 4 (Crane Stip.) at 13-14; Staff Ex. 8 (Mauldin Stip.) at 19-20; FEA Ex. 2 (Reno Stip.) at 4; NM AREA Ex. 2 (Gorman Stip.) at 5; WRA Ex. 1 (Farnsworth Stip.) at 4.
[388] NMGC Ex. 2 (Shell Stip.) at 4.
[389] Staff Ex. 8 (Mauldin Stip.) at 19.

interests that should demonstrate to the Commission the reasonableness of the overall result."[390] NMGC, Staff, and other parties in this case have significant experience litigating cases before the Commission and represent interests of the public, government, industry, energy efficiency, renewable, and environmental interests.

There is a preponderance of uncontroverted evidence that the Stipulation is the result of arms-length negotiations among the parties with diverse interests. The Stipulation is the product of serious bargaining by experienced knowledgeable individuals who are conversant with rate and revenue issues, as well as public policy issues.

6.2 Does the Stipulation as a whole, benefit customers and the public interest?

The Parties negotiated and agreed on the revenue increase of $30 million, the ROE of 9.375%, the capital structure of 52% equity and 48% debt, and the maintenance of the Residential Rate No. 10 access fee at $12.40.[391]

Most of the Intervenors and Staff filed testimony in support of the Stipulation and testified that they support the Stipulation as resulting in just, fair, and reasonable rates. NMDOJ Witness Crane testified that the Stipulation results in a revenue increase that is significantly less than the $48.43 million proposed by NMGC and is only slightly above the revenue increase recommended by the NMDOJ.[392] According to NMGC Witness Shell, the Stipulation also provides certainty by removing

[390] NMDOJ Ex. 4 (Crane Stip.) at 13-14.
[391] Stipulation para. 9, 25.
[392] NMDOJ Ex. 4 (Crane Stip.) at 15-16.

litigation risk; provides the Company with sufficient time to prepare for the Future Test Year and addresses issues that would not likely be addressed in a litigated case.[393]

NMGC Witness Shell testified that negotiated increase in rates benefits the company and is achieved at a lower cost than would have been incurred in a fully litigated case.[394] The Stipulation revenue increase enables NMGC's continued provision of safe and reliable service, and attraction of capital, which benefits both the Company and its customers.[395] In addition to settling on just and reasonable rates, the Parties also agreed to several individual items that Mr. Shell testified are also in the public interest including agreeing to continue the Company's WNA Mechanism, to recommend modifications to the language in the Notice to Customers in NMGC's next rate case, and to conduct an evaluation of NMGC's lot credit policies.[396] For all these reasons, the Company concludes that the Stipulation is in the public interest.

Staff considers and views the revenue requirement agreed upon by the parties as reasonable. Specifically, Staff believes that the Stipulation provides a resolution to the many issues in this rate case and provides benefits to both customers and NMGC.[397] Staff believes the Stipulation is in the public interest and should be approved by the Commission.[398]

Further, the allocation of the revenue increase among the Company's various customer classes is reasonable. With the ultimate goal of designing rates based on the costs the Company incurs to serve each customer class, NMGC Witness Lyons testified that the revenue allocation among classes was

[393] Tr. (Vol. 1) 116-118 (NMGC Witness Shell).
[394] NMGC Ex. 2 (Shell Stip.) at 17.
[395] NMGC Ex. 2 (Shell Stip.) at 14.
[396] NMGC Ex. 2 (Shell Stip.) at 20-21.
[397] Staff Ex. 8 (Mauldin Stip.) at 20.
[398] Staff Ex. 8 (Mauldin Stip.) at 20.

reasonable because it reflects the important principles of rate design: 1) the base rate revenues recover the Company's overall cost of service agreed to in the Stipulation; 2) the base rate revenues move toward cost-based rates, reducing inter-class inequities; and 3) the base rate revenue increases were tempered to mitigate rate continuity concerns.[399] Additionally, no rate class receives a base rate revenue increase of more than 1.25 times the overall increase.[400]

Overall, the stipulated base rates increase monthly bills for a residential customer using 90 therms per month by $7.15, or 7.30 percent. 90 therms represent the average monthly usage for residential customers during the peak usage months of November through March. The stipulated base rates increase monthly bills for a residential customer using 25 therms per month by $1.99, or 6.30 percent. 25 therms represent the average monthly usage for residential customers during the off-peak usage months of April through October. The stipulated base rates increase monthly bills for a residential customer using 53 therms per month by $4.21, or 7.10 percent. 53 therms represent an approximate average of monthly usage for residential customers during January through December.[401]

Also significant is that the revenue increase helps fund the significant increase in the Company's capital and O&M expenses. This is not only a benefit to NMGC but also can been seen as a benefit to its ratepayers to the extent that it facilitates the continuation of reliable gas service.

Additional Stipulation benefits for ratepayers include withdrawal of NMGC's LNG Regulatory Asset and Credit Card Fee Regulatory Asset. The Stipulation resolves numerous regulatory assets and liabilities that were included in the Company's Corrected Application and will eliminate the need to

[399] NMGC Ex. 17 (Lyons Stip.) at 5.
[400] NMGC Ex. 17 (Lyons Stip.) at 5.
[401] NMGC Ex. 17 (Lyons Stip.) at 6-7.

track these regulatory deferrals prospectively.

Further, the Stipulation agreements regarding customer notice, NMGC programs and policies, as well as future cooperative efforts among the parties, benefit NMGC, ratepayers, and the public interest.

For these enumerated benefits as well as the other benefits set forth in the Stipulation, the Hearing Examiner finds that there is a preponderance of evidence to find that the Stipulation as a whole contains substantial benefits for NMGC's New Mexico customers and is in the public interest.

6.3 Does the Stipulation as a whole, violate any important regulatory principle or practice?

The Hearing Examiner finds that the Stipulation does not violate any regulatory principles or practice, nor does it depart from any Commission rule or precedent. To the contrary, the Stipulation is consistent with sound regulatory policy and Commission practice in approving reasonable settlements in past cases initiated by this and other utilities.

6.4 Determination on the Merits

The Hearing Examiner finds that a preponderance of uncontroverted evidence in the record establishes that the Stipulation meets each of the criteria for Commission approval of stipulations. The Stipulation is the result of arms-length negotiations among the parties with diverse interests. There is nothing in the record to suggest that the Stipulation violates any important regulatory principle or practice. To the contrary, the Stipulation is consistent with sound regulatory policy.

Finally, and most significantly, as set forth above, the Stipulation, taken as a whole, is in the public interest and will result in fair, just and reasonable rates. The end result of the Stipulation is a base revenue requirement increase of 30 million (13.9% increase) versus the requested increase of 48.97 million (22.7% increase) in NMGC's original proposal, produces rates that fall within the zone of reasonableness, and will prevent rate shock, and includes gradualism considerations, which will mitigate the risk of other unintended consequences.

In sum, the Hearing Examiner finds that a preponderance of evidence in the record supports the Signatories' request for approval of the Stipulation and their request that the Commission grant the relief requested in NMGC's Corrected Application, as modified by the Stipulation. These approvals will establish, among other things, reasonable and fairly apportioned rates. Further, since the Stipulation resolves all issues in the case, the Commission, NMGC, Staff, and the other Signatories will avoid having to engage in further expensive and time-consuming litigation, and the interests of administrative efficiency will be advanced. In addition, the Stipulation places no restriction on the Commission's authority and is consistent with Commission policy and accepted ratemaking and regulatory principles. For these and other reasons stated, the Hearing Examiner concludes that the Stipulation provides the Commission a sound basis for approval of NMGC's Corrected Application as modified by the Stipulation.

6.5 NEE Request to Add Additional Information

After the hearing had concluded and the Parties' proposed Certification of Stipulation (which NEE was a Signatory) was filed, NEE filed its Requested Addition to the Certification of Stipulation ("NEE Requested Addition"). NEE's Requested Addition included language regarding regulatory assets, and would add the following Section 5.3.8 immediately preceding the discussion of the "Hanson CIS Regulatory Asset" to say:

This is consistent with law. In Case No. 18-00261-UT, the Hearing Examiner discusses in detail the "special cases of accounting orders and regulatory assets."[402] Approval of a regulatory asset can only be approved if the applicant "can show a net public benefit from the requests".[403] In Case No. 22-00309-UT, NMGC failed to establish in its application for its CCN that the LNG Facility provided a net public benefit,[404] and as a result, the initially proposed regulatory asset was properly excluded from recovery, and hence was not included in the Stipulation.

NEE believes that this is an accurate restatement of the law and facts and provides additional justification for the Commission's ultimate decision. Additionally, NEE asserted that as more and more regulatory assets and regulatory liabilities are being requested it is helpful to apprise all parties who regularly practice in this venue of the regulatory history regarding ratemaking treatment. Lastly, NEE averred that the requested paragraph insert is also consistent with the *Corrected Recommended Decision* in Case No. 15-00261-UT, a Public Service Company of New Mexico ("PNM") litigated rate case. NEE circulated its filing for parties' positions and stated: New Mexico Gas Company opposes the addition. WRA has no objection. No other party provided its position.

In its Response to NEE's Request for Addition, NMGC asserted that NEE's Requested Addition is: (1) outside the scope of the Stipulation; (2) not supported by substantial evidence in the record; and (3) unnecessary. With regard to its first claim, NMGC asserted that the conclusions that NEE asks the Hearing Examiner to adopt are outside the scope of the Stipulation and the Parties' agreement (Stipulation paragraph 16) that specifically relates to NMGC's agreement to withdraw its request to establish a regulatory asset for costs associated with its Application for a liquefied natural

[402] Case No. 18-00261-UT, *Recommended Decision* at 13-15 (March 18, 2018), *Final Order Adopting Recommended Decision* issued March 27, 2019.
[403] *Id.,* at 15.
[404] Case No. 22-00309-UT, *Final Order* at 5, ¶ 14, issued March 14, 2024.

gas ("LNG") facility in Case No. 22-00309-UT (the "LNG Reg Asset").[405] NMGC claimed that the determination of the ultimate validity of the LNG Reg Asset was not included in the terms of the Stipulation, nor was any determination of the legal standard applicable to the LNG Reg Asset and as these issues are outside the scope of the Stipulation, their inclusion in the Certification of Stipulation would be inappropriate. NMGC argues that because NEE's proposed finding and conclusion was outside the Stipulation, inclusion of NEE's proposal would be inappropriate as it makes several legal conclusions on issues that were not fully litigated and are not supported by the record in this case.

Secondly, NMGGC avers that since these issues were not fully litigated, the arguments and evidence supporting them were not developed and are unclear and incomplete and that to make findings of fact and conclusions of law on these issues, the Hearing Examiner would have to guess as to the parties' arguments. NMGC contends that the New Mexico courts have routinely declined to rule on inadequately briefed or undeveloped issues because "[t]o rule on an inadequately briefed issue, th[e] Court would have to develop the arguments itself, effectively performing the parties' work for them."[406] NMGC concludes that the determination of issues that were not fully litigated would not be supported by substantial evidence and that decisions by the Commission cannot be upheld if they are "arbitrary and capricious, not supported by substantial evidence, outside the scope of the agency's authority, or otherwise inconsistent with law[.]"[407]

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405 Stipulation para. 16.
406 *See e.g. Citizens for Fair Rates v. N.M. Pub. Regulation Comm'n*, 2022-NMSC-010, 503 P.3d 1138 (declining to review arguments inadequately developed by NEE); *see also Elane Photography, LLC v. Willock*, 2013-NMSC-040, ¶ 70, 309 P.3d 53; *Headley v. Morgan Mgmt. Corp.*, 2005-NMCA-045, ¶ 15, 137 N.M. 339, 110 P.3d 1076 ("We will not review unclear arguments, or guess at what [a party's] arguments might be."); *State v. Clifford*, 1994-NMSC-048, ¶ 19, 117 N.M. 508, 873 P.2d 254 ("We remind counsel that we are not required to do their research . . . .").
407 *New Energy Econ., Inc. v. N.M. Pub. Regul. Comm'n*, 2018-NMSC-024, ¶ 24, 416 P.3d 277 (internal quotation

Thirdly, NMGC alleges that the adoption of NEE's proposed findings and conclusions is not necessary for the resolution of this case. NEE acknowledged it is a Signatory to the Stipulation and joined the Stipulating Parties' Proposed Certification of Stipulation as submitted to the Commission.[408] As all of the Parties have stated under oath, the Stipulation fully resolves all of the issues in this case, and this finding was not part of the agreement reached between the parties nor part of the evidentiary record developed at the hearing on the Stipulation.

After considering NEE's Request for Addition, and NMGC's Response to NEE's Requested Addition, the Hearing Examiner finds that NEE's Requested Addition should be denied. The language in the Request for Addition directly affects paragraph 16 of the Stipulation where NMGC agrees to withdraw its request to establish a regulatory asset for costs associated with its LNG in Case No. 22-00309-UT. The language in NEE's Request for Addition is beyond the scope of the Stipulation because the underlying issue was withdrawn, not litigated, and the language that NEE seeks to include in the Certification of Stipulation describing, clarifying or relating to paragraph 16, contains information not included in paragraph 16 of the Stipulation. The Hearing Examiner finds that in these circumstances, it would be improper to make factual findings or conclusions on issues that were withdrawn, not fully vetted in the proceeding, or were not actually included in the specific agreed upon provision of the Stipulation. Not only are such proposed actions beyond the scope of the Stipulation but they are also potentially violative of due process protections.

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marks and citation omitted); *Citizens for Fair Rates v. N.M. Pub. Regulation Comm'n*, 2022-NMSC-010, 503 P.3d 1138.

[408] NEE Requested Addition at 1.

Further, NEE's conduct in filing a pleading contrary to the stipulated agreements in the Stipulation appears to be an impermissible attempt to change or modify the Stipulation, suggesting that NEE has now changed its position on the Stipulation, or at least is ambivalent about the Stipulation. NEE signed the Stipulation and agreed to support it (paragraph 31). NEE now chooses, in violation of its duty to support the Stipulation, to expand the meaning and impact of paragraph 16 which also potentially violates paragraphs 29 and 30 of the Stipulation. Paragraph 29 of the Stipulation sets forth that parties to the Stipulation agree that the "Stipulation contains the full intent and understanding of the Signatories and constitutes the entire agreement of the Signatories.[409] Paragraph sets forth that the Signatories agree that "substantive terms and conditions set forth in this Stipulation are interdependent, and that the various provisions of this Stipulation are not severable. Any modification of the substantive terms and conditions of this Stipulation requires the written agreement of all the Signatories."[410] Logically and legally, NEE cannot pursue two diametrically opposed positions on the Stipulation in this case, either NEE supports the Stipulation as written and signed or NEE doesn't support the Stipulation as written and signed. Therefore, for all of the reasons set forth above, which the Hearing Examiner determines constitute good cause shown, NEE's Requested Addition is not well taken, and therefore is denied.

7. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Hearing Examiner recommends that the Commission **FIND** and **CONCLUDE**:

1. The Statement of the Case, Discussion, and all rulings, determinations, and findings and

[409] Stipulation at para. 29.
[410] Stipulation at para. 30.

conclusions contained therein, whether separately stated, numbered, or designated as such, are hereby incorporated by reference as findings of fact and conclusions of law of the Commission.

2. The Commission has jurisdiction over the parties to and the subject matter of this case.

3. NMGC is a public utility as defined by Section 62-3-3(G) of the PUA and is subject to the jurisdiction and authority of the Commission.

4. Due and proper notice of this case has been given as required by law.

5. The Stipulating Parties joined the Stipulation to resolve all the issues.

6. No participant in the case opposes Commission approval of the Stipulation. No statement of opposition to the stipulation was filed.

7. NMGC's present rates are not fair, just, or reasonable.

8. The tariffs filed under Advice Notice No. 96 should not be approved.

9. The Stipulating Parties have satisfied their burden of proof. The Stipulation is a product of serious bargaining among capable and knowledgeable parties. It results in fair, just, and reasonable rates. It benefits NMGC, its customers, the public interest, and it does not violate any important regulatory principle or practice. The Stipulation should be approved.

10. A copy of the Stipulation with its Exhibits is attached to this Certification as **Attachment A**.

11. NMGC and the Stipulating Parties shall comply with all requirements placed on them by this order.

12. As set forth in paragraphs 21 and 22 of the Stipulation, the proposed rate schedules filed by NMGC under Notice No. 96 shall be withdrawn and NMGC will file a new advice notice

within 5 business days of a Final Order containing the revised rate schedules to: A) increase its annualized base revenues by $30 million; B) make applicable changes to Second Revised Rule No. 29 – Rate Rider No. 8 – Details to reflect the proposed updates to the Degree Day Consumption Factor, the Margin Revenue Factor, the Normal Calendar Month Heating Degree Days, and the Weighted Average Heating Degree Days; and C) file the Company's proposed Third Revised Rule No. 29 – Rate Rider No. 8 Details which has been updated to account for the Stipulation.

13. After NMGC has filed its compliance filing as set forth above under a new advice notice, Staff shall review the filing within 5 business days of the filing of the Advice Notice, as to form and compliance.

14. NMGC's post-hearing responses to the Hearing Examiner's Bench Requests made during the hearing shall be considered evidence of record pursuant to 1.2.2.35(K) NMAC.

15. NMGC's suggested amended corrections to the transcripts for its witnesses filed pursuant to 1.2.2.34(C)2 NMAC as reflected in **Attachment D** are accepted**.**

16. As set forth in Paragraph 14 of the Stipulation, rates "shall be implemented October 1, 2024 or within seven days following the Commission's Final Order approving the Stipulation in this case (whichever is later)". Pursuant to this agreement, the new rates and tariffs should become effective for service beginning on October 1,2024.

17. NEE's Requested Addition is not well taken and should be denied.

8. DECRETAL PARAGRAPHS

Based upon the record, the findings of fact and conclusions of law set forth above and in the body of this order, the Hearing Examiner recommends that the Commission **ORDER** as follows:

A. The findings, conclusions, decisions, rulings, and determinations made and contained in the Certification of Stipulation shall be carried out and complied with.

B. NMGC's rates and tariffs filed pursuant to Advice Notice No. 96 are disapproved.

C. The Stipulation is **APPROVED.**

D. The relief requested by NMGC in its Corrected Application, as modified by the Stipulation, is approved and adopted and shall govern the resolution of all issues in this case.

E. NMGC shall file a new advice notice as a compliance filing within 5 business days of this order containing the rates and tariffs as set forth in the Stipulation, and this Order. Staff shall review the compliance filings within 5 business days of the filing of the Advice Notice, as to form and compliance.

F. Pursuant to Paragraph 14 of the Stipulation, rates "shall be implemented October 1, 2024 or within seven days following the Commission's Final Order approving the Stipulation in this case (whichever is later)". Pursuant to this agreement, the new rates and tariffs shall become effective for service beginning on October 1, 2024.

G. NMGC and the Stipulating Parties shall comply with all requirements placed on it in this case.

H. NEE's Requested Addition is **DENIED**.

I. Any matter not specifically ruled on prior to or during the hearing or in this Order is disposed of consistent with this Order and Commission rules.

J. The evidentiary record is closed.

K. A copy of this Order will be served on all parties listed on the official service list via e-mail.

L. This docket shall close on the date that the Rate Schedules and the Revised Tariffs are filed and reviewed and will become effective in accordance with the Stipulation as provided in this Final Order.

ISSUED under the Seal of the Commission at Santa Fe, New Mexico, this 6th day of June 2024.

NEW MEXICO PUBLIC REGULATION COMMISSION

Elizabeth C. Hurst
Hearing Examiner

ATTACHMENT A

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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

UNCONTESTED STIPULATION

New Mexico Gas Company, Inc. ("NMGC" or the "Company"), the New Mexico Department of Justice ("NMDOJ"), the Federal Executive Agencies ("FEA"), the New Mexico Affordable Reliable Energy Alliance ("NM AREA"), New Energy Economy ("NEE"), the Coalition for Clean Affordable Energy ("CCAE"), Western Resource Advocates ("WRA"), and the Utility Division Staff of the Commission ("Staff") (collectively, the "Signatories"), through their undersigned authorized representatives agree and stipulate as follows**:**

BACKGROUND

1. On September 14, 2023, pursuant to NMSA 1978, Section 62-3-3, and 17.1.210.11 NMAC, 17.1.3 NMAC, and 17.10.630 NMAC, NMGC filed its Application for Revisions to its Rates, Rules and Charges ("Application") based on a twelve-month Future Test Year period ending September 30, 2025.

2. NMGC, through its Application, requested, among other things, the following:

A. an increase in revenues of approximately $48.97 million[1] to be recovered through base rates;

[1] The Company filed a revision on December 15, 2023, revising this figure to $48.43 million.

B. an overall post-tax weighted average cost of capital of 7.38%, including a requested return on equity of 10.5% and a capital structure comprised of 53% equity and 47% debt;

C. an increase in access fees for Rate 10 customers from $12.40 to $15.50;

D. a request to convert the Company's Weather Normalization Adjustment Mechanism (detailed in Rate No. 1-8, Rate Rider No. 8 - Weather Normalization Adjustment Mechanism and the Company's Rule 29, Rate Rider No. 8 Details) from a pilot program with a sunset provision to a normal tariff program without any automatic termination provisions.

3. In support of its Application, NMGC filed the schedules required by 17.10.630 NMAC, the information required by 17.1.3 NMAC, and the direct testimonies of eleven witnesses.

4. Staff and the intervenors filed direct testimonies of twelve witnesses which advocated for changes to many aspects of the Company's claimed revenue deficiencies, including adjustments to capital expenditures, adjustments to operations and maintenance expenses, and adjustments to return on equity and capitalization structure.

5. The terms of this Uncontested Stipulation ("Stipulation") reflect good faith arms-length negotiations by the Signatories, and properly balance the interests of the customers and investors.

6. The Signatories agree that the Stipulation is in the public interest, and results in fair, just, and reasonable rates.

7. The Signatories agree that this Stipulation resolves all issues between the Signatories in relation to NMGC's Application, and more specifically agree as follows:

STIPULATION

Base Revenue Increase and Stipulated Rates

8. Attached as **Stipulation Exhibit No. 1** is the reconciliation required by 1.2.2.20 NMAC, containing the information listed in 1.2.2.36(F) NMAC.

9. **Stipulation Exhibit No. 1** includes the following cost of service components:

A. Depreciation and amortization rates - NMGC shall use the depreciation and amortization rates reflected in **Stipulation Exhibit No. 1**;

B. Return on equity of 9.375%;

C. Cost of debt of 3.99%;

D. Capital structure of 52% equity and 48% debt;

E. Tax unadjusted average cost of capital of 6.79%;

F. Base revenue increase of $30 million.

10. The amounts reflected in **Stipulation Exhibit No. 1** are fair, just, and reasonable.

11. Attached as **Stipulation Exhibit No. 2** is a schedule showing increases in the cost of service revenue for all rate classes for recovery of the $30 million base revenue increase. The Signatories stipulate and agree that the allocation of these base rate increases by rate class is fair, just, and reasonable.

12. Attached as **Stipulation Exhibit No. 3** is a schedule showing the present and proposed rate for each affected rate class. These rates are based upon the Company's original rate design included in the Application as NMGC Exhibit TSL-8 to NMGC Witness Timothy Lyons Direct Testimony. The Signatories agree that the revised base rates reflected in **Stipulation Exhibit No. 3** are fair, just, and reasonable.

13. Attached to this Stipulation as **Stipulation Exhibit No. 4** is a schedule showing percentage changes in bills for each rate class at various usage levels. The rate design for residential customers in Rate No. 10 Residential Service, as well as other heat sensitive customers, were adjusted for normal weather.

14. The rates set forth in this Stipulation and Stipulation Exhibits shall be implemented October 1, 2024 or within seven days following the Commission's Final Order approving the Stipulation in this case (whichever is later). NMGC shall file appropriate advice notices to implement the revised rates at least five days prior to their effective dates.

Regulatory Assets

15. The Company agrees to withdraw, without prejudice, its request to establish a regulatory asset for expenses related to third-party fees that are charged when customers use credit cards to pay their utility bills.

16. The Company agrees to withdraw its request to establish a regulatory asset for expenses it incurred in filing for and obtaining a certificate of public convenience and necessity to construct a liquified natural gas storage facility (NMPRC Case No. 22-00309-UT). NMGC further agrees not to assert this regulatory asset in any future rate case.

17. The Company agrees to modify its request to establish and recover a regulatory asset related to the costs the Company will incur in the implementation of the upgrade of its customer information system ("Hansen CIS Regulatory Asset"). The Company requests, and the Signatories agree, that the Commission allow NMGC to establish the Hansen CIS Regulatory Asset, but not recover any of these amounts at this time. Instead, NMGC will seek recovery of the Hansen CIS Regulatory Asset in a future base rate case filing. The Signatories are not taking any

position as to the future recoverability of the Hansen CIS Regulatory Asset, and will be free to oppose or support any future proposed cost recovery in full or in part.

18. For all remaining regulatory assets proposed in this case (including the Company's COVID-19 Regulatory Asset), the Signatories agree that the amortization and recovery of these items are included without specificity within the $30 million base revenue increase. NMGC agrees to fully amortize the amounts in these regulatory assets prior to the effective date of the future test period of its next base rate case filing and will not seek recovery of these amounts in any future base rate case. NMGC further agrees that it will not reassert its COVID-19 Regulatory Asset in its next rate case.

19. In order to provide NMGC with the guidance needed to record transactions in its books and records, the Signatories agree that historic accounting treatment by the Company can be carried forward and that NMGC may incorporate the accounting positions as detailed in the Direct Testimony of NMGC Witness Davicel Avellan. Notwithstanding this position, it is understood the Company is free in future proceedings to propose amortization schedules as it deems appropriate for any expense, and that any Signatory is free to take any position on the Company's proposed amortization schedule.

Additional Provisions

20. The Signatories agree that the discounted transportation rates as discussed in the Direct Testimony of NMGC Witness Tom C. Bullard, and listed in **Stipulation Exhibit No. 5,** are fair, just, and reasonable and no changes to these rates were proposed in this case.

21. The Signatories agree that NMGC's request to continue the Company's Weather Normalization Adjustment Mechanism (detailed in Rate No. 1-8, Rate Rider No. 8 - Weather Normalization Adjustment Mechanism and codified in Second Revised Rule No. 29 – Rate

Design) as a tariff provision without any automatic termination provisions, as opposed to a pilot with a sunset provision, should be granted. Any Signatory is free to take any position on the Company's Weather Normalization Adjustment Mechanism in the future. **Stipulation Exhibit No. 6** is the Company's proposed Third Revised Rule No. 29 – Rate Rider No. 8 Details, which has been updated to account for this Stipulation.

22. The proposed rate schedules filed by NMGC under Advice Notice No. 96 shall be withdrawn and NMGC will file revised rate schedules to: A) increase its annualized base revenues by $30 million; and B) make applicable changes to Second Revised Rule No. 29 – Rate Rider No. 8 – Details to reflect the proposed updates to the Degree Day Consumption Factor, the Margin Revenue Factor, the Normal Calendar Month Heating Degree Days, and the Weighted Average Heating Degree Days.

23. The Signatories agree that NMGC will recommend to the Hearing Examiner in its next rate case that the Notice in that case, in addition to the language currently in the Notice to Customers, contain language that reflects the increases that a range of typical residential customers would see under the agreed-to rates at the times of the year when natural gas usage by NMGC customers is at its lowest and at its highest including the following:

- in the Summer (non-heating months), customers using 10 therms in a month will see a[n] _____% increase in their monthly bill from $_____________ under previous rates to $______________under the proposed new rates;
- in the Winter (heating months), customers using 100 therms in a month will see a[n] _____% increase in their monthly bill from $_____________ under previous rates to $______________under the proposed new rates;

- in the Winter (heating months), customers using 150 therms in a month will see a[n] _____% increase in their monthly bill from $_____________ under previous rates to $______________under the proposed new rates.

Additionally, NMGC will recommend to the Hearing Examiner in NMGC's next rate case that Table 1 in the Notice provided in this case be amended to include an additional row at the bottom which calculates the average for each of the columns of residential use contained in the table. Ultimately, the Hearing Examiner in NMGC's next rate case shall make the final determination as to the exact additional language but the Signatories agree that more information will provide ratepayers a better sense of the impact the requested rate increase will have on their bills during the winter and summer months.

24. 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. The Company agrees to consult with WRA, PRC Staff, and any other interested party in its evaluation process. Once the revised policy is filed, parties and Staff retain the right to object to the new line extension policy and seek Commission review and hearing.

25. Signatories agree to NMGC's proposed rate design with the exception that the residential access fee remains at $12.40 as agreed to in this Stipulation.

General Provisions

26. The Signatories stipulate to the admission into the evidentiary record of this case of the following documents: 1) this Stipulation and the Stipulation Exhibits; 2) the pre-filed direct testimonies, exhibits, and schedules of the Signatories and all other intervenors in Case No. 23-

00255-UT; and 3) all testimonies, exhibits, and schedules that the Signatories file in support of this Stipulation.

27. The Signatories agree that this Stipulation has been drafted by all of the Signatories and is the result of negotiation, compromise, settlement, and accommodations by each of the Signatories.

28. The Signatories agree that this Stipulation: 1) provides benefits to NMGC and its customers; 2) is in the public interest; and 3) results in fair, just, and reasonable rates.

29. This Stipulation contains the full intent and understanding of the Signatories and constitutes the entire agreement of the Signatories. There are no representations, warranties, or agreements other than those specifically set forth in this Stipulation. No implication should be drawn on any matter not specifically addressed in this Stipulation.

30. The Signatories agree that the substantive terms and conditions set forth in this Stipulation are interdependent, and that the various provisions of this Stipulation are not severable. Any modification of the substantive terms and conditions of this Stipulation requires the written agreement of all the Signatories. If the Stipulation is not adopted in its entirety, or is adopted but with modification, by the Commission, the Stipulation will be voidable by any Signatory, each Signatory will have the right to withdraw from this Stipulation, to obtain a hearing on NMGC's application, and to advocate any position it deems appropriate with respect to any issue regarding this Stipulation.

31. The Signatories agree to support the approval of this Stipulation in this case and shall support the Stipulation and its terms in any related proceeding before the Commission. Signatories agree to make reasonable and good faith efforts to obtain the Commission's approval of this Stipulation.

32. The Signatories agree that by approving this Stipulation, the Commission is neither granting any approval nor creating any precedent regarding any specific principle or issue in future proceedings, except as specifically provided in the final order.

33. Except as explicitly stated herein, this Stipulation is binding on each of the Signatories only for the purpose of settling the issues set forth in this Stipulation and for no other purposes, and this Stipulation shall not be binding or precedential on a Signatory outside of this proceeding. It is acknowledged that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in other cases before the Commission or in other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other cases or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other cases or jurisdictions, regardless of whether other cases present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Stipulation. The provisions of this Stipulation are intended to relate to only the specific matters referenced to in this Stipulation. By agreeing to this Stipulation, no Signatory waives any rights it may have in other pending or future proceedings, and it will not be deemed to have approved, accepted, agreed to, or consented to the application of any concept, principle, theory, or method that may support or underlie any of the dollar amounts, rates in tariffs, depreciation rates, dollar balances, or other monetary or numerical values set out in, or attached to, this Stipulation in any future proceeding other than as expressly provided in this Stipulation.

34. Signatories agree to refrain from introducing in any regulatory or court proceeding any statement made or position taken by any of the Signatures during the course of negotiations.

35. The Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Signatories.

36. The Incorporated County of Los Alamos participated in the settlement discussions, does not oppose the terms of this Stipulation, and may subsequently file a joinder to this Stipulation after it is presented to the County Council.

37. This Stipulation may be executed in any number of counterparts, including by electronic signature, telefax or PDF signature, each of which shall be deemed to be an original and all of which will constitute one and the same agreement. This Stipulation shall be deemed fully executed upon the signature upon the same and separate or individual copies of the signature page(s) by all Signatories.

38. The Signatories agree to toll the running of the applicable suspension period for a period of time beginning with the commencement of the parties' settlement negotiations and ending with the final Commission action on this Stipulation. The Signatories agree that the date settlement negotiations commenced was February 23, 2024.

Dated as of March 1, 2024

NEW MEXICO GAS COMPANY, INC.

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NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year[1]	Test Period Adjustments	Adjusted Future Test Year[1]	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
4											
5	**Rate Base**										
6											
7	**Net Plant**										
8											
9	Net Transmission Plant										
10											
11	Land And Land Rights	101/106 - 365.1	$ 4,900,936	$ -	$ 4,900,936	$ 4,900,936	$ -	$ 4,900,936	$ -	$ -	$ -
12	Right Of Way	101/106 - 365.2	$ 3,434,727	$ 32,542	$ 3,467,269	$ 3,434,727	$ 32,542	$ 3,467,269	$ -	$ -	$ -
13	Compressor Station Structure	101/106 - 366.1	$ 697,400	$ 10,791	$ 708,190	$ 697,400	$ 10,791	$ 708,190	$ -	$ -	$ -
14	Measuring Station Structure	101/106 - 366.2	$ 10,869	$ 316	$ 11,184	$ 10,869	$ 316	$ 11,184	$ -	$ -	$ -
15	Other Structures	101/106 - 366.3	$ 219,545	$ 4,248	$ 223,794	$ 219,545	$ 4,248	$ 223,794	$ -	$ -	$ -
16	Mains-Bare Steel Pipe	101/106 - 367.0	$ (13,668)	$ -	$ (13,668)	$ (13,668)	$ -	$ (13,668)	$ -	$ -	$ -
17	Mains-Wrapped Steel Pipe	101/106 - 367.1	$ 234,130,760	$ (8,308,012)	$ 225,822,748	$ 234,130,760	$ (8,308,012)	$ 225,822,748	$ -	$ -	$ -
18	Mains-Other Equipment	101/106 - 367.2	$ 109,136	$ -	$ 109,136	$ 109,136	$ -	$ 109,136	$ -	$ -	$ -
19	Mains-Other Equipment	101/106 - 367.3	$ 26,715,804	$ 724,728	$ 27,440,532	$ 26,715,804	$ 724,728	$ 27,440,532	$ -	$ -	$ -
20	Mains - Anodes	101/106 - 367.4	$ 372,364	$ 179,008	$ 551,372	$ 372,364	$ 179,008	$ 551,372	$ -	$ -	$ -
21	Compressor Station Equipment	101/106 - 368.0	$ 38,495,070	$ (1,165,919)	$ 37,329,152	$ 38,495,070	$ (1,165,919)	$ 37,329,152	$ -	$ -	$ -
22	Field Measuring & Regulation	101/106 - 369.0	$ 70,216,255	$ (2,775,783)	$ 67,440,472	$ 70,216,255	$ (2,775,783)	$ 67,440,472	$ -	$ -	$ -
23	Other Equipment	101/106 - 371.0	$ 42,964	$ 2,766	$ 45,730	$ 42,964	$ 2,766	$ 45,730	$ -	$ -	$ -
24											
25	Total Net Transmission Plant		$ 379,332,162	$ (11,295,315)	$ 368,036,847	**$ 379,332,162**	**$ (11,295,315)**	**$ 368,036,847**	**$ -**	**$ -**	**$ -**
26											
27	Net Distribution Plant										
28											
29	Land	101/106 - 374.1	$ 1,473,513	$ -	$ 1,473,513	$ 1,473,513	$ -	$ 1,473,513	$ -	$ -	$ -
30	Land Rights	101/106 - 374.2	$ 218,002	$ 2,195	$ 220,197	$ 218,002	$ 2,195	$ 220,197	$ -	$ -	$ -
31	Structures & Improvement	101/106 - 375	$ 415,730	$ 6,212	$ 421,942	$ 415,730	$ 6,212	$ 421,942	$ -	$ -	$ -
32	Mains-Bare Steel Pipe	101/106 - 376	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
33	Mains-Wrapped Steel Pipe	101/106 - 376.1	$ 74,613,379	$ (3,468,670)	$ 71,144,709	$ 72,968,535	$ (2,921,831)	$ 70,046,704	$ (1,644,845)	$ 546,839	$ (1,098,005)
34	Mains-Plastic Pipe	101/106 - 376.2	$ 233,616,893	$ (10,518,574)	$ 223,098,318	$ 222,097,136	$ (6,687,793)	$ 215,409,342	$ (11,519,757)	$ 3,830,781	$ (7,688,976)
35	Mains-Cathodic Protection	101/106 - 376.3	$ 92,598	$ 6,220	$ 98,818	$ 92,598	$ 6,220	$ 98,818	$ -	$ -	$ -
36	Mains-Other Equipment	101/106 - 376.4	$ 15,498,955	$ (1,814,541)	$ 13,684,414	$ 14,684,255	$ (1,544,961)	$ 13,139,293	$ (814,700)	$ 269,579	$ (545,121)
37	Mains - Anodes	101/106 - 376.5	$ 11,503,023	$ 916,808	$ 12,419,831	$ 11,503,023	$ 916,808	$ 12,419,831	$ -	$ -	$ -
38	Compressor Station Equipment	101/106 - 377	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
39	Field Measuring & Regulation	101/106 - 378	$ 14,615,735	$ 41,563	$ 14,657,298	$ 14,615,735	$ 41,563	$ 14,657,298	$ -	$ -	$ -
40	Field Measuring & Regulation	101/106 - 379	$ 2,099,654	$ 41,031	$ 2,140,685	$ 2,099,654	$ 41,031	$ 2,140,685	$ -	$ -	$ -
41	Services-Plastic Pipe	101/106 - 380	$ 61,932,773	$ (4,979,343)	$ 56,953,430	$ 59,462,738	$ (4,157,707)	$ 55,305,031	$ (2,470,035)	$ 821,635	$ (1,648,399)
42	Services-Bare Steel Pipe An	101/106 - 380.1	$ 17,385,250	$ (984,513)	$ 16,400,737	$ 17,385,250	$ (984,513)	$ 16,400,737	$ -	$ -	$ -
43	Meters	101/106 - 381	$ 74,958,488	$ (1,344,843)	$ 73,613,645	$ 74,958,488	$ (1,344,843)	$ 73,613,645	$ -	$ -	$ -
44	ERTS - AMR Meters	101/106 - 381.1	$ 12,928,549	$ 474,791	$ 13,403,340	$ 12,928,549	$ 474,791	$ 13,403,340	$ -	$ -	$ -
45	House Regulators	101/106 - 383	$ 4,000,413	$ 75,441	$ 4,075,854	$ 4,000,413	$ 75,441	$ 4,075,854	$ -	$ -	$ -
46	Industrial Measuring & Regulation	101/106 - 385	$ 15,824,980	$ (124,801)	$ 15,700,179	$ 15,824,980	$ (124,801)	$ 15,700,179	$ -	$ -	$ -
47											
48	Total Net Distribution Plant		$ 541,177,937	$ (21,671,024)	$ 519,506,913	**$ 524,728,600**	**$ (16,202,189)**	**$ 508,526,411**	**$ (16,449,337)**	**$ 5,468,835**	**$ (10,980,502)**

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A/B/C/D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year(1)	Test Period Adjustments	Adjusted Future Test Year(1)	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
49											
50	Net General and Intangible Plant										
51											
52	Intangible Plt - Software	101/106 - 303.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
53	Intangible Plt - Software	101/106 - 303.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
54	Intangible Plt - Software	101/106 - 303.3	$ 66,213,150	$ (4,997,637)	$ 61,215,513	$ 66,213,150	$ (4,997,637)	$ 61,215,513	$ -	$ -	$ -
55	Land	101/106 - 389	$ 5,251,377	$ -	$ 5,251,377	$ 5,251,377	$ -	$ 5,251,377	$ -	$ -	$ -
56	Structures & Improvement	101/106 - 390	$ 42,193,505	$ (3,859,701)	$ 38,333,805	$ 42,193,505	$ (3,859,701)	$ 38,333,805	$ -	$ -	$ -
57	Structures & Improvement	101/106 - 390.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
58	Structures & Improvement	101/106 - 390.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
59	Struct & Imprv Business Ctr	101/106 - 390.3	$ 627,701	$ 14,137	$ 641,838	$ 627,701	$ 14,137	$ 641,838	$ -	$ -	$ -
60	Struct & Imprv Los Lunas Bldg	101/106 - 390.4	$ -	$ 655	$ 655	$ -	$ 655	$ 655	$ -	$ -	$ -
61	Struct & Imprv Rio Bravo	101/106 - 390.5	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62	Struct & Imprv Rio Rancho	101/106 - 390.6	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63	Struct & Imprv Santa Fe	101/106 - 390.7	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64	Struc & Imprv SF Pymt Ctr	101/106 - 390.8	$ 2,812	$ 1,851	$ 4,663	$ 2,812	$ 1,851	$ 4,663	$ -	$ -	$ -
65	Solar Structures	101/106 - 390.9	$ 2,792,106	$ 53,126	$ 2,845,232	$ 2,792,106	$ 53,126	$ 2,845,232	$ -	$ -	$ -
66	Office Furniture & Equip	101/106 - 391	$ 808,275	$ 50,248	$ 858,524	$ 808,275	$ 50,248	$ 858,524	$ -	$ -	$ -
67	Off Furn & Equip, PC Systems	101/106 - 391.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
68	Off Furn & Equip, PCs	101/106 - 391.2	$ 5,172,608	$ 815,599	$ 5,988,207	$ 5,172,608	$ 815,599	$ 5,988,207	$ -	$ -	$ -
69	Transportation Equip-Light	101/106 - 392	$ 10,668,563	$ (610,359)	$ 10,058,203	$ 10,668,563	$ (610,359)	$ 10,058,203	$ -	$ -	$ -
70	Transportation Equip-Heavy	101/106 - 392.1	$ 1,935,769	$ (41,008)	$ 1,894,761	$ 1,935,769	$ (41,008)	$ 1,894,761	$ -	$ -	$ -
71	Transportation Equip-Trailer	101/106 - 392.2	$ 2,454,055	$ (27,681)	$ 2,426,373	$ 2,454,055	$ (27,681)	$ 2,426,373	$ -	$ -	$ -
72	Transportation Equip - Medium	101/106 - 392.3	$ 6,449,408	$ (337,341)	$ 6,112,067	$ 6,449,408	$ (337,341)	$ 6,112,067	$ -	$ -	$ -
73	Transp Equip - Special Purpos	101/106 - 392.4	$ 104,203	$ 7,775	$ 111,978	$ 104,203	$ 7,775	$ 111,978	$ -	$ -	$ -
74	Stores Equip	101/106 - 393	$ 471,372	$ (3,371)	$ 468,000	$ 471,372	$ (3,371)	$ 468,000	$ -	$ -	$ -
75	Tools,Shop & Garage Equip	101/106 - 394	$ 13,792,569	$ (205,675)	$ 13,586,895	$ 13,792,569	$ (205,675)	$ 13,586,895	$ -	$ -	$ -
76	Power Operated Equipment	101/106 - 396	$ 5,327,182	$ (94,368)	$ 5,232,815	$ 5,327,182	$ (94,368)	$ 5,232,815	$ -	$ -	$ -
77	Communication Equip	101/106 - 397	$ 1,099,299	$ 325,551	$ 1,424,850	$ 1,099,299	$ 325,551	$ 1,424,850	$ -	$ -	$ -
78	Miscellaneous Equipment	101/106 - 398	$ 2,609,317	$ (17,896)	$ 2,591,421	$ 2,609,317	$ (17,896)	$ 2,591,421	$ -	$ -	$ -
79	ARO Asset	101/106 - 399.1	$ 3,712	$ -	$ 3,712	$ 3,712	$ -	$ 3,712	$ -	$ -	$ -
80											
81	Total Net General and Intangible Plant		$ 167,976,982	$ (8,926,093)	$ 159,050,889	**$ 167,976,982**	**$ (8,926,093)**	**$ 159,050,889**	**$ -**	**$ -**	**$ -**
82											
83	Total Net Plant		$ 1,088,487,081	$ (41,892,432)	$ 1,046,594,649	**$ 1,072,037,744**	**$ (36,423,597)**	**$ 1,035,614,147**	**$ (16,449,337)**	**$ 5,468,835**	**$ (10,980,502)**
84											
85											
86	**Accumulated Deferred Income Taxes**										
87											
88											
89	Deferred Tax Assets	190	$ 31,326,617	$ (281,219)	$ 31,045,398	$ 31,326,617	$ (281,219)	$ 31,045,398	$ -	$ -	$ -
90	Deferred Tax Liabilities - Other Property	282	$ (137,425,224)	$ 1,080,967	$ (136,344,258)	$ (137,425,224)	$ 1,080,967	$ (136,344,258)	$ -	$ -	$ -
91	Deferred Tax Liabilities - Other	283	$ (26,069,179)	$ 26,883,335	$ 814,156	$ (26,069,179)	$ 26,883,335	$ 814,156	$ -	$ -	$ -
92											
93											
94	Total Accumulated Deferred Income Taxes		$ (132,167,787)	$ 27,683,083	$ (104,484,704)	**$ (131,527,778)**	**$ 27,683,083**	**$ (103,844,696)**	**$ 640,008**	**$ -**	**$ 640,008**

Sponsored by NMGC Witness Erik C. Buchanan

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year[1]	Test Period Adjustments	Adjusted Future Test Year[1]	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
95											
96											
97	**Regulatory Assets and Liabilities**										
98											
99	Existing Rate Case Expenses	182.3	$ 159,363	$ 79,681	$ 239,044	$ 177,070	$ 70,828	$ 247,898	$ 17,707	$ (8,853)	$ 8,853
100	IMP Regulatory Asset	182.3	$ 8,013	$ 4,006	$ 12,019	$ 8,903	$ 3,561	$ 12,464	$ 890	$ (445)	$ 445
101	COVID Regulatory Asset	182.3	$ 3,683,380	$ 613,897	$ 4,297,276	$ 2,728,429	$ 1,091,372	$ 3,819,801	$ (954,950)	$ 477,475	$ (477,475)
102	Hansen CIS Regulatory Asset	182.3	$ 2,113,979	$ 79,921	$ 2,193,900	$ -	$ -	$ -	$ (2,113,979)	$ (79,921)	$ (2,193,900)
103	Legal Regulatory Liability	253	$ (637,833)	$ (318,917)	$ (956,750)	$ (708,704)	$ (283,481)	$ (992,185)	$ (70,870)	$ 35,435	$ (35,435)
104	Income Tax Regulatory Liability	254	$ (26,581,705)	$ (185,102)	$ (26,766,807)	$ (26,581,705)	$ (185,102)	$ (26,766,807)	$ -	$ -	$ -
105											
106	Total Regulatory Assets and Liabilities		$ (21,254,804)	$ 273,487	$ (20,981,317)	**$ (24,376,007)**	**$ 697,178**	**$ (23,678,829)**	**$ (3,121,202)**	**$ 423,691**	**$ (2,697,512)**
107											
108											
109	**Other Rate Base Items**										
110											
111	Customer Deposits	235	$ (8,410,430)	$ -	$ (8,410,430)	$ (8,410,430)	$ -	$ (8,410,430)	$ -	$ -	$ -
112	Injuries and Damages Reserve	228	$ (1,598,396)	$ -	$ (1,598,396)	$ (1,598,396)	$ -	$ (1,598,396)	$ -	$ -	$ -
113	Non-Refundable CIAC	108.03	$ (1,226,541)	$ (306,635)	$ (1,533,177)	$ (1,226,541)	$ (306,635)	$ (1,533,177)	$ -	$ -	$ -
114	RWIP	108	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
115	CWIP - Transmission	107	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
116	CWIP - Distribution	107	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
117	CWIP - General	107	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
118	ARO - General	230	$ (747,132)	$ 29,574	$ (717,558)	$ (747,132)	$ 29,574	$ (717,558)	$ -	$ -	$ -
119	Right-of-Way - Transmission	186	$ 41,790,530	$ 1,532,194	$ 43,322,724	$ 41,790,530	$ 1,532,194	$ 43,322,724	$ -	$ -	$ -
120	Right-of-Way - Distribution	186	$ 2,560,321	$ 151,684	$ 2,712,004	$ 2,560,321	$ 151,684	$ 2,712,004	$ -	$ -	$ -
121	Right-of-Way - Transmission	242	$ 0	$ (0)	$ 0	$ 0	$ (0)	$ 0	$ -	$ -	$ -
122	Right-of-Way - Distribution	242	$ (371,713)	$ 15,512	$ (356,201)	$ (371,713)	$ 15,512	$ (356,201)	$ -	$ -	$ -
123	2023 Rate Case Expense	186	$ 1,151,750	$ 575,875	$ 1,727,625	$ 1,279,722	$ 511,889	$ 1,791,611	$ 127,972	$ (63,986)	$ 63,986
124											
125											
126	Total Other Rate Base Items		$ 33,148,389	$ 1,998,203	$ 35,146,592	**$ 33,276,361**	**$ 1,934,217**	**$ 35,210,578**	**$ 127,972**	**$ (63,986)**	**$ 63,986**
127											
128											
129	**Working Capital**										
130											
131	Natural Gas Storage	164	$ 4,888,044	$ (594,665)	$ 4,293,379	$ 4,888,044	$ (594,665)	$ 4,293,379	$ -	$ -	$ -
132	Materials and Supplies	154	$ 4,593,635	$ -	$ 4,593,635	$ 4,593,635	$ -	$ 4,593,635	$ -	$ -	$ -
133	Prepayments	165	$ 4,178,477	$ -	$ 4,178,477	$ 4,178,477	$ -	$ 4,178,477	$ -	$ -	$ -
134	Cash Working Capital		$ (1,217,964)	$ 12,740	$ (1,205,224)	$ (1,290,977)	$ 11,580	$ (1,279,396)	$ (73,012)	$ (1,160)	$ (74,172)
135											
136	Total Working Capital		$ 12,442,192	$ (581,925)	$ 11,860,267	$ 12,369,180	$ (583,085)	$ 11,786,095	$ (73,012)	$ (1,160)	$ (74,172)
137											

NEW MEXICO GAS COMPANY, INC.

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Test Period

	A–D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year[1]	Test Period Adjustments	Adjusted Future Test Year[1]	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
138											
139	Total Net Original Cost Rate Base		$ 980,655,071	$ (12,519,584)	$ 968,135,487	**$ 961,779,500**	**$ (6,692,204)**	**$ 955,087,295**	**$ (18,875,571)**	**$ 5,827,380**	**$ (13,048,191)**
140											
141											
142	**Operations and Maintenance Expense**										
143											
144	Fuel Related Expenses										
145											
146	Natural Gas Wellhead Purchases	800	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
147	Natural Gas Field Line Purchases	801	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
148	Natural Gas Gasoline Plant Outlet Purchases	802	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
149	Natural Gas Transmission Line Purchases	803	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
150	Natural Gas City Gate Purchases	804	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
151	Other Gas Purchases	805	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
152	Exchange Gas	806	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
153	Gas Withdrawn From Storage - Debit	808	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
154	Gas Delivered to Storage - Credit	808	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
155	Gas Used for Compressor Station Fuel	810	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
156	Gas Used For Products Extraction	811	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
157	Gas Used For Other Utility Operations	812	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
158	Other Gas Supply Expenses	813	$ 1,608,585	$ -	$ 1,608,585	$ 1,541,522	$ -	$ 1,541,522	$ (67,063)	$ -	$ (67,063)
159	Rents - Underground Storage	826	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
160											
161	Total Fuel Related Expenses		$ 1,608,585	$ -	$ 1,608,585	**$ 1,541,522**	**$ -**	**$ 1,541,522**	**$ (67,063)**	**$ -**	**$ (67,063)**
162											
163											
164	O&M										
165											
166	Transmission O&M										
167											
168	Operation Supervision and Engineering	850	$ 879,327	$ -	$ 879,327	$ (4,025,495)	$ -	$ (4,025,495)	$ (4,904,822)	$ -	$ (4,904,822)
169	System Control and Load Dispatching	851	$ 1,656,724	$ -	$ 1,656,724	$ 1,571,091	$ -	$ 1,571,091	$ (85,632)	$ -	$ (85,632)
170	Communication System Expenses	852	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
171	Compressor Station Labor and Expenses	853	$ 138,122	$ -	$ 138,122	$ 131,530	$ -	$ 131,530	$ (6,592)	$ -	$ (6,592)
172	Gas for Compressor Station Fuel	854	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
173	Other Fuel and Power for Compressor Stations	855	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
174	Mains Expenses	856	$ 2,886,411	$ -	$ 2,886,411	$ 2,877,886	$ -	$ 2,877,886	$ (8,525)	$ -	$ (8,525)
175	Measuring and Regulating Station Expenses	857	$ 189,337	$ -	$ 189,337	$ 188,543	$ -	$ 188,543	$ (794)	$ -	$ (794)
176	Transmission and Compression of Gas by Others	858	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
177	Other Expenses	859	$ 340,411	$ -	$ 340,411	$ 327,696	$ -	$ 327,696	$ (12,715)	$ -	$ (12,715)
178	Rents	860	$ 240,551	$ -	$ 240,551	$ 240,551	$ -	$ 240,551	$ -	$ -	$ -
179	Maintenance Supervision and Engineering	861	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
180	Maintenance of Structures and Improvements	862	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
181	Maintenance of Mains	863	$ 231,554	$ -	$ 231,554	$ 222,944	$ -	$ 222,944	$ (8,610)	$ -	$ (8,610)
182	Maintenance of Compressor Station Equipment	864	$ 947,579	$ -	$ 947,579	$ 921,511	$ -	$ 921,511	$ (26,069)	$ -	$ (26,069)
183	Maintenance of Measuring and Regulating Station Equip	865	$ 309,028	$ -	$ 309,028	$ 298,039	$ -	$ 298,039	$ (10,989)	$ -	$ (10,989)

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Test Period

	A-D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year[1]	Test Period Adjustments	Adjusted Future Test Year[1]	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
184	Maintenance of Communication Equipment	866	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
185	Maintenance of Other Equipment	867	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
186											
187	Total Transmission O&M		$ 7,819,044	$ -	$ 7,819,044	**$ 2,754,297**	**$ -**	**$ 2,754,297**	**$ (5,064,748)**	**$ -**	**$ (5,064,748)**
188											
189	Distribution O&M										
190											
191	Operation Supervision and Engineering	870	$ 4,989,949	$ -	$ 4,989,949	$ 4,762,493	$ -	$ 4,762,493	$ (227,456)	$ -	$ (227,456)
192	Distribution Load Dispatching	871	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
193	Compressor Station Labor and Expenses	872	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
194	Compressor Station Fuel and Power	873	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
195	Mains and Services Expenses	874	$ 3,708,777	$ -	$ 3,708,777	$ 3,554,856	$ -	$ 3,554,856	$ (153,920)	$ -	$ (153,920)
196	Measuring and Regulating Station Expenses	875	$ 1,523,500	$ -	$ 1,523,500	$ 1,477,203	$ -	$ 1,477,203	$ (46,297)	$ -	$ (46,297)
197	Measuring and Regulating Station Expenses	876	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
198	Measuring and Regulating Station Expenses	877	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
199	Meter and House Regulator Expenses	878	$ 10,969,547	$ -	$ 10,969,547	$ 10,419,124	$ -	$ 10,419,124	$ (550,422)	$ -	$ (550,422)
200	Meter and House Regulator Capitalized	878.4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
201	Customer Installations Expenses	879	$ 388,049	$ -	$ 388,049	$ 370,846	$ -	$ 370,846	$ (17,203)	$ -	$ (17,203)
202	Other Expenses	880	$ 5,221,692	$ -	$ 5,221,692	$ 5,045,408	$ -	$ 5,045,408	$ (176,283)	$ -	$ (176,283)
203	Rents	881	$ 2,763,713	$ -	$ 2,763,713	$ 2,763,713	$ -	$ 2,763,713	$ -	$ -	$ -
204	Maintenance Supervision and Engineering	885	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
205	Maintenance of Structures and Improvements	886	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
206	Maintenance of Mains	887	$ 3,091,710	$ -	$ 3,091,710	$ 2,981,183	$ -	$ 2,981,183	$ (110,527)	$ -	$ (110,527)
207	Maintenance of Compressor Station Equipment	888	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
208	Maintenance of Measuring and Regulating Station Equip	889	$ 2,288,277	$ -	$ 2,288,277	$ 2,207,114	$ -	$ 2,207,114	$ (81,163)	$ -	$ (81,163)
209	Maintenance of Measuring and Regulating Station Equip	890	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
210	Maintenance of Measuring and Regulating Station Equip	891	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
211	Maintenance of Services	892	$ 2,560,720	$ -	$ 2,560,720	$ 2,458,954	$ -	$ 2,458,954	$ (101,765)	$ -	$ (101,765)
212	Maintenance of Meters and House Regulators	893	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
213	Maintenance of Other Equipment	894	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
214											
215	Total Distribution O&M		$ 37,505,932	$ -	$ 37,505,932	**$ 36,040,895**	**$ -**	**$ 36,040,895**	**$ (1,465,037)**	**$ -**	**$ (1,465,037)**
216											
217	Customer Related O&M										
218											
219	Supervision	901	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
220	Meter Reading Expenses	902	$ 1,499,792	$ -	$ 1,499,792	$ 1,434,046	$ -	$ 1,434,046	$ (65,746)	$ -	$ (65,746)
221	Customer Records and Collection Expenses	903	$ 15,729,442	$ -	$ 15,729,442	$ 15,221,431	$ -	$ 15,221,431	$ (508,011)	$ -	$ (508,011)
222	Uncollectible Accounts	904	$ 1,343,996	$ -	$ 1,343,996	$ 1,343,996	$ -	$ 1,343,996	$ -	$ -	$ -
223	Misc. Customer Accounts Expenses	905	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
224	Supervision	907	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
225	Customer Assistance Expenses	908	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
226	Informational & Instructional Advertising Exp	909	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
227	Misc. Customer Service & Informational Exp	910	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
228	Supervision	911	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
229	Demonstrating and Selling Expenses	912	$ 423,221	$ -	$ 423,221	$ 402,708	$ -	$ 402,708	$ (20,513)	$ -	$ (20,513)
230	Advertising Expenses	913	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
231	Misc. Sales Expenses	916	$ 562,941	$ -	$ 562,941	$ 536,965	$ -	$ 536,965	$ (25,976)	$ -	$ (25,976)

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	A–D	E	G	H	I	K	L	M	O	P	Q
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2			Adjusted Future Test Year[1]	Test Period Adjustments	Adjusted Future Test Year[1]	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
232											
233											
234	Total Customer Related O&M		$ 19,559,391	$ -	$ 19,559,391	**$ 18,939,146**	**$ -**	**$ 18,939,146**	**$ (620,246)**	**$ -**	**$ (620,246)**
235											
236	Administrative and General (A&G) Expense										
237											
238	Administrative & General Salaries	920	$ 18,465,287	$ -	$ 18,465,287	$ 17,506,501	$ -	$ 17,506,501	$ (958,786)	$ -	$ (958,786)
239	Administrative & General Salaries-Litigation	920	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
240	Office Supplies and Expenses	921	$ 1,375,477	$ -	$ 1,375,477	$ 1,375,477	$ -	$ 1,375,477	$ -	$ -	$ -
241	Administrative Expenses Transferred--Credit	922	$ (12,154,006)	$ -	$ (12,154,006)	$ (12,154,006)	$ -	$ (12,154,006)	$ -	$ -	$ -
242	Outside Services Employed	923	$ 3,195,737	$ -	$ 3,195,737	$ 3,195,737	$ -	$ 3,195,737	$ -	$ -	$ -
243	Outside Services Employed - Litigation	923	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
244	Property Insurance	924	$ 464,677	$ -	$ 464,677	$ 464,677	$ -	$ 464,677	$ -	$ -	$ -
245	Injuries and Damages	925	$ 5,044,246	$ -	$ 5,044,246	$ 5,044,246	$ -	$ 5,044,246	$ -	$ -	$ -
246	Employee Pensions and Benefits	926	$ 13,067,477	$ -	$ 13,067,477	$ 12,328,896	$ -	$ 12,328,896	$ (738,581)	$ -	$ (738,581)
247	Franchise Requirements	927	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
248	Regulatory Commission Expenses	928	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
249	Duplicate Charges--Credit	929	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
250	General Advertising/Misc. General Expenses	930.1	$ 17,099	$ -	$ 17,099	$ 17,099	$ -	$ 17,099	$ -	$ -	$ -
251	General Advertising/Misc. General Expenses	930.2	$ 18,742,212	$ -	$ 18,742,212	$ 18,739,182	$ -	$ 18,739,182	$ (3,030)	$ -	$ (3,030)
252	Rents	931	$ 691,081	$ -	$ 691,081	$ 691,081	$ -	$ 691,081	$ -	$ -	$ -
253	Maintenance of General Plant	932	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
254											
255	Total A&G Expense		$ 48,909,287	$ -	$ 48,909,287	**$ 47,208,890**	**$ -**	**$ 47,208,890**	**$ (1,700,397)**	**$ -**	**$ (1,700,397)**
256											
257	Total Operations and Maintenance Expense		$ 115,402,240	$ -	$ 115,402,240	**$ 106,484,749**	**$ -**	**$ 106,484,749**	**$ (8,917,490)**	**$ -**	**$ (8,917,490)**
258											
259											
260	**Depreciation and Amortization Expense**										
261											
262	Transmission Depreciation and Amortization										
263											
264	Land And Land Rights	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
265	Right Of Way	403	$ 65,084	$ -	$ 65,084	$ 65,084	$ -	$ 65,084	$ -	$ -	$ -
266	Compressor Station Structure	403	$ 21,582	$ -	$ 21,582	$ 21,582	$ -	$ 21,582	$ -	$ -	$ -
267	Measuring Station Structure	403	$ 632	$ -	$ 632	$ 632	$ -	$ 632	$ -	$ -	$ -
268	Other Structures	403	$ 8,496	$ -	$ 8,496	$ 8,496	$ -	$ 8,496	$ -	$ -	$ -
269	Mains-Bare Steel Pipe	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
270	Mains-Wrapped Steel Pipe	403	$ 4,822,480	$ -	$ 4,822,480	$ 4,822,480	$ -	$ 4,822,480	$ -	$ -	$ -
271	Mains-Other Equipment	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
272	Mains-Other Equipment	403	$ 1,449,456	$ -	$ 1,449,456	$ 1,449,456	$ -	$ 1,449,456	$ -	$ -	$ -
273	Mains - Anodes	403	$ 358,016	$ -	$ 358,016	$ 358,016	$ -	$ 358,016	$ -	$ -	$ -
274	Compressor Station Equipment	403	$ 1,016,250	$ -	$ 1,016,250	$ 1,016,250	$ -	$ 1,016,250	$ -	$ -	$ -
275	Field Measuring & Regulation	403	$ 1,691,137	$ -	$ 1,691,137	$ 1,691,137	$ -	$ 1,691,137	$ -	$ -	$ -

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2			Adjusted Future Test Year(1)	Test Period Adjustments	Adjusted Future Test Year(1)	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
276	Other Equipment	403	$ 5,533	$ -	$ 5,533	$ 5,533	$ -	$ 5,533	$ -	$ -	$ -
277											
278											
279	Total Transmission Depreciation and Amortization		$ 9,438,666	$ -	$ 9,438,666	**$ 9,438,666**	**$ -**	**$ 9,438,666**	**$ -**	**$ -**	**$ -**
280											
281	Distribution Depreciation and Amortization										
282											
283	Land Rights	403	$ 4,391	$ -	$ 4,391	$ 4,391	$ -	$ 4,391	$ -	$ -	$ -
284	Structures & Improvement	403	$ 12,425	$ -	$ 12,425	$ 12,425	$ -	$ 12,425	$ -	$ -	$ -
285	Mains-Bare Steel Pipe	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
286	Mains-Wrapped Steel Pipe	403	$ 2,914,126	$ -	$ 2,914,126	$ 2,894,938	$ -	$ 2,894,938	$ (19,188)	$ -	$ (19,188)
287	Mains-Plastic Pipe	403	$ 5,841,442	$ -	$ 5,841,442	$ 5,712,263	$ -	$ 5,712,263	$ (129,179)	$ -	$ (129,179)
288	Mains-Cathodic Protection	403	$ 12,440	$ -	$ 12,440	$ 12,440	$ -	$ 12,440	$ -	$ -	$ -
289	Mains-Other Equipment	403	$ 507,523	$ -	$ 507,523	$ 491,139	$ -	$ 491,139	$ (16,384)	$ -	$ (16,384)
290	Mains - Anodes	403	$ 3,552,386	$ -	$ 3,552,386	$ 3,552,386	$ -	$ 3,552,386	$ -	$ -	$ -
291	Field Measuring & Regulation	403	$ 548,028	$ -	$ 548,028	$ 548,028	$ -	$ 548,028	$ -	$ -	$ -
292	Field Measuring & Regulation	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
293	Services-Plastic Pipe	403	$ 3,535,908	$ -	$ 3,535,908	$ 3,509,559	$ -	$ 3,509,559	$ (26,349)	$ -	$ (26,349)
294	Services-Bare Steel Pipe An	403	$ 264,782	$ -	$ 264,782	$ 264,782	$ -	$ 264,782	$ -	$ -	$ -
295	Meters	403	$ 3,861,145	$ -	$ 3,861,145	$ 3,861,145	$ -	$ 3,861,145	$ -	$ -	$ -
296	ERTS - AMR Meters	403	$ 1,675,393	$ -	$ 1,675,393	$ 1,675,393	$ -	$ 1,675,393	$ -	$ -	$ -
297	House Regulators	403	$ 150,881	$ -	$ 150,881	$ 150,881	$ -	$ 150,881	$ -	$ -	$ -
298	Industrial Measuring & Regulation	403	$ 762,657	$ -	$ 762,657	$ 762,657	$ -	$ 762,657	$ -	$ -	$ -
299											
300	Total Distribution Depreciation and Amortization		$ 23,643,527	$ -	$ 23,643,527	**$ 23,452,427**	**$ -**	**$ 23,452,427**	**$ (191,100)**	**$ -**	**$ (191,100)**
301											
302	General and Intangible Depreciation and Amortization										
303											
304	Intangible Plt - Software	404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
305	Intangible Plt - Software	404	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
306	Intangible Plt - Software	404	$ 5,480,661	$ -	$ 5,480,661	$ 5,480,661	$ -	$ 5,480,661	$ -	$ -	$ -
307	Land	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
308	Structures & Improvement	403	$ 986,959	$ -	$ 986,959	$ 986,959	$ -	$ 986,959	$ -	$ -	$ -
309	Structures & Improvement	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
310	Struct & Imprv Business Ctr	403	$ 28,275	$ -	$ 28,275	$ 28,275	$ -	$ 28,275	$ -	$ -	$ -
311	Struct & Imprv Los Lunas Bldg	403	$ 2,017	$ -	$ 2,017	$ 2,017	$ -	$ 2,017	$ -	$ -	$ -
312	Struct & Imprv Rio Bravo	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
313	Struct & Imprv Rio Rancho	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
314	Struct & Imprv Santa Fe	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
315	Struc & Imprv SF Pymt Ctr	403	$ 3,701	$ -	$ 3,701	$ 3,701	$ -	$ 3,701	$ -	$ -	$ -
316	Solar Structures	403	$ 106,252	$ -	$ 106,252	$ 106,252	$ -	$ 106,252	$ -	$ -	$ -
317	Office Furniture & Equip	403	$ 100,496	$ -	$ 100,496	$ 100,496	$ -	$ 100,496	$ -	$ -	$ -
318	Off Furn & Equip, PC Systems	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
319	Off Furn & Equip, PCs	403	$ 2,878,595	$ -	$ 2,878,595	$ 2,878,595	$ -	$ 2,878,595	$ -	$ -	$ -
320	Transportation Equip-Light	403	$ 930,891	$ -	$ 930,891	$ 930,891	$ -	$ 930,891	$ -	$ -	$ -
321	Transportation Equip-Heavy	403	$ 263,880	$ -	$ 263,880	$ 263,880	$ -	$ 263,880	$ -	$ -	$ -
322	Transportation Equip-Trailer	403	$ 213,494	$ -	$ 213,494	$ 213,494	$ -	$ 213,494	$ -	$ -	$ -
323	Transportation Equip - Medium	403	$ 401,985	$ -	$ 401,985	$ 401,985	$ -	$ 401,985	$ -	$ -	$ -
324	Transp Equip - Special Purpos	403	$ 15,550	$ -	$ 15,550	$ 15,550	$ -	$ 15,550	$ -	$ -	$ -
325	Stores Equip	403	$ 66,068	$ -	$ 66,068	$ 66,068	$ -	$ 66,068	$ -	$ -	$ -
326	Tools,Shop & Garage Equip	403	$ 1,289,604	$ -	$ 1,289,604	$ 1,289,604	$ -	$ 1,289,604	$ -	$ -	$ -
327	Power Operated Equipment	403	$ 402,196	$ -	$ 402,196	$ 402,196	$ -	$ 402,196	$ -	$ -	$ -
328	Communication Equip	403	$ 697,305	$ -	$ 697,305	$ 697,305	$ -	$ 697,305	$ -	$ -	$ -

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A-D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year(1)	Test Period Adjustments	Adjusted Future Test Year(1)	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
329	Miscellaneous Equipment	403	$ 236,153	$ -	$ 236,153	$ 236,153	$ -	$ 236,153	$ -	$ -	$ -
330	ARO Asset	403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
331	Transportation Equipment Depreciation Expense Capita	403	$ (483,572)	$ -	$ (483,572)	$ (483,572)	$ -	$ (483,572)	$ -	$ -	$ -
332											
333	Total General and Intangible Depreciation and Amortization		$ 13,620,512	$ -	$ 13,620,512	**$ 13,620,512**	**$ -**	**$ 13,620,512**	**$ -**	**$ -**	**$ -**
334											
335	Total Depreciation and Amortization		$ 46,702,705	$ -	$ 46,702,705	**$ 46,511,604**	**$ -**	**$ 46,511,604**	**$ (191,100)**	**$ -**	**$ (191,100)**
336											
337	Other Depreciation and Amortization Items										
338	Accretion Expense and Regulatory Credits	411.1	$ 58,465	$ -	$ 58,465	$ 58,465	$ -	$ 58,465	$ -	$ -	$ -
339	Right-of-Way - Transmission (186)	404	$ 3,095,953	$ -	$ 3,095,953	$ 3,095,953	$ -	$ 3,095,953	$ -	$ -	$ -
340	Right-of-Way - Distribution (186)	404	$ 397,213	$ -	$ 397,213	$ 397,213	$ -	$ 397,213	$ -	$ -	$ -
341	CIAC Amortization	403	$ (669,022)	$ -	$ (669,022)	$ (669,022)	$ -	$ (669,022)	$ -	$ -	$ -
342	Total Other Depreciation Items		$ 2,882,609	$ -	$ 2,882,609	**$ 2,882,609**	**$ -**	**$ 2,882,609**	**$ -**	**$ -**	**$ -**
343											
344	Total Depreciation and Amortization and Other		$ 49,585,313	$ -	$ 49,585,313	**$ 49,394,213**	**$ -**	**$ 49,394,213**	**$ (191,100)**	**$ -**	**$ (191,100)**
345											
346	**General Taxes**										
347											
348	New Mexico Property Taxes										
349											
350	Transmission Property Taxes										
351											
352	Transmission Property Taxes	408	$ 3,719,688	$ -	$ 3,719,688	$ 3,719,688	$ -	$ 3,719,688	$ -	$ -	$ -
353											
354	Total Transmission Property Taxes		$ 3,719,688	$ -	$ 3,719,688	**$ 3,719,688**	**$ -**	**$ 3,719,688**	**$ -**	**$ -**	**$ -**
355											
356	Distribution Property Taxes										
357											
358	Distribution Property Taxes	408	$ 5,260,427	$ -	$ 5,260,427	$ 5,183,437	$ -	$ 5,183,437	$ (76,990)	$ -	$ (76,990)
359											
360	Total Distribution Property Taxes		$ 5,260,427	$ -	$ 5,260,427	**$ 5,183,437**	**$ -**	**$ 5,183,437**	**$ (76,990)**	**$ -**	**$ (76,990)**
361											
362	General Property Taxes										
363											
364	General Plant Property Taxes	408	$ 720,254	$ -	$ 720,254	$ 720,254	$ -	$ 720,254	$ -	$ -	$ -
365											
366	Total General Property Taxes		$ 720,254	$ -	$ 720,254	**$ 720,254**	**$ -**	**$ 720,254**	**$ -**	**$ -**	**$ -**
367											
368	Total New Mexico Property Taxes		$ 9,700,369	$ -	$ 9,700,369	**$ 9,623,380**	**$ -**	**$ 9,623,380**	**$ (76,990)**	**$ -**	**$ (76,990)**
369											

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A–D	E	G	H	I	K	L	M	O	P	Q
1			As Filed December Update			Settlement Stipulation			Delta Stipulated Adjustments		
2			Adjusted Future Test Year[1]	Test Period Adjustments	Adjusted Future Test Year[1]	Future Test Year	Test Period Adjustments	Adjusted Future Test Year	Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3		FERC Account	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25	Ending 09/30/25		Ending 09/30/25
370											
371											
372											
373	**Payroll Taxes**										
374	Total Payroll Taxes		$ 4,598,402	$ -	$ 4,598,402	**$ 4,360,617**	**$ -**	**$ 4,360,617**	**$ (237,785)**	**$ -**	**$ (237,785)**
375											
376	Other Taxes										
377											
378	Native American Property Taxes	408	$ 2,663,921	$ -	$ 2,663,921	$ 2,642,778	$ -	$ 2,642,778	$ (21,143)	$ -	$ (21,143)
379	Native American Rights-of-Way Taxes	408	$ 34,460	$ -	$ 34,460	$ 34,460	$ -	$ 34,460	$ -	$ -	$ -
380	Federal Pipeline Taxes	408	$ 609,351	$ -	$ 609,351	$ 609,351	$ -	$ 609,351	$ -	$ -	$ -
381	Federal Excise Taxes	408	$ 9,678	$ -	$ 9,678	$ 9,678	$ -	$ 9,678	$ -	$ -	$ -
382	Other General Taxes	408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
383	Regulatory Commission Fees (I&S)	408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
384											
385	Total Other Taxes		$ 3,317,410	$ -	$ 3,317,410	**$ 3,296,267**	**$ -**	**$ 3,296,267**	**$ (21,143)**	**$ -**	**$ (21,143)**
386											
387	Total General Taxes		$ 17,616,182	$ -	$ 17,616,182	**$ 17,280,264**	**$ -**	**$ 17,280,264**	**$ (335,918)**	**$ -**	**$ (335,918)**
388											
389											
390	**Other Allowable Expenses (Returns)**										
391											
392	Interest on Customer Deposits	431	$ 58,967	$ -	$ 58,967	$ 58,967	$ -	$ 58,967	$ -	$ -	$ -
393	IMP Regulatory Asset Amortization	404	$ 8,013	$ -	$ 8,013	$ 7,122	$ -	$ 7,122	$ (890)	$ -	$ (890)
394	COVID Regulatory Asset Amortization	407.3	$ 1,227,793	$ -	$ 1,227,793	$ 2,182,744	$ -	$ 2,182,744	$ 954,950	$ -	$ 954,950
395	Hansen CIS Regulatory Asset Amortization	923	$ 159,842	$ -	$ 159,842	$ -	$ -	$ -	$ (159,842)	$ -	$ (159,842)
396	Legal Regulatory Liability	930.2	$ (637,833)	$ -	$ (637,833)	$ (566,963)	$ -	$ (566,963)	$ 70,870	$ -	$ 70,870
397	Rights-of-Way - Transmission (242)	404	$ (0)	$ -	$ (0)	$ (0)	$ -	$ (0)	$ -	$ -	$ -
398	Rights-of-Way - Distribution (242)	404	$ 31,023	$ -	$ 31,023	$ 31,023	$ -	$ 31,023	$ -	$ -	$ -
399	Amortization of Existing Rate Case Expenses	928	$ 159,363	$ -	$ 159,363	$ 141,656	$ -	$ 141,656	$ (17,707)	$ -	$ (17,707)
400	Amortization of 2023 Rate Case Expenses	928	$ 1,151,750	$ -	$ 1,151,750	$ 1,023,778	$ -	$ 1,023,778	$ (127,972)	$ -	$ (127,972)
401	Total Other Allowable Expenses		$ 2,158,918	$ -	$ 2,158,918	**$ 2,878,327**	**$ -**	**$ 2,878,327**	**$ 719,409**	**$ -**	**$ 719,409**
402											
403											
404	Total Operating Expenses (Excl Income and Revenue Related Taxes)		$ 184,762,653	$ -	$ 184,762,653	**$ 176,037,553**	**$ -**	**$ 176,037,553**	**$ (8,725,100)**	**$ -**	**$ (8,725,100)**
405											
406											
407	Total Net Original Cost Rate Base		$ 980,655,071	$ (12,519,584)	$ 968,135,487	**$ 961,779,500**	**$ (6,692,204)**	**$ 955,087,295**	**$ (18,875,571)**	**$ 5,827,380**	**$ (13,048,191)**
408	Weighted Average Cost of Capital		7.44%	7.44%	7.44%	6.79%	6.79%	6.79%	-0.65%	-0.65%	-0.65%
409	Return on Rate Base		$ 72,953,043	$ (931,359)	$ 72,021,684	$ 65,296,098	$ (454,340)	$ 64,841,758	$ (7,656,945)	$ 477,019	$ (7,179,926)
410											
411	Debt Only Return Adjustment (Case 12-00264-UT)		$ (50,506)	$ (596)	$ (51,102)	$ (40,993)	$ (484)	$ (41,477)	$ 9,513	$ 112	$ 9,625
412	Net Return on Rate Base		$ 72,902,537	$ (931,955)	$ 71,970,582	$ 65,255,106	$ (454,824)	$ 64,800,282	$ (7,647,432)	$ 477,131	$ (7,170,300)
413											
414	**Federal Income Tax**										
415	Return Adjustments										
416	Interest on Long Term Debt		$ (22,526,000)	$ -	$ (22,526,000)	$ (22,526,000)	$ -	$ (22,526,000)	$ -	$ -	$ -
417											
418	Tax/Book Adjustments										
419											
420	Non-Deductible Meals & Entertainment		$ 185,352	$ -	$ 185,352	$ 185,352	$ -	$ 185,352	$ -	$ -	$ -
421	Non-Deductible Club Dues		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
422	Non-Deductible Political Contributions		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1							As Filed December Update				Settlement Stipulation				Delta Stipulated Adjustments		
2							Adjusted Future Test Year(1)	Test Period Adjustments	Adjusted Future Test Year(1)		Future Test Year	Test Period Adjustments	Adjusted Future Test Year		Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3					FERC Account		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25
423		Non-Deductible Lobbying Expense					$ 12,000	$ (12,000)	$ -		$ 12,000	$ (12,000)	$ -		$ -	$ -	$ -
424		Placeholder					$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
425		Non-Deductible Fines and Penalties					$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
426		Solar Investment Tax Credit Depreciation & Amortization					$ 8,917	$ -	$ 8,917		$ 8,917	$ -	$ 8,917		$ -	$ -	$ -
427		AFUDC Equity/ AFUDC Equity-Depreciation					$ (2,443,522)	$ 2,550,232	$ 106,710		$ (2,443,522)	$ 2,550,232	$ 106,710		$ -	$ -	$ -
428				Total Tax/Book Adjustments			$ (2,237,253)	$ 2,538,232	$ 300,979		**$ (2,237,253)**	**$ 2,538,232**	**$ 300,979**		**$ -**	**$ -**	**$ -**
429																	

Sponsored by NMGC Witness Erik C. Buchanan

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1							As Filed December Update				Settlement Stipulation				Delta Stipulated Adjustments		
2							Adjusted Future Test Year(1)	Test Period Adjustments	Adjusted Future Test Year(1)		Future Test Year	Test Period Adjustments	Adjusted Future Test Year		Future Test Year	Test Period Adjustments	Adjusted Future Test Year
3					FERC Account		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25		Ending 09/30/25
430				Total Return Adjustments			$ (24,763,253)	$ 2,538,232	$ (22,225,021)		**$ (24,763,253)**	**$ 2,538,232**	**$ (22,225,021)**		**$ -**	**$ -**	**$ -**
431																	
432				Net Taxable Income			$ 48,139,284	$ 1,606,277	$ 49,745,561		$ 40,491,853	$ 2,083,408	$ 42,575,261		$ (7,647,432)	$ 477,131	$ (7,170,300)
433				Federal Tax Factor (21%/(1-21%))			26.6%	26.6%	26.6%		26.6%	26.6%	26.6%		0.0%	0.0%	0.0%
434				Federal Income Tax			$ 12,796,519	$ 426,985	$ 13,223,504		$ 10,763,657	$ 553,817	$ 11,317,474		$ (2,032,862)	$ 126,832	$ (1,906,029)
435		Add:		Amortization of Excess Deferred Federal Income Taxes			$ (619,425)	$ -	$ (619,425)		$ (619,425)	$ -	$ (619,425)		$ -	$ -	$ -
436				Amortization of Investment Tax Credits			$ (39,292)	$ -	$ (39,292)		$ (39,292)	$ -	$ (39,292)		$ -	$ -	$ -
437				Net Allowable Federal Income Tax			$ 12,137,801	$ 426,985	$ 12,564,786		$ 10,104,939	$ 553,817	$ 10,658,757		$ (2,032,862)	$ 126,832	$ (1,906,029)
438																	
439																	
440	**State Income Tax**																
441																	
442		Return on Rate Base					$ 72,902,537	$ (931,955)	$ 71,970,582		$ 65,255,106	$ (454,824)	$ 64,800,282		$ (7,647,432)	$ 477,131	$ (7,170,300)
443		Total Return Adjustments					$ (24,763,253)	$ 2,538,232	$ (22,225,021)		$ (24,763,253)	$ 2,538,232	$ (22,225,021)		$ -	$ -	$ -
444		Net Allowable Federal Income Tax					$ 12,137,801	$ 426,985	$ 12,564,786		$ 10,104,939	$ 553,817	$ 10,658,757		$ (2,032,862)	$ 126,832	$ (1,906,029)
445				State Taxable Income			$ 60,277,085	$ 2,033,262	$ 62,310,347		$ 50,596,792	$ 2,637,225	$ 53,234,017		$ (9,680,293)	$ 603,964	$ (9,076,330)
446				State Tax Factor (5.57%/(1-5.57%))			5.90%	5.90%	5.90%		5.90%	5.90%	5.90%		0.00%	0.00%	0.00%
447				State Income Tax			$ 3,555,474	$ 119,933	$ 3,675,406		$ 2,984,477	$ 155,558	$ 3,140,035		$ (570,997)	$ 35,625	$ (535,372)
448		Add:		Amortization of Excess Deferred State Income Taxes			$ (39,981)	$ -	$ (39,981)		$ (39,981)	$ -	$ (39,981)		$ -	$ -	$ -
449																	
450				Net Allowable State Income Tax			$ 3,515,493	$ 119,933	$ 3,635,426		**$ 2,944,496**	**$ 155,558**	**$ 3,100,054**		**$ (570,997)**	**$ 35,625**	**$ (535,372)**
451																	
452	**Revenue Credits**																
453																	
454		Discounted On-System Transportation			489		$ (3,806,196)	$ -	$ (3,806,196)		$ (3,806,196)	$ -	$ (3,806,196)		$ -	$ -	$ -
455		Miscellaneous Transportation Revenue			489		$ (6,250)	$ -	$ (6,250)		$ (6,250)	$ -	$ (6,250)		$ -	$ -	$ -
456		Late Payment Charges			488		$ (326,736)	$ -	$ (326,736)		$ (326,736)	$ -	$ (326,736)		$ -	$ -	$ -
457		Miscellaneous Service Revenues			488		$ (5,444,257)	$ -	$ (5,444,257)		$ (5,444,257)	$ -	$ (5,444,257)		$ -	$ -	$ -
458		Covid-19/IMP Regulatory Asset			493		$ -	$ -	$ -		$ -	$ -	$ -		$ -	$ -	$ -
459		Other Operating Revenues			493		$ (79,144)	$ -	$ (79,144)		$ (79,144)	$ -	$ (79,144)		$ -	$ -	$ -
460																	
461				Total Revenue Credits			$ (9,662,582)	$ -	$ (9,662,582)		**$ (9,662,582)**	**$ -**	**$ (9,662,582)**		**$ -**	**$ -**	**$ -**
462																	
463																	
464	**Summary**																
465																	
466		Return on Rate Base					$ 72,902,537	$ (931,955)	$ 71,970,582		$ 65,255,106	$ (454,824)	$ 64,800,282		$ (7,647,432)	$ 477,131	$ (7,170,300)
467		Total Operating Expenses (Excl Income and Revenue Related Taxes)					$ 184,762,653	$ -	$ 184,762,653		$ 176,037,553	$ -	$ 176,037,553		$ (8,725,100)	$ -	$ (8,725,100)
468		Net Allowable Federal Income Tax					$ 12,137,801	$ 426,985	$ 12,564,786		$ 10,104,939	$ 553,817	$ 10,658,757		$ (2,032,862)	$ 126,832	$ (1,906,029)
469		Net Allowable State Income Tax					$ 3,515,493	$ 119,933	$ 3,635,426		$ 2,944,496	$ 155,558	$ 3,100,054		$ (570,997)	$ 35,625	$ (535,372)
470		Revenue Credits					$ (9,662,582)	$ -	$ (9,662,582)		$ (9,662,582)	$ -	$ (9,662,582)		$ -	$ -	$ -
471				Total Revenue Requirement Before Revenue Tax			$ 263,655,902	$ (385,037)	$ 263,270,864		**$ 244,679,512**	**$ 254,551**	**$ 244,934,063**		**$ (18,976,390)**	**$ 639,589**	**$ (18,336,801)**
472																	
473				Revenue Tax Factor (I&S Fee) (0.506%/(1-0.506%))			0.51%	0.51%	0.51%		0.51%	0.51%	0.51%		0.00%	0.00%	0.00%
474				Revenue Tax			$ 1,340,884	$ (1,958)	$ 1,338,926		$ 1,244,375	$ 1,295	$ 1,245,669		$ (96,509)	$ 3,253	$ (93,256)
475																	
476	**Cost of Service Revenue Requirement**						**$ 264,996,785**	**$ (386,995)**	**$ 264,609,790**		**$ 245,923,887**	**$ 255,846**	**$ 246,179,733**		**$ (19,072,899)**	**$ 642,841**	**$ (18,430,057)**
477																	
478																	

Sponsored by NMGC Witness Erik C. Buchanan

NEW MEXICO GAS COMPANY, INC.

Stipulation Cost of Service Reconciliation

Test Period

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1							**As Filed December Update**				**Settlement Stipulation**				**Delta Stipulated Adjustments**		
2							**Adjusted Future Test Year(1)**	**Test Period Adjustments**	**Adjusted Future Test Year(1)**		**Future Test Year**	**Test Period Adjustments**	**Adjusted Future Test Year**		**Future Test Year**	**Test Period Adjustments**	**Adjusted Future Test Year**
3					**FERC Account**		**Ending 09/30/25**		**Ending 09/30/25**		**Ending 09/30/25**		**Ending 09/30/25**		**Ending 09/30/25**		**Ending 09/30/25**
479		Expected FTY Revenue at Existing Rates							216,179,733				$ 216,179,733				$ -
480		Revenue Deficiency							(48,430,057)				$ (30,000,000)				$ (18,430,057)
481																	
482	**Notes:**																
483	(1) Adjusted Future Test Year reflects the updated cost of service filing submitted on December 15, 2023.																
484	(2) The settlement stipulation includes the following: A base revenue increase of $30 million, an ROE of 9.375%, a cost of debt of 3.99%, a capital structure of 52% equity and 48% debt, resulting in a tax adjusted average cost of capital of 6.79%, removal of the Hansen CIS Regulatory Asset, and for all remaining regulatory assets (including the COVID regulatory asset) amortization of these items prior to the effective date of the future test period of its next anticipated rate case filing.																

NEW MEXICO GAS COMPANY, INC.

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Test Period

	A	B	C	D	E
1	**Description**		**Adjusted Test Period As Filed December Update**	**Stipulated Adjustments(1)**	**Stipulated Future Test Year(1)**
2					
3					
4	Other Gas Supply Expenses		1,608,585	(67,063)	1,541,522
5	Other Operations & Maintenance		113,793,655	(8,850,428)	104,943,227
6	Depreciation & Amortization		49,585,313	(191,100)	49,394,213
7	Miscellaneous Interest & Amortization		2,158,918	719,409	2,878,327
8	Taxes Other Than Income		17,616,182	(335,918)	17,280,264
9	Income Taxes		16,200,211	(2,441,401)	13,758,810
10	Return on Rate Base		71,970,582	(7,170,300)	64,800,282
11	Revenue Credits		(9,662,582)	-	(9,662,582)
12	Revenue Tax		1,338,926	(93,256)	1,245,669
13	**Total Cost of Service**		**264,609,790**	**(18,430,057)**	**246,179,733**
14					
15	Expected FTY Revenue at Existing Rates		216,179,733	-	216,179,733
16					
17	**Revenue Deficiency**		**(48,430,057)**	**18,430,057**	**(30,000,000)**
18					
19	**Notes:**				
20	(1) The settlement stipulation includes the following: A base revenue increase of $30 million, an ROE of 9.375%, a cost of debt of 3.99%, a capital structure of 52% equity and 48% debt, resulting in a tax adjusted average cost of capital of 6.79%, removal of the Hansen CIS Regulatory Asset, and for all remaining regulatory assets (including the COVID regulatory asset) amortization of these items prior to the effective date of the future test period of its next anticipated rate case filing.				
21					

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NEW MEXICO GAS COMPANY, INC.

630 Schedule A-3

Test Period

	A	C
1	**Description**	**Stipulated Adjustments(1)**
2		
3	Fuel Related	-
4	Other Gas Supply Expenses	(67,063)
5	Transmission	(5,064,748)
6	Distribution	(1,465,037)
7	Customer-Related	(620,246)
8	Administrative & General	(1,700,397)
9	Depreciation & Amortization	(191,100)
10	General Taxes	(335,918)
11	Other Allowable Expenses	729,035
12	Income Taxes	(2,441,401)
13	Return on Rate Base	(7,179,926)
14	Revenue Credits (1)	-
15	Revenue Tax	(93,256)
16		
17	**Total Cost of Service Adjustments**	**(18,430,057)**
18		
19	**Notes:**	
20	(1) The stipulation adjustments include the following: A reduction to acheive a base revenue increase of $30 million, an ROE of 9.375%, a cost of debt of 3.99%, a capital structure of 52% equity and 48% debt, resulting in a tax adjusted average cost of capital of 6.79%, removal of the Hansen CIS Regulatory Asset, and for all remaining regulatory assets (including the COVID regulatory asset) amortization of these items prior to the effective date of the future test period of its next anticipated rate case filing.	

Sponsored by NMGC Witness Erik C. Buchanan

NEW MEXICO GAS COMPANY, INC.

630 Schedule A-4

Test Period

	A	B	C	D
1	**Description**	**Adjusted Future Test Year[(1)]**	**Stipulated Adjustments[(2)]**	**Stipulated Test Period(2)**
2				
3	**Net Plant in Service:**			
4	Transmission	368,036,847	-	368,036,847
5	Distribution	519,506,913	(10,980,502)	508,526,411
6	General and Intangible	159,050,889	-	159,050,889
7	**Total Net Plant**	**1,046,594,649**	**(10,980,502)**	**1,035,614,147**
8				
9	Accumulated Deferred Income Taxes	(104,484,704)	640,008	(103,844,696)
10				
11	Regulatory Assets and Liabilities	(20,981,317)	(2,697,512)	(23,678,829)
12			-	
13	Other Rate Base Items	35,146,592	63,986	35,210,578
14				
15	**Working Capital:**			
16	Natural Gas Storage	4,293,379	-	4,293,379
17	Materials and Supplies	4,593,635	-	4,593,635
18	Prepayments	4,178,477	-	4,178,477
19	Cash Working Capital	(1,205,224)	(74,172)	(1,279,396)
20	**Total Working Capital**	**11,860,267**	**(74,172)**	**11,786,095**
21				
22	**Total Rate Base**	**968,135,487**	**(13,048,191)**	**955,087,295**
23				
24	**Note:**			
25	(1) Adjusted Future Test Year reflects the updated cost of service filing submitted on December 15, 2023.			
26	(2) The settlement stipulation includes the following: A base revenue increase of $30 million, an ROE of 9.375%, a cost of debt of 3.99%, a capital structure of 52% equity and 48% debt, resulting in a tax adjusted average cost of capital of 6.79%, removal of the Hansen CIS Regulatory Asset, and for all remaining regulatory assets (including the COVID regulatory asset) amortization of these items prior to the effective date of the future test period of its next anticipated rate case filing.			

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NEW MEXICO GAS COMPANY, INC.

630 Schedule A-5

Test Period

	A	B	C	D
1	**As Filed Test Period December Update**			
2	**Class of Capital**	**Capital Ratio**	**Adjusted Effective Rate(1)**	**Weighted Average Cost of Capital**
3			**Test Period**	
4	Long Term Debt	47.00%	3.99%	1.87%
5				
6	Common Equity	53.00%	10.500%	5.57%
7				
8	**Total**	**100.00%**		**7.44%**
9				
10				
11	**Stipulated Test Period**			
12	**Class of Capital**	**Capital Ratio**	**Effective Rate**	**Weighted Average Cost of Capital**
13			**Stipulated Test Period**	
14	Long Term Debt	48.00%	3.99%	1.91%
15				
16	Common Equity	52.00%	9.375%	4.88%
17				
18	**Total**	**100.00%**		**6.79%**
19				
20	**Note:**			
21	(1) Adjusted Future Test Year reflects the updated cost of service filing submitted on December 15, 2023.			
22				
23				
24				
25				
26				
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36				
37				
38				
39	Sponsored by NMGC Witness Erik C. Buchanan			

630 Schedule C-2 Depreciation Rates

Test Period

	A	B	C	D	E
1	FERC Account	Annual Depreciation Rates 2020 (1)	Monthly Depreciation Rates 2020	Annual Depreciation Rates 2023 (2)	Monthly Depreciation Rates 2023
2					(E = D / 12)
3	303.10	0.00%	0.00%	0.00%	0.00%
4	303.20	0.00%	0.00%	0.00%	0.00%
5	303.30	6.67%	0.56%	6.67%	0.56%
6	325.40	0.00%	0.00%	0.00%	0.00%
7	332.00	0.00%	0.00%	0.00%	0.00%
8	332.10	0.00%	0.00%	0.00%	0.00%
9	332.40	0.00%	0.00%	0.00%	0.00%
10	333.00	0.00%	0.00%	0.00%	0.00%
11	334.00	0.00%	0.00%	0.00%	0.00%
12	350.20	0.00%	0.00%	0.00%	0.00%
13	351.10	0.00%	0.00%	0.00%	0.00%
14	351.40	0.00%	0.00%	0.00%	0.00%
15	352.20	0.00%	0.00%	0.00%	0.00%
16	352.30	0.00%	0.00%	0.00%	0.00%
17	352.40	0.00%	0.00%	0.00%	0.00%
18	353.00	0.00%	0.00%	0.00%	0.00%
19	354.00	0.00%	0.00%	0.00%	0.00%
20	355.00	0.00%	0.00%	0.00%	0.00%
21	357.00	0.00%	0.00%	0.00%	0.00%
22	365.10	0.00%	0.00%	0.00%	0.00%
23	365.20	1.36%	0.11%	1.14%	0.09%
24	366.10	1.55%	0.13%	1.24%	0.10%
25	366.20	2.70%	0.23%	2.69%	0.22%
26	366.30	1.71%	0.14%	1.34%	0.11%
27	367.00	12.85%	1.07%	0.00%	0.00%
28	367.10	1.68%	0.14%	1.49%	0.12%
29	367.20	0.00%	0.00%	0.00%	0.00%
30	367.30	3.28%	0.27%	3.12%	0.26%
31	367.40	5.10%	0.43%	20.07%	1.67%
32	367.50	1.68%	0.14%	1.49%	0.12%
33	367.60	0.00%	0.00%	0.00%	0.00%
34	368.00	1.80%	0.15%	2.00%	0.17%
35	369.00	1.86%	0.16%	2.07%	0.17%
36	369.10	1.86%	0.16%	2.07%	0.17%
37	369.11	1.86%	0.16%	2.07%	0.17%
38	369.12	0.00%	0.00%	0.00%	0.00%
39	369.13	0.00%	0.00%	2.07%	0.17%
40	371.00	3.02%	0.25%	2.52%	0.21%
41	374.10	0.00%	0.00%	0.00%	0.00%
42	374.20	1.20%	0.10%	0.99%	0.08%
43	374.30	1.20%	0.10%	0.99%	0.08%
44	374.31	1.20%	0.10%	0.99%	0.08%
45	374.32	0.00%	0.00%	0.00%	0.00%
46	375.00	1.98%	0.17%	1.96%	0.16%
47	376.00	29.47%	2.46%	0.00%	0.00%
48	376.10	1.91%	0.16%	1.81%	0.15%
49	376.20	1.67%	0.14%	1.74%	0.14%
50	376.30	0.95%	0.08%	1.98%	0.17%
51	376.40	3.13%	0.26%	3.08%	0.26%
52	376.50	5.01%	0.42%	15.15%	1.26%
53	376.60	1.91%	0.16%	1.81%	0.15%
54	376.61	1.91%	0.16%	1.81%	0.15%
55	376.62	0.00%	0.00%	0.00%	0.00%
56	376.63	1.91%	0.16%	1.81%	0.15%
57	376.70	1.67%	0.14%	1.74%	0.14%

630 Schedule C-2 Depreciation Rates

Test Period

	A	B	C	D	E
1	FERC Account	Annual Depreciation Rates 2020 (1)	Monthly Depreciation Rates 2020	Annual Depreciation Rates 2023 (2)	Monthly Depreciation Rates 2023
58	376.71	1.67%	0.14%	1.74%	0.14%
59	376.72	0.00%	0.00%	0.00%	0.00%
60	376.73	1.67%	0.14%	1.74%	0.15%
61	376.80	3.13%	0.26%	3.08%	0.26%
62	376.81	3.13%	0.26%	3.08%	0.26%
63	376.82	0.00%	0.00%	0.00%	0.00%
64	376.90	5.01%	0.42%	15.15%	1.26%
65	376.91	5.01%	0.42%	15.15%	1.26%
66	376.92	0.00%	0.00%	0.00%	0.00%
67	377.00	0.00%	0.00%	0.00%	0.00%
68	378.00	2.91%	0.24%	2.46%	0.21%
69	378.10	2.91%	0.24%	2.46%	0.21%
70	379.00	2.94%	0.25%	2.22%	0.18%
71	380.00	3.77%	0.31%	1.65%	0.14%
72	380.10	3.65%	0.30%	1.67%	0.14%
73	380.11	0.00%	0.00%	0.00%	0.00%
74	380.13	3.65%	0.30%	1.67%	0.14%
75	380.20	3.77%	0.31%	0.00%	0.00%
76	380.21	3.77%	0.31%	1.65%	0.14%
77	380.22	3.77%	0.31%	0.00%	0.00%
78	380.30	3.77%	0.31%	1.65%	0.14%
79	381.00	3.24%	0.27%	3.73%	0.31%
80	381.10	6.29%	0.52%	6.00%	0.50%
81	383.00	1.58%	0.13%	1.87%	0.16%
82	385.00	3.66%	0.31%	2.85%	0.24%
83	389.00	0.00%	0.00%	0.00%	0.00%
84	390.00	2.17%	0.18%	2.07%	0.17%
85	390.10	0.00%	0.00%	0.00%	0.00%
86	390.20	0.00%	0.00%	0.00%	0.00%
87	390.30	6.67%	0.56%	2.07%	0.17%
88	390.40	30.77%	2.56%	3.80%	0.32%
89	390.50	100.00%	8.33%	0.00%	0.00%
90	390.60	30.77%	2.56%	0.00%	0.00%
91	390.70	10.00%	0.83%	0.00%	0.00%
92	390.80	9.86%	0.82%	9.60%	0.80%
93	390.90	5.00%	0.42%	3.29%	0.27%
94	391.00	6.67%	0.56%	6.67%	0.56%
95	391.10	0.00%	0.00%	0.00%	0.00%
96	391.20	16.67%	1.39%	16.83%	1.40%
97	392.00	2.58%	0.22%	4.32%	0.36%
98	392.10	6.92%	0.58%	4.10%	0.34%
99	392.20	7.45%	0.62%	4.60%	0.38%
100	392.30	3.36%	0.28%	3.70%	0.31%
101	392.40	5.85%	0.49%	5.63%	0.47%
102	393.00	6.67%	0.56%	6.67%	0.56%
103	394.00	6.67%	0.56%	6.67%	0.56%
104	396.00	4.93%	0.41%	4.21%	0.35%
105	397.00	10.00%	0.83%	21.19%	1.77%
106	398.00	6.67%	0.56%	7.63%	0.64%
107	398.50	0.00%	0.00%	6.67%	0.56%
108	398.60	0.00%	0.00%	6.67%	0.56%
109	398.70	0.00%	0.00%	0.00%	0.00%
110	399.10	1.75%	0.15%	0.00%	0.00%

630 Schedule C-2 Depreciation Rates

Test Period

	A	B	C	D	E
1	FERC Account	Annual Depreciation Rates 2020 (1)	Monthly Depreciation Rates 2020	Annual Depreciation Rates 2023 (2)	Monthly Depreciation Rates 2023
111					
112	**Notes:**				
113	(1) Reflects depreciation rates approved in NMGC's 2019 Rate Case (19-00317-UT).				
114	(2) Reflects NMGC's depreciation rates based on an updated study filed with the NMPRC on June 30, 2023. NMGC's next depreciation study will be due no later than June 30, 2028.				

Line No.	Rate Class	Current Base Revenue	Stipulated Revenue Requirement at EROR	Stipulated Revenue Requirement at Equal % Increase	Stiplated Proposed Base Revenues	Stipulated Proposed Base Revenue Increase	Stipulated Proposed Base Revenue Percent Change
	(A)	(B)	(C)	(D)	(D)	(E)	(H)
1	**Rate Class Revenues**		2.5%				
2	Rate 10 - Residential	$ 162,202,994	$ 184,440,721	$ 184,744,790	$ 184,737,188	$ 22,534,194	13.9%
3	Rate 30 - Irrigation Service	670,593	$ 426,013	763,787	755,343	84,750	12.6%
4	Rate 31 - Water and Sewer Pumping Service	38,070	$ 24,184	43,361	42,881	4,811	12.6%
5	Rate 37 - Gas Air Conditioning Service	2,596	$ 3,601	2,957	2,973	377	14.5%
6	Rate 39 - Compressed Natural Gas Vehicle Fuel	165,278	$ 237,867	188,248	189,488	24,210	14.6%
7	Rate 54 - Small General Service	38,578,969	$ 41,428,886	43,940,395	43,877,607	5,298,638	13.7%
8	Rate 56 - Medium General Service	4,908,892	$ 5,508,593	5,591,095	5,589,032	680,140	13.9%
9	Rate 58 - Large General Service	5,190,415	$ 6,362,739	5,911,741	5,923,016	732,601	14.1%
10	Rate 61 - Sales for Resale Service	417,805	$ 917,390	475,869	486,907	69,102	16.5%
11	Rate 70 - Off-System Transportation	1,976,562	$ 5,044,148	2,251,250	2,321,073	344,511	17.4%
12	Rate 72 - Compressor Fuel	964,972	$ 888,784	1,099,076	1,093,819	128,847	13.4%
13	Rate 114 - District Energy System Service	752,512	$ 586,733	857,091	850,332	97,820	13.0%
14	**TOTAL Base Revenues**	**$ 215,869,660**	**$ 245,869,660**	**$ 245,869,660**	**$ 245,869,660**	**$ 30,000,000**	13.9%
15	Other Revenues (Rate 18)	310,073	310,073	310,073	310,073	-	0.0%
16	**TOTAL Revenues**	**$ 216,179,733**	**$ 246,179,733**	**$ 246,179,733**	**$ 246,179,733**	**$ 30,000,000**	13.9%

Line No.	Current Rate	Test Year Billing Units		Current Charge		Current Revenue		Proposed Charge		Proposed Revenue	Base Revenue Increase
	(A)	(B)		(C)		(D)		(E)		(F)	(G)
								13.9%			
1	**Rate 10 - Residential**										
2	Access Charge	6,207,848	$	12.40	$	76,977,312	$	12.40	$	76,977,312	0.0%
3	Transmission	306,323,391	$	0.1053	$	32,255,853	$	0.1314	$	40,250,894	24.8%
4	Distribution	318,903,247	$	0.1661	$	52,969,829	$	0.2117	$	67,511,817	27.5%
5	**TOTAL Rate 10 BASE REVENUE**				$	162,202,994			$	184,740,023	13.9%
6	**Rate 30 - Irrigation Service**										
7	Access Charge	5,515	$	36.40	$	200,748	$	41.75	$	230,253	14.7%
8	Transmission	3,322,394	$	0.0472	$	156,817	$	0.0511	$	169,774	8.3%
9	Distribution	8,325,228	$	0.0376	$	313,029	$	0.0427	$	355,487	13.6%
10	**TOTAL Rate 30 BASE REVENUE**				$	670,593			$	755,515	12.7%
11	**Rate 31 - Water and Sewage Pumping**										
12	Access Charge - < 200,000 Therms	180	$	107.00	$	19,239	$	122.00	$	21,936	14.0%
13	Access Charge - > 200,000 Therms	-	$	175.00	$	-	$	199.50	$	-	0.0%
14	Transmission	198,846	$	0.0452	$	8,988	$	0.0470	$	9,346	4.0%
15	Distribution	199,261	$	0.0494	$	9,843	$	0.0582	$	11,597	17.8%
16	**TOTAL Rate 31 BASE REVENUE**				$	38,070			$	42,878	12.6%
17	**Rate 37 -Gas Air Conditioning**										
18	Access Charge	12	$	23.00	$	276	$	26.50	$	318	15.2%
19	Transmission	-	$	0.0259	$	-	$	0.0296	$	-	0.0%
20	Distribution	60,744	$	0.0382	$	2,320	$	0.0437	$	2,655	14.4%
21	**TOTAL Rate 37 BASE REVENUE**				$	2,596			$	2,973	14.5%

Line No.	Current Rate	Test Year Billing Units		Current Charge		Current Revenue		Proposed Charge		Proposed Revenue	Base Revenue Increase
	(A)	(B)		(C)		(D)		(E)		(F)	(G)
								13.9%			
22	**Rate 39 - Compressed Natural Gas Vehicle Fuel S**										
23	Access Charge	-	$	-	$	-			$	-	0.0%
24	Deliveries	2,925,281	$	0.0565	$	165,278	$	0.0648	$	189,558	14.7%
25	**TOTAL Rate 39 BASE REVENUE**				$	165,278			$	189,558	14.7%
26	**Rate 54 - Small Volume General Service**										
27	Access Charge	497,768	$	27.75	$	13,813,076	$	31.75	$	15,804,150	14.4%
28	Transmission	151,153,792	$	0.0823	$	12,439,957	$	0.0919	$	13,891,033	11.7%
29	Distribution	156,420,516	$	0.0788	$	12,325,937	$	0.0907	$	14,187,341	15.1%
30	**TOTAL Rate 54 BASE REVENUE**				$	38,578,969			$	43,882,524	13.7%
31	**Rate 56 - Medium Volume General Service**										
32	Access Charge	1,242	$	130.00	$	161,487	$	148.25	$	184,157	14.0%
33	Transmission	42,237,523	$	0.0651	$	2,749,663	$	0.0732	$	3,091,787	12.4%
34	Distribution	37,551,558	$	0.0532	$	1,997,743	$	0.0616	$	2,313,176	15.8%
35	**TOTAL Rate 56 BASE REVENUE**				$	4,908,892			$	5,589,120	13.9%
36	**Rate 58 - Large Volume General Service**										
37	Access Charge	108	$	1,475.00	$	159,300	$	1,680.25	$	181,467	13.9%
38	Transmission	65,315,863	$	0.0492	$	3,213,540	$	0.0551	$	3,598,904	12.0%
39	Distribution	33,411,295	$	0.0544	$	1,817,574	$	0.0642	$	2,145,005	18.0%
40	**TOTAL Rate 58 BASE REVENUE**				$	5,190,415			$	5,925,376	14.2%

Line No.	Current Rate	Test Year Billing Units		Current Charge		Current Revenue		Proposed Charge		Proposed Revenue	Base Revenue Increase
	(A)	(B)		(C)		(D)		(E)		(F)	(G)
								13.9%			
41	**Rate 61 - Sales for Resale**										
42	Access Charge	72	$	2,260.00	$	162,268	$	2,574.25	$	184,831	13.9%
43	Transmission	8,781,345	$	0.0291	$	255,537	$	0.0344	$	302,078	18.2%
44	Distribution										
45	**TOTAL Rate 61 BASE REVENUE**				$	417,805			$	486,909	16.5%
46	**Rate 70 - Offsystem Transportation**										
47	Access Charge	-	$	-	$	-			$	-	0.0%
48	Transmission	88,239,382	$	0.0224	$	1,976,562	$	0.0263	$	2,320,696	17.4%
49	Distribution										
50	**TOTAL Rate 70 BASE REVENUE**				$	1,976,562			$	2,320,696	17.4%
51	**Rate 72 - Compressor Fuel**										
52	Access Charge	288	$	250.00	$	72,000	$	285.00	$	82,080	14.0%
53	Transmission	40,223,951	$	0.0222	$	892,972	$	0.0252	$	1,013,644	13.5%
54	Distribution										
55	**TOTAL Rate 70 BASE REVENUE**				$	964,972			$	1,095,724	13.5%
56	**Rate 114 - District Energy System Service**										
57	Access Charge	12	$	1,475.00	$	17,700	$	1,680.25	$	20,163	13.9%
58	Transmission	9,437,595	$	0.0435	$	410,535	$	0.0483	$	455,461	10.9%
59	Distribution	9,481,779	$	0.0342	$	324,277	$	0.0395	$	374,708	15.6%
60	**TOTAL Rate 114 BASE REVENUE**				$	752,512			$	850,332	13.0%
61	**TOTAL REVENUE**				**$**	**215,869,660**			**$**	**245,881,628**	
62	Other Revenues (Rate 18)				$	310,073			$	310,073	
63	Rounding Difference								$	(11,968)	
64	**TOTAL REVENUE Including Rate 18**				**$**	**216,179,733**			**$**	**246,179,733**	

Base revenue increase percentage excludes gas costs, other riders and fees applicable to customer bills.

Line	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 10 - Residential (Transmission & Distribution) (434,300 customers 96.5%)***					
2	10	1.8%	$ 22.48	$ 23.28	$ 0.79	3.5%
3	25	12.0%	$ 35.45	$ 37.44	$ 1.99	5.6%
4	30	17.9%	$ 39.77	$ 42.16	$ 2.38	6.0%
5	45	42.3%	$ 52.74	$ 56.32	$ 3.58	6.8%
6	53	56.1%	$ 59.66	$ 63.87	$ 4.21	7.1%
7	75	81.6%	$ 78.68	$ 84.64	$ 5.96	7.6%
8	90	89.6%	$ 91.65	$ 98.80	$ 7.15	7.8%
9	105	93.8%	$ 104.62	$ 112.96	$ 8.35	8.0%
10	150	98.2%	$ 143.52	$ 155.44	$ 11.92	8.3%
11	250	99.7%	$ 229.98	$ 249.85	$ 19.87	8.6%
12	* Reflects weighted average Cost of Gas of $0.4781 throughout the year					
13	**Average Peak/Off-Peak Period Bills****					
14	Off-Peak Period (25 Therms)		$ 31.61	$ 33.60	$ 1.99	6.3%
15	Peak Period (90 Therms)		$ 97.85	$ 105.01	$ 7.15	7.3%
16	** Reflects weighted average Cost of Gas of $0.5403 in Peak Period (Nov-Mar) and $0.3396 in Off-Peak Period (Apr-Oct)					
17	**Rate 10 - Residential (Distribution Only) (15,500 customers 3.4%)***					
18	10	2.5%	$ 21.31	$ 21.82	$ 0.51	2.4%
19	25	15.5%	$ 32.53	$ 33.79	$ 1.26	3.9%
20	30	22.5%	$ 36.27	$ 37.79	$ 1.52	4.2%
21	45	46.8%	$ 47.49	$ 49.76	$ 2.27	4.8%
22	53	59.5%	$ 53.47	$ 56.15	$ 2.68	5.0%
23	75	84.4%	$ 69.92	$ 73.72	$ 3.79	5.4%
24	90	92.5%	$ 81.14	$ 85.69	$ 4.55	5.6%
25	105	96.0%	$ 92.36	$ 97.67	$ 5.31	5.7%
26	150	99.2%	$ 126.01	$ 133.60	$ 7.58	6.0%
27	250	99.9%	$ 200.80	$ 213.44	$ 12.64	6.3%
28	**Rate 10 - Residential (Transmission Only) (200 customers 0.05%)***					
29	10	3.9%	$ 20.64	$ 20.93	$ 0.29	1.4%
30	25	15.5%	$ 30.85	$ 31.57	$ 0.72	2.3%
31	30	25.2%	$ 34.25	$ 35.12	$ 0.87	2.5%
32	45	51.5%	$ 44.46	$ 45.76	$ 1.30	2.9%
33	53	64.6%	$ 49.90	$ 51.43	$ 1.53	3.1%
34	75	86.4%	$ 64.87	$ 67.04	$ 2.17	3.3%
35	90	90.3%	$ 75.08	$ 77.68	$ 2.60	3.5%
36	105	93.7%	$ 85.28	$ 88.32	$ 3.04	3.6%
37	150	97.1%	$ 115.90	$ 120.24	$ 4.34	3.7%
38	250	100.0%	$ 183.95	$ 191.18	$ 7.23	3.9%

Note: * Based on customers with 12 months of available data

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 12.40	$ 12.40	per month
Residential Transmission	$ 0.1053	$ 0.1314	per therm
Residential Distribution	$ 0.1661	$ 0.2117	per therm
Rate Rider 14	$ -	$ -	per therm
Rate Rider 15	$ 0.0304	$ 0.0304	per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.0800	$ 0.0800	per month
Franchise Fee	3.00%	3.00%	percent
Gross Receipts	7.625%	7.625%	percent
Cost of Gas (Off-Peak) (Apr-Oct)	$ 0.3396	$ 0.3396	
Cost of Gas (Peak) (Nov-Mar)	$ 0.5403	$ 0.5403	
Average Annual Usage - Test Period	52		
Average Off-Peak Usage - Test Period	25		
Average Peak Usage - Test Period	90		

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	Rate 54 - Small Volume General Service (Transmission & Distribution) (20,580 customers 95.7%)*					
2	10	2.4%	$ 38.98	$ 43.66	$ 4.67	12.0%
3	50	19.6%	$ 68.68	$ 74.30	$ 5.63	8.2%
4	75	29.8%	$ 87.23	$ 93.46	$ 6.22	7.1%
5	169	52.1%	$ 157.01	$ 165.47	$ 8.46	5.4%
6	317	67.6%	$ 266.87	$ 278.86	$ 11.99	4.5%
7	400	72.7%	$ 328.49	$ 342.45	$ 13.97	4.3%
8	524	78.2%	$ 420.53	$ 437.46	$ 16.92	4.0%
9	600	81.0%	$ 476.95	$ 495.68	$ 18.73	3.9%
10	800	85.6%	$ 625.41	$ 648.91	$ 23.50	3.8%
11	1000	88.5%	$ 773.87	$ 802.14	$ 28.27	3.7%
12	Rate 54 - Small Volume General Service (Distribution Only) (880 customers 4.1%)*					
13	10	2.5%	$ 38.07	$ 42.64	$ 4.57	12.0%
14	50	19.5%	$ 64.11	$ 69.21	$ 5.09	7.9%
15	75	31.3%	$ 80.39	$ 85.81	$ 5.42	6.7%
16	169	54.4%	$ 141.59	$ 148.26	$ 6.66	4.7%
17	317	71.9%	$ 237.95	$ 246.57	$ 8.62	3.6%
18	400	77.4%	$ 291.99	$ 301.70	$ 9.71	3.3%
19	524	82.4%	$ 372.73	$ 384.07	$ 11.35	3.0%
20	600	84.9%	$ 422.21	$ 434.56	$ 12.35	2.9%
21	800	89.1%	$ 552.43	$ 567.41	$ 14.99	2.7%
22	1000	92.3%	$ 682.64	$ 700.27	$ 17.63	2.6%
23	Rate 54 - Small Volume General Service (Transmission Only) (40 customers 0.20%)*					
24	10	2.4%	$ 38.11	$ 42.65	$ 4.54	11.9%
25	50	7.3%	$ 64.31	$ 69.27	$ 4.97	7.7%
26	75	14.6%	$ 80.68	$ 85.91	$ 5.23	6.5%
27	169	34.1%	$ 142.25	$ 148.48	$ 6.23	4.4%
28	317	70.7%	$ 239.18	$ 246.99	$ 7.81	3.3%
29	400	78.0%	$ 293.54	$ 302.24	$ 8.69	3.0%
30	524	80.5%	$ 374.76	$ 384.77	$ 10.01	2.7%
31	600	82.9%	$ 424.54	$ 435.36	$ 10.82	2.5%
32	800	85.4%	$ 555.53	$ 568.48	$ 12.95	2.3%
33	1000	85.4%	$ 686.52	$ 701.60	$ 15.08	2.2%

34 Note: * Based on customers with 12 months of available data

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 27.75	$ 31.75	per month
Small GS Transmission	$ 0.0823	$ 0.0919	per therm
Small GS Distribution	$ 0.0788	$ 0.0907	per therm
Rate Rider 14	$ -	$ -	per therm
Rate Rider 15	$ 0.0304	$ 0.0304	per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	317
Average Off-Peak Usage - Test Period	169
Average Peak Usage - Test Period	524

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 56 - Medium Volume General Service (Transmission & Distribution) (82 customers)***					
2	10,000	1.2%	$ 7,094	$ 7,297	$ 203	2.9%
3	20,000	14.6%	$ 14,042	$ 14,428	$ 386	2.7%
4	27,640	50.0%	$ 19,351	$ 19,877	$ 526	2.7%
5	35,424	65.9%	$ 24,760	$ 25,428	$ 668	2.7%
6	46,322	70.7%	$ 32,333	$ 33,200	$ 868	2.7%
7	40,000	68.3%	$ 27,940	$ 28,692	$ 752	2.7%
8	50,000	73.2%	$ 34,888	$ 35,823	$ 935	2.7%
9	60,000	82.9%	$ 41,837	$ 42,955	$ 1,118	2.7%
10	75,000	86.6%	$ 52,260	$ 53,652	$ 1,392	2.7%
11	100,000	90.2%	$ 69,632	$ 71,481	$ 1,849	2.7%
12	**Rate 56 - Medium Volume General Service (Distribution Only) (5 customers 6.1%)***					
13	10,000	0.0%	$ 6,372	$ 6,485	$ 113	1.8%
14	20,000	0.0%	$ 12,599	$ 12,805	$ 206	1.6%
15	27,640	40.0%	$ 17,356	$ 17,634	$ 278	1.6%
16	35,424	60.0%	$ 22,204	$ 22,554	$ 350	1.6%
17	46,322	80.0%	$ 28,990	$ 29,441	$ 452	1.6%
18	40,000	60.0%	$ 25,053	$ 25,446	$ 393	1.6%
19	50,000	80.0%	$ 31,280	$ 31,766	$ 486	1.6%
20	60,000	100.0%	$ 37,507	$ 38,086	$ 579	1.5%
21	75,000	100.0%	$ 46,848	$ 47,566	$ 719	1.5%
22	100,000	100.0%	$ 62,415	$ 63,367	$ 951	1.5%
23	**Rate 56 - Medium Volume General Service (Transmission Only) (9 customers 11.0%)***					
24	10,000	11.1%	$ 6,504	$ 6,614	$ 110	1.7%
25	20,000	11.1%	$ 12,863	$ 13,063	$ 200	1.6%
26	27,640	33.3%	$ 17,721	$ 17,989	$ 268	1.5%
27	35,424	55.6%	$ 22,671	$ 23,009	$ 338	1.5%
28	46,322	66.7%	$ 29,601	$ 30,037	$ 436	1.5%
29	40,000	66.7%	$ 25,581	$ 25,960	$ 379	1.5%
30	50,000	77.8%	$ 31,940	$ 32,409	$ 469	1.5%
31	60,000	77.8%	$ 38,299	$ 38,858	$ 559	1.5%
32	75,000	88.9%	$ 47,837	$ 48,531	$ 694	1.5%
33	100,000	88.9%	$ 63,734	$ 64,653	$ 918	1.4%

34 Note: * Based on customers with 12 months of available data

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 130.00	$ 148.25	per month
Transmission	$ 0.0651	$ 0.0732	per therm
Distribution	$ 0.0532	$ 0.0616	per therm
Rate Rider 14			per therm
Rate Rider 15	$ 0.0304	$ 0.0304	per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	35,424
Average Off-Peak Usage - Test Period	27,640
Average Peak Usage - Test Period	46,322

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 58 - Large Volume General Service (Transmission & Distribution) (8 customers)***					
2	300,000	25.0%	$ 195,098	$ 200,547	$ 5,449	2.8%
3	400,000	50.0%	$ 259,586	$ 266,775	$ 7,189	2.8%
4	500,000	50.0%	$ 324,073	$ 333,002	$ 8,930	2.8%
5	539,014	50.0%	$ 349,232	$ 358,841	$ 9,609	2.8%
6	604,837	62.5%	$ 391,680	$ 402,434	$ 10,754	2.7%
7	696,989	62.5%	$ 451,106	$ 463,464	$ 12,358	2.7%
8	800,000	87.5%	$ 517,535	$ 531,686	$ 14,151	2.7%
9	900,000	100.0%	$ 582,023	$ 597,914	$ 15,891	2.7%
10	1,000,000	100.0%	$ 646,510	$ 664,142	$ 17,632	2.7%
11	1,500,000	100.0%	$ 968,947	$ 995,281	$ 26,334	2.7%
12	**Rate 58 - Large Volume General Service (Distribution Only) (0 customers)***					
13	300,000	0.0%	$ 178,736	$ 182,223	$ 3,487	2.0%
14	400,000	0.0%	$ 237,770	$ 242,343	$ 4,573	1.9%
15	500,000	0.0%	$ 296,803	$ 302,462	$ 5,659	1.9%
16	539,014	0.0%	$ 319,834	$ 325,917	$ 6,083	1.9%
17	604,837	0.0%	$ 358,692	$ 365,490	$ 6,798	1.9%
18	696,989	0.0%	$ 413,092	$ 420,892	$ 7,799	1.9%
19	800,000	0.0%	$ 473,903	$ 482,822	$ 8,918	1.9%
20	900,000	0.0%	$ 532,937	$ 542,941	$ 10,005	1.9%
21	1,000,000	0.0%	$ 591,970	$ 603,061	$ 11,091	1.9%
22	1,500,000	0.0%	$ 887,137	$ 903,660	$ 16,523	1.9%
23	**Rate 58 - Large Volume General Service (Transmission Only) (4 customers 50%)***					
24	300,000	0.0%	$ 177,007	$ 179,196	$ 2,190	1.2%
25	400,000	0.0%	$ 235,464	$ 238,307	$ 2,844	1.2%
26	500,000	0.0%	$ 293,921	$ 297,418	$ 3,498	1.2%
27	539,014	0.0%	$ 316,727	$ 320,480	$ 3,753	1.2%
28	604,837	0.0%	$ 355,205	$ 359,389	$ 4,183	1.2%
29	696,989	0.0%	$ 409,075	$ 413,861	$ 4,786	1.2%
30	800,000	0.0%	$ 469,292	$ 474,751	$ 5,460	1.2%
31	900,000	0.0%	$ 527,749	$ 533,862	$ 6,114	1.2%
32	1,000,000	0.0%	$ 586,206	$ 592,973	$ 6,768	1.2%
33	1,500,000	0.0%	$ 878,490	$ 888,529	$ 10,038	1.1%

34 Note: * Based on customers with 12 months of available data

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 1,475.00	$ 1,680.25	per month
Transmission	$ 0.0492	$ 0.0551	per therm
Distribution	$ 0.0544	$ 0.0642	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	604,837
Average Off-Peak Usage - Test Period	539,014
Average Peak Usage - Test Period	696,989

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 30 - Irrigation (Transmission & Distribution) (208 Customers 46.9%)**					
2	100	18.6%	$ 104	$ 110	$ 7	6.7%
3	300	33.3%	$ 228	$ 237	$ 9	3.9%
4	500	41.9%	$ 353	$ 364	$ 11	3.1%
5	732	49.8%	$ 498	$ 511	$ 13	2.7%
6	1,569	65.9%	$ 1,020	$ 1,042	$ 22	2.1%
7	2,167	74.2%	$ 1,394	$ 1,421	$ 28	2.0%
8	2,500	75.5%	$ 1,601	$ 1,632	$ 31	1.9%
9	3,000	83.0%	$ 1,913	$ 1,949	$ 36	1.9%
10	3,500	84.1%	$ 2,225	$ 2,266	$ 41	1.8%
11	5,000	94.2%	$ 3,161	$ 3,217	$ 56	1.8%
12	**Rate 30 - Irrigation (Distribution Only) (200 Customers 48.8%)**					
13	100	3.1%	$ 98	$ 105	$ 6	6.6%
14	300	15.6%	$ 213	$ 220	$ 8	3.6%
15	500	15.6%	$ 327	$ 336	$ 9	2.7%
16	732	34.4%	$ 459	$ 469	$ 10	2.2%
17	1,569	59.4%	$ 938	$ 953	$ 15	1.6%
18	2,167	77.5%	$ 1,280	$ 1,298	$ 18	1.4%
19	2,500	77.5%	$ 1,470	$ 1,490	$ 20	1.4%
20	3,000	77.5%	$ 1,756	$ 1,779	$ 23	1.3%
21	3,500	85.0%	$ 2,042	$ 2,068	$ 26	1.3%
22	5,000	100.0%	$ 2,900	$ 2,934	$ 34	1.2%
23	**Rate 30 - Irrigation (Transmission Only) (18 Customers 4.2%)**					
24	100	11.1%	$ 99	$ 106	$ 6	6.4%
25	300	20.6%	$ 216	$ 223	$ 7	3.3%
26	500	24.8%	$ 332	$ 340	$ 8	2.4%
27	732	28.7%	$ 467	$ 476	$ 9	1.9%
28	1,569	39.0%	$ 955	$ 968	$ 13	1.3%
29	2,167	55.0%	$ 1,303	$ 1,319	$ 15	1.2%
30	2,500	63.9%	$ 1,497	$ 1,514	$ 17	1.1%
31	3,000	71.1%	$ 1,788	$ 1,807	$ 19	1.1%
32	3,500	79.0%	$ 2,079	$ 2,100	$ 21	1.0%
33	5,000	88.1%	$ 2,953	$ 2,980	$ 28	0.9%

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 36.40	$ 41.75	per month
Transmission	$ 0.0472	$ 0.0511	per therm
Distribution	$ 0.0376	$ 0.0427	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	1,569
Average Off-Peak Usage - Test Period	2,167
Average Peak Usage - Test Period	732

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 31 - Water & Sewage Pumping (Transmission & Distribution) (15 customers 100%)**					
2	200	26.3%	$ 246	$ 265	$ 19	7.7%
3	500	58.8%	$ 437	$ 459	$ 23	5.2%
4	799	58.8%	$ 627	$ 653	$ 26	4.2%
5	1,108	58.8%	$ 823	$ 853	$ 30	3.6%
6	1,329	69.3%	$ 963	$ 996	$ 32	3.3%
7	1,600	69.3%	$ 1,135	$ 1,171	$ 35	3.1%
8	2,000	79.8%	$ 1,389	$ 1,429	$ 40	2.9%
9	3,000	79.8%	$ 2,024	$ 2,076	$ 52	2.6%
10	4,000	86.8%	$ 2,659	$ 2,723	$ 64	2.4%
11	5,000	86.8%	$ 3,294	$ 3,369	$ 75	2.3%
12	**Rate 31 - Water & Sewage Pumping (Distribution Only) (0 customers)**					
13	200	0.0%	$ 236	$ 255	$ 19	7.9%
14	500	0.0%	$ 412	$ 433	$ 22	5.2%
15	799	0.0%	$ 587	$ 611	$ 24	4.2%
16	1,108	0.0%	$ 768	$ 795	$ 27	3.6%
17	1,329	0.0%	$ 897	$ 926	$ 30	3.3%
18	1,600	0.0%	$ 1,055	$ 1,087	$ 32	3.1%
19	2,000	0.0%	$ 1,289	$ 1,325	$ 36	2.8%
20	3,000	0.0%	$ 1,874	$ 1,920	$ 46	2.4%
21	4,000	0.0%	$ 2,459	$ 2,514	$ 56	2.3%
22	5,000	0.0%	$ 3,043	$ 3,109	$ 65	2.1%
23	**Rate 31 - Water & Sewage Pumping (Transmission Only) (0 customers)**					
24	200	0.0%	$ 235	$ 252	$ 17	7.2%
25	500	0.0%	$ 409	$ 427	$ 18	4.3%
26	799	0.0%	$ 583	$ 601	$ 18	3.1%
27	1,108	0.0%	$ 762	$ 781	$ 19	2.5%
28	1,329	0.0%	$ 891	$ 910	$ 19	2.2%
29	1,600	0.0%	$ 1,048	$ 1,067	$ 20	1.9%
30	2,000	0.0%	$ 1,280	$ 1,300	$ 21	1.6%
31	3,000	0.0%	$ 1,860	$ 1,882	$ 23	1.2%
32	4,000	0.0%	$ 2,440	$ 2,465	$ 25	1.0%
33	5,000	0.0%	$ 3,020	$ 3,047	$ 27	0.9%

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 107.00	$ 122.00	per month
Transmission	$ 0.0452	$ 0.0470	per therm
Distribution	$ 0.0494	$ 0.0582	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	1,108
Average Off-Peak Usage - Test Period	1,329
Average Peak Usage - Test Period	799

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 37 - Gas Air Conditioning (Transmission & Distribution) (0 customers)**					
34	3,000	0.0%	$ 1,830	$ 1,864	$ 35	1.9%
35	3,500	0.0%	$ 2,130	$ 2,170	$ 40	1.9%
36	4,000	0.0%	$ 2,431	$ 2,476	$ 45	1.8%
37	4,500	0.0%	$ 2,731	$ 2,781	$ 50	1.8%
38	5,077	0.0%	$ 3,078	$ 3,134	$ 56	1.8%
39	5,040	0.0%	$ 3,056	$ 3,112	$ 56	1.8%
40	5,102	0.0%	$ 3,093	$ 3,149	$ 56	1.8%
41	5,040	0.0%	$ 3,056	$ 3,112	$ 56	1.8%
42	5,500	0.0%	$ 3,332	$ 3,393	$ 60	1.8%
43	6,000	0.0%	$ 3,633	$ 3,698	$ 65	1.8%
44	**Rate 37 - Gas Air Conditioning (Distribution Only) (1 customer 100%)**					
45	3,000	0.0%	$ 1,743	$ 1,766	$ 22	1.3%
46	3,500	0.0%	$ 2,030	$ 2,055	$ 25	1.2%
47	4,000	0.0%	$ 2,316	$ 2,344	$ 28	1.2%
48	4,500	0.0%	$ 2,602	$ 2,633	$ 31	1.2%
49	5,077	100.0%	$ 2,932	$ 2,967	$ 35	1.2%
50	5,040	100.0%	$ 2,911	$ 2,946	$ 35	1.2%
51	5,102	100.0%	$ 2,947	$ 2,982	$ 35	1.2%
52	5,040	100.0%	$ 2,911	$ 2,946	$ 35	1.2%
53	5,500	100.0%	$ 3,174	$ 3,212	$ 37	1.2%
54	6,000	100.0%	$ 3,461	$ 3,501	$ 41	1.2%
55	**Rate 37 - Gas Air Conditioning (Transmission Only) (0 customers)**					
56	3,000	0.0%	$ 1,703	$ 1,719	$ 16	1.0%
57	3,500	0.0%	$ 1,982	$ 2,000	$ 18	0.9%
58	4,000	0.0%	$ 2,261	$ 2,282	$ 20	0.9%
59	4,500	0.0%	$ 2,541	$ 2,563	$ 23	0.9%
60	5,077	0.0%	$ 2,863	$ 2,888	$ 25	0.9%
61	5,040	0.0%	$ 2,843	$ 2,867	$ 25	0.9%
62	5,102	0.0%	$ 2,877	$ 2,902	$ 25	0.9%
63	5,040	0.0%	$ 2,843	$ 2,867	$ 25	0.9%
64	5,500	0.0%	$ 3,099	$ 3,126	$ 27	0.9%
65	6,000	0.0%	$ 3,379	$ 3,407	$ 29	0.9%

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 23.00	$ 26.50	per month
Transmission	$ 0.0259	$ 0.0296	per therm
Distribution	$ 0.0382	$ 0.0437	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	5,077
Average Off-Peak Usage - Test Period	5,102
Average Peak Usage - Test Period	5,040

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	Rate 39 - CNG Fuel (Transmission & Distribution) (0 customers)					
2	1,000	0.0%	$ 656	$ 674	$ 18	2.8%
3	5,000	0.0%	$ 3,277	$ 3,369	$ 92	2.8%
4	6,000	0.0%	$ 3,933	$ 4,043	$ 110	2.8%
5	28,144	0.0%	$ 18,443	$ 18,961	$ 518	2.8%
6	28,403	0.0%	$ 18,613	$ 19,136	$ 523	2.8%
7	28,765	0.0%	$ 18,850	$ 19,380	$ 529	2.8%
8	40,000	0.0%	$ 26,213	$ 26,949	$ 736	2.8%
9	50,000	0.0%	$ 32,766	$ 33,686	$ 920	2.8%
10	60,000	0.0%	$ 39,318	$ 40,423	$ 1,104	2.8%
11	70,000	0.0%	$ 45,871	$ 47,160	$ 1,288	2.8%
12	Rate 39 - CNG Fuel (Distribution Only) (8 customers 88.9%)					
13	1,000	100.0%	$ 593	$ 603	$ 9	1.6%
14	5,000	0.0%	$ 2,964	$ 3,010	$ 46	1.6%
15	6,000	0.0%	$ 3,557	$ 3,612	$ 55	1.6%
16	28,144	0.0%	$ 16,681	$ 16,940	$ 259	1.6%
17	28,403	0.0%	$ 16,834	$ 17,095	$ 261	1.6%
18	28,765	0.0%	$ 17,049	$ 17,313	$ 265	1.6%
19	40,000	0.0%	$ 23,707	$ 24,075	$ 368	1.6%
20	50,000	0.0%	$ 29,634	$ 30,094	$ 460	1.6%
21	60,000	0.0%	$ 35,561	$ 36,113	$ 552	1.6%
22	70,000	0.0%	$ 41,487	$ 42,131	$ 644	1.6%
23	Rate 39 - CNG Fuel (Transmission Only) (1 customers 11.1%)					
24	1,000	13.3%	$ 593	$ 603	$ 9	1.6%
25	5,000	26.7%	$ 2,964	$ 3,010	$ 46	1.6%
26	6,000	46.7%	$ 3,557	$ 3,612	$ 55	1.6%
27	28,144	60.0%	$ 16,681	$ 16,940	$ 259	1.6%
28	28,403	60.0%	$ 16,834	$ 17,095	$ 261	1.6%
29	28,765	60.0%	$ 17,049	$ 17,313	$ 265	1.6%
30	40,000	60.0%	$ 23,707	$ 24,075	$ 368	1.6%
31	50,000	86.7%	$ 29,634	$ 30,094	$ 460	1.6%
32	60,000	86.7%	$ 35,561	$ 36,113	$ 552	1.6%
33	70,000	86.7%	$ 41,487	$ 42,131	$ 644	1.6%

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ -	$ -	per month
Transmission	$ 0.0565	$ 0.0648	per therm
Distribution	$ 0.0565	$ 0.0648	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	28,403
Average Off-Peak Usage - Test Period	28,144
Average Peak Usage - Test Period	28,765

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 61 - Sale for Resale (Transmission & Distribution) (0 customers)**					
2	10,000	0.0%	$ 8,129	$ 8,536	$ 407	5.0%
3	15,000	0.0%	$ 10,940	$ 11,377	$ 436	4.0%
4	20,000	0.0%	$ 13,752	$ 14,218	$ 466	3.4%
5	25,000	0.0%	$ 16,563	$ 17,059	$ 495	3.0%
6	62,912	0.0%	$ 37,881	$ 38,599	$ 718	1.9%
7	121,963	0.0%	$ 71,085	$ 72,149	$ 1,065	1.5%
8	150,000	0.0%	$ 86,849	$ 88,079	$ 1,230	1.4%
9	204,635	0.0%	$ 117,570	$ 119,120	$ 1,551	1.3%
10	400,000	0.0%	$ 227,421	$ 230,120	$ 2,698	1.2%
11	500,000	0.0%	$ 283,650	$ 286,936	$ 3,286	1.2%
12	**Rate 61 - Sale for Resale (Distribution Only) (0 customers)**					
13	10,000	0.0%	$ 7,806	$ 8,155	$ 348	4.5%
14	15,000	0.0%	$ 10,457	$ 10,805	$ 348	3.3%
15	20,000	0.0%	$ 13,107	$ 13,455	$ 348	2.7%
16	25,000	0.0%	$ 15,757	$ 16,105	$ 348	2.2%
17	62,912	0.0%	$ 35,851	$ 36,200	$ 348	1.0%
18	121,963	0.0%	$ 67,150	$ 67,499	$ 348	0.5%
19	150,000	0.0%	$ 82,011	$ 82,359	$ 348	0.4%
20	204,635	0.0%	$ 110,969	$ 111,317	$ 348	0.3%
21	400,000	0.0%	$ 214,518	$ 214,866	$ 348	0.2%
22	500,000	0.0%	$ 267,521	$ 267,869	$ 348	0.1%
23	**Rate 61 - Sale for Resale (Transmission Only) (6 customers 100%)**					
24	10,000	29.6%	$ 8,129	$ 8,536	$ 407	5.0%
25	15,000	44.4%	$ 10,940	$ 11,377	$ 436	4.0%
26	20,000	59.3%	$ 13,752	$ 14,218	$ 466	3.4%
27	25,000	59.3%	$ 16,563	$ 17,059	$ 495	3.0%
28	62,912	59.3%	$ 37,881	$ 38,599	$ 718	1.9%
29	121,963	59.3%	$ 71,085	$ 72,149	$ 1,065	1.5%
30	150,000	70.4%	$ 86,849	$ 88,079	$ 1,230	1.4%
31	204,635	85.2%	$ 117,570	$ 119,120	$ 1,551	1.3%
32	400,000	85.2%	$ 227,421	$ 230,120	$ 2,698	1.2%
33	500,000	100.0%	$ 283,650	$ 286,936	$ 3,286	1.2%

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 2,260.00	$ 2,574.25	per month
Transmission	$ 0.0291	$ 0.0344	per therm
Distribution	$ -	$ -	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	121,963
Average Off-Peak Usage - Test Period	62,912
Average Peak Usage - Test Period	204,635

Line	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 70 - Off System Transportation (Transmission & Distribution) (0 customers)**					
2	300,000	0.0%	$ 166,459	$ 167,756	$ 1,297	0.8%
3	400,000	0.0%	$ 221,945	$ 223,674	$ 1,729	0.8%
4	500,000	0.0%	$ 277,431	$ 279,593	$ 2,162	0.8%
5	1,834,197	0.0%	$ 1,017,725	$ 1,025,655	$ 7,930	0.8%
6	1,846,384	0.0%	$ 1,024,487	$ 1,032,470	$ 7,982	0.8%
7	1,855,090	0.0%	$ 1,029,318	$ 1,037,338	$ 8,020	0.8%
8	2,000,000	0.0%	$ 1,109,723	$ 1,118,369	$ 8,647	0.8%
9	3,000,000	0.0%	$ 1,664,583	$ 1,677,553	$ 12,970	0.8%
10	5,000,000	0.0%	$ 2,774,305	$ 2,795,922	$ 21,616	0.8%
11	8,000,000	0.0%	$ 4,438,888	$ 4,473,474	$ 34,586	0.8%
12	**Rate 70 - Off System Transportation (Distribution Only) (0 customers)**					
13	300,000	0.0%	$ 159,010	$ 159,010	$ -	0.0%
14	400,000	0.0%	$ 212,013	$ 212,013	$ -	0.0%
15	500,000	0.0%	$ 265,016	$ 265,016	$ -	0.0%
16	1,834,197	0.0%	$ 972,180	$ 972,180	$ -	0.0%
17	1,846,384	0.0%	$ 978,639	$ 978,639	$ -	0.0%
18	1,855,090	0.0%	$ 983,253	$ 983,253	$ -	0.0%
19	2,000,000	0.0%	$ 1,060,060	$ 1,060,060	$ -	0.0%
20	3,000,000	0.0%	$ 1,590,090	$ 1,590,090	$ -	0.0%
21	5,000,000	0.0%	$ 2,650,149	$ 2,650,149	$ -	0.0%
22	8,000,000	0.0%	$ 4,240,238	$ 4,240,238	$ -	0.0%
23	**Rate 70 - Off System Transportation (Transmission Only) (4 customers 100%)***					
24	300,000	35.3%	$ 166,459	$ 167,756	$ 1,297	0.8%
25	400,000	64.7%	$ 221,945	$ 223,674	$ 1,729	0.8%
26	500,000	64.7%	$ 277,431	$ 279,593	$ 2,162	0.8%
27	1,834,197	64.7%	$ 1,017,725	$ 1,025,655	$ 7,930	0.8%
28	1,846,384	64.7%	$ 1,024,487	$ 1,032,470	$ 7,982	0.8%
29	1,855,090	64.7%	$ 1,029,318	$ 1,037,338	$ 8,020	0.8%
30	2,000,000	64.7%	$ 1,109,723	$ 1,118,369	$ 8,647	0.8%
31	8,000,000	64.7%	$ 4,438,888	$ 4,473,474	$ 34,586	0.8%
32	5,000,000	100.0%	$ 2,774,305	$ 2,795,922	$ 21,616	0.8%
33	8,000,000	0.0%	$ 4,438,888	$ 4,473,474	$ 34,586	0.8%

34 Note: * Usage from Customers that were moved to Rate 72 - Compressor Fuel Rate in January 2023 have been removed from Rate 70 during the Base Period and included in Rate 72

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ -	$ -	per month
Transmission	$ 0.0224	$ 0.0263	per therm
Distribution	$ -	$ -	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	1,846,384
Average Off-Peak Usage - Test Period	1,855,090
Average Peak Usage - Test Period	1,834,197

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	**Rate 72 - Compressor Fuel Service (Transmission & Distribution) (0 customers)**					
2	20,000	0.0%	$ 11,371	$ 11,476	$ 105	0.9%
3	30,000	0.0%	$ 16,917	$ 17,056	$ 139	0.8%
4	40,000	0.0%	$ 22,463	$ 22,635	$ 172	0.8%
5	60,000	0.0%	$ 33,556	$ 33,795	$ 238	0.7%
6	80,000	0.0%	$ 44,649	$ 44,954	$ 305	0.7%
7	139,246	0.0%	$ 77,509	$ 78,011	$ 502	0.6%
8	140,502	0.0%	$ 78,206	$ 78,712	$ 506	0.6%
9	200,000	0.0%	$ 111,206	$ 111,910	$ 704	0.6%
10	300,000	0.0%	$ 166,670	$ 167,706	$ 1,036	0.6%
11	500,000	0.0%	$ 277,598	$ 279,299	$ 1,702	0.6%
12	**Rate 72 - Compressor Fuel Service (Distribution Only) (0 customers 0%)***					
13	20,000	0.0%	$ 10,879	$ 10,917	$ 39	0.4%
14	30,000	0.0%	$ 16,179	$ 16,218	$ 39	0.2%
15	40,000	0.0%	$ 21,479	$ 21,518	$ 39	0.2%
16	60,000	0.0%	$ 32,080	$ 32,119	$ 39	0.1%
17	80,000	0.0%	$ 42,680	$ 42,719	$ 39	0.1%
18	139,246	0.0%	$ 74,083	$ 74,121	$ 39	0.1%
19	140,502	0.0%	$ 74,748	$ 74,787	$ 39	0.1%
20	200,000	0.0%	$ 106,284	$ 106,323	$ 39	0.0%
21	300,000	0.0%	$ 159,287	$ 159,326	$ 39	0.0%
22	500,000	0.0%	$ 265,293	$ 265,332	$ 39	0.0%
23	**Rate 72 - Compressor Fuel Service (Transmission Only) (24 customers 100%)***					
24	20,000	5.4%	$ 11,371	$ 11,476	$ 105	0.9%
25	30,000	18.5%	$ 16,917	$ 17,056	$ 139	0.8%
26	40,000	22.5%	$ 22,463	$ 22,635	$ 172	0.8%
27	60,000	38.6%	$ 33,556	$ 33,795	$ 238	0.7%
28	80,000	46.6%	$ 44,649	$ 44,954	$ 305	0.7%
29	139,246	68.5%	$ 77,509	$ 78,011	$ 502	0.6%
30	140,502	68.5%	$ 78,206	$ 78,712	$ 506	0.6%
31	200,000	79.5%	$ 111,206	$ 111,910	$ 704	0.6%
32	300,000	83.9%	$ 166,670	$ 167,706	$ 1,036	0.6%
33	500,000	96.0%	$ 277,598	$ 279,299	$ 1,702	0.6%

34 Note: * Usage from Customers that were moved to Rate 72 - Compressor Fuel Rate in January 2023 have been removed from Rate 70 during the Base Period and included in Rate 72

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 250.00	$ 285.00	per month
Transmission	$ 0.0222	$ 0.0252	per therm
Distribution	$ -	$ -	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	139,770
Average Off-Peak Usage - Test Period	139,246
Average Peak Usage - Test Period	140,502

	Monthly Therms	Cumulative % of Bills	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Increase	Percentage Increase
	(A)		(B)	(C)	(D)	(E)
1	Rate 114 - District Energy Service (Transmission & Distribution) (1 customer 100%)					
2	400,000	0.0%	$ 248,101	$ 252,798	$ 4,697	1.9%
3	450,000	0.0%	$ 278,909	$ 284,165	$ 5,255	1.9%
4	500,000	0.0%	$ 309,717	$ 315,531	$ 5,814	1.9%
5	550,000	0.0%	$ 340,526	$ 346,898	$ 6,373	1.9%
6	600,000	0.0%	$ 371,334	$ 378,265	$ 6,931	1.9%
7	650,000	0.0%	$ 402,142	$ 409,632	$ 7,490	1.9%
8	791,481	0.0%	$ 489,317	$ 498,388	$ 9,071	1.9%
9	850,000	0.0%	$ 525,374	$ 535,099	$ 9,725	1.9%
10	900,000	0.0%	$ 556,183	$ 566,466	$ 10,283	1.8%
11	950,000	0.0%	$ 586,991	$ 597,833	$ 10,842	1.8%
12	Rate 114 - District Energy Service (Distribution Only) (0 customers)					
13	400,000	0.0%	$ 228,813	$ 231,398	$ 2,586	1.1%
14	450,000	0.0%	$ 257,210	$ 260,090	$ 2,881	1.1%
15	500,000	0.0%	$ 285,607	$ 288,782	$ 3,176	1.1%
16	550,000	0.0%	$ 314,004	$ 317,474	$ 3,470	1.1%
17	600,000	0.0%	$ 342,401	$ 346,166	$ 3,765	1.1%
18	650,000	0.0%	$ 370,798	$ 374,858	$ 4,060	1.1%
19	791,481	0.0%	$ 451,151	$ 456,045	$ 4,894	1.1%
20	850,000	0.0%	$ 484,386	$ 489,625	$ 5,239	1.1%
21	900,000	0.0%	$ 512,783	$ 518,317	$ 5,534	1.1%
22	950,000	0.0%	$ 541,180	$ 547,009	$ 5,829	1.1%
23	Rate 114 - District Energy Service (Transmission Only) (0 customers)					
24	400,000	0.0%	$ 232,936	$ 235,275	$ 2,338	1.0%
25	450,000	0.0%	$ 261,849	$ 264,451	$ 2,602	1.0%
26	500,000	0.0%	$ 290,761	$ 293,627	$ 2,866	1.0%
27	550,000	0.0%	$ 319,674	$ 322,804	$ 3,130	1.0%
28	600,000	0.0%	$ 348,587	$ 351,980	$ 3,394	1.0%
29	650,000	0.0%	$ 377,499	$ 381,157	$ 3,658	1.0%
30	791,481	0.0%	$ 459,311	$ 463,715	$ 4,404	1.0%
31	850,000	0.0%	$ 493,149	$ 497,862	$ 4,713	1.0%
32	900,000	0.0%	$ 522,062	$ 527,039	$ 4,977	1.0%
33	950,000	0.0%	$ 550,974	$ 556,215	$ 5,241	1.0%

Rate	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	
Monthly Access Fee	$ 1,475.00	$ 1,680.25	per month
Transmission	$ 0.0435	$ 0.0483	per therm
Distribution	$ 0.0342	$ 0.0395	per therm
Rate Rider 14			per therm
Rate Rider 15			per therm
Cost of Gas	$ 0.4781	$ 0.4781	per therm
Pipeline Safety Fee	$ 0.7200	$ 0.7200	per month
Franchise Fee	3.000%	3.000%	percent
Gross Receipts	7.625%	7.625%	percent

Average Annual Usage - Test Period	791,481
Average Off-Peak Usage - Test Period	791,481
Average Peak Usage - Test Period	791,481

NEW MEXICO GAS COMPANY, INC.

Discounted Transportation Rates

Name	Discount Rate No.	Circumstance of Discount	Discount Rate, Other Charges and Commitments	Prior Discount Rate
Frontier Field Services Maljamar Plant	First Revised 701	Increase Throughput	$ 0.202/MMBtu; 1% Fuel and Losses; 3 Year Annual Volume Commitment of 317,550 MMBtu/Year	$ 0.10/MMBtu; 1% Fuel and Losses; 3 Year Annual Volume Commitment of 1,825,000 MMBtu/Year
Compania de Autobastecedores de Gas Natural de San Jeromino, S.A. de C.V.	First Revised 702	Border Crossing	$2,574.23/monthly Access Fee waived until average monthly volumes exceed 15,000 MMBtu for 6 consecutive months; $0.0344/therm	$2,260/monthly Access Fee waived until average monthly volumes exceed 15,000 MMBtu for 6 consecutive months; $0.0291/therm
Kolb Meyer Bioenergy NM 1, LLC	First Revised 703	Increase Throughput; Bypass Potential	$0.192/MMBtu; 0.45% Fuel; Pipeline Grade Quality Biogas	$0.202/MMBtu; 0 .45% Fuel; Pipeline Grade Quality Biogas
HollyFrontier Renewable Diesel Unit	Original 705	Prevent Bypass and Increase Throughput	$0.125/MMBtu; Annual Volume Commitment of no less than 1,215,450 MMBtu/Year	
HollyFrontier Refinery and Marketing, LLC	Second Revised 706	Prevent Bypass and Increase Throughput	May 01, 2016 $0.11/MMBtu 1st year; with $0.005/MMBtu increase per year for Yr. 2, 3 & 4; ending @ $0.125/MMBtu for remainder of term; $0.07/MMBtu over monthly average 20,000 MMBtu/day minimum obligation; 1% Fuel	6,205,000 MMBtu or 17,000 MMBtu per day minumun take obligation under the contract $0.105/MMBtu; 1% Fuel for all gas transported

NEW MEXICO GAS COMPANY, INC.

Discounted Transportation Rates

Name	Discount Rate No.	Circumstance of Discount	Discount Rate, Other Charges and Commitments	Prior Discount Rate
Western Bloomfield Refining Company (formerly Giant Industries)	First Revised 708	Prevent Bypass	$ 0.12/MMBtu; 1% Fuel; $1,000 Monthly Access Fee	$ 0.12/MMBtu; 1% Fuel; $1,000 Monthly Access Fee
City of Farmington - Animas and Bluffview Power Plants	Second Revised 741	Prevent Bypass and Increase Throughput	$0.25/MMBtu charged for all volumes transported Firm Volume Commitment: 10,500 MMBtu/day or 3,832,500 MMBtu/year 3,843,000 MMBtu/leap year) Annual Reservation (Demand) Charge: $958,125/year ($960,750/leap year) 0.45% Fuel	$ 0.10/MMBtu charge for all volumes transported Firm Volume Commitment: 15,000 MMBtu/day or 5,475,000 MMBtu/year (5,490,000 MMBtu/leap year) Annual Reservation (Demand) Charge: $547,500/year($549,000/leap year) 0.15% Fuel
Mosaic Potash (formerly IMC Potash)	Second Revised 742	Prevent Bypass	$ 0.15/MMBtu; 1% Fuel; $1,000 Monthly Access Fee	$ 0.06/MMBtu; 1% Fuel
PNM - Reeves 1, 2, & 3; and Rio Bravo Generation Plants	Sixth Revised 817	Increase Throughput	$0.896/MMBtu - Loadside; $0.30/MMBtu - Market Rate	$0.851/MMBtu - Loadside; $0.25/MMBtu - Market Rate

NEW MEXICO GAS COMPANY

THIRD REVISED RULE NO. 29
CANCELING SECOND REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

1. Definitions:

The following words and terms shall have the indicated meaning when used in the Company's Rate Rider No. 8 and this Rule:

Actual Calendar Month Heating Degree Days: The cumulative monthly Weighted Average Heating Degree Days for the current Heating Season.

Adjustment Period: The annual period beginning with cycle 1, October.

Annual Reconciliation Report: The annual report filed with the Commission which provides the weather-related revenue excesses and deficiencies and the revenues or revenue credits for the Company's Weather Normalization Adjustment for a Reconciliation Period.

Balancing Account: Contains the cumulative monthly differences between the weather-related revenue excesses or revenue deficiencies as they are recorded on the books and records of the Company, and the revenues resulting from billings or credits to customers for the recovery or crediting of weather-related revenue excesses or revenue deficiencies as they are recorded on the books and records of the Company.

Balancing Account Adjustment Factor: A component of the Weather Normalization Adjustment Factor designed to allow the Company to continuously manage the Balancing Account.

Commission: The New Mexico Public Regulation Commission.

Company: New Mexico Gas Company.

Degree Day Consumption Factor: The aggregate heating use per degree day by rate class for the calendar month stated in therms as set forth in the following table:

Advice Notice No. 96

/s/Gerald C. Weseen

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

NEW MEXICO GAS COMPANY

THIRD REVISED RULE NO. 29
CANCELING SECOND REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

Month	Rate 10 Residential	Rate 54 Small General Service	
October	35,564	14,607	x
November	49,019	18,586	x
December	54,017	21,518	x
January	62,631	26,204	x
February	59,384	25,062	x
March	52,802	23,803	x
April	39,858	18,603	x

Heating Degree Day: The difference between 65° and the mean daily temperature for the calendar day for days when the mean daily temperature is below 65°. Heating Degree Days equal zero for calendar days when the mean daily temperature is 65° or greater.

Heating Season: The seven consecutive calendar months beginning October and ending April.

Margin Revenue Factor: The revenue per therm net of applicable taxes and fees established in the Company's most recent base rate case for the applicable rate class as set forth in the following table:

Rate Class	Margin Revenue Factor	
Rate 10 - Residential		
Transmission	$0.1314	x
Distribution	$0.2117	x
Transmission & Distribution	$0.3431	x
Rate 54 - Small General Service		
Transmission	$0.0919	x
Distribution	$0.0907	x
Transmission & Distribution	$0.1826	x

Advice Notice No. 96

/s/Gerald C. Weseen

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

NEW MEXICO GAS COMPANY

THIRD REVISED RULE NO. 29
CANCELING SECOND REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

Normal Calendar Month Heating Degree Days: The cumulative ten-year Weighted Average Heating Degree Days for each calendar month from October through April as established in the Company's most recent base rate proceeding. Normal Calendar Month Degree Days are set forth in the following table:

Month	Normal Degree Days	
October	237	x
November	575	x
December	850	x
January	867	x
February	664	x
March	486	x
April	260	x

Reconciliation Period: The twelve consecutive months ended September 30 of each year.

Weather Normalization Adjustment Component: The amount included in each customer's bill to recover or credit the net weather-related revenue excess or deficiency as determined in Rate Rider No. 8 and this Rule.

Weather Normalization Adjustment Factor: The rate to be multiplied by the customer's billing units to determine the Weather Normalization Adjustment Component.

Weather Normalization Adjustment Factor Statement: The report establishing the Weather Normalization Adjustment Factor. The Weather Normalization Adjustment Factor Statement is filed with the Commission prior to changing the previously used Weather Normalization Adjustment Factor.

Weighted Average Heating Degree Days: The average daily Heating Degree Days reported by the National Oceanographic and Atmospheric Administration for the weather stations representative of the Company's service area computed on the basis of the weightings specified in the following table:

Station	**Percentage Weighting**	
Albuquerque	57.24%	x
Deming	5.00%	x
Farmington	12.12%	x
Roswell	8.49%	x
Santa Fe	17.16%	x

Advice Notice No. 96

/s/Gerald C. Weseen

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

NEW MEXICO GAS COMPANY

THIRD REVISED RULE NO. 29
CANCELING SECOND REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

2. Records

The Company shall maintain records which identify the weather-related revenue excesses or revenue deficiencies and the revenues or revenue credits attributable to the operation of Rate Rider No. 8. The difference between the weather-related revenue excesses or revenue deficiencies and the revenues or revenue credits described in this section shall be entered into the Balancing Account. Entries shall be made in this account at the end of the month in which the Rate Rider No. 8 weather-related revenue excesses or revenue deficiencies and revenues or revenue credits are recorded on the Company's books. The Balancing Account entry shall consist of the following:

A. Rate Rider No. 8 weather-related revenue excesses or revenue deficiencies shall be taken from the Company's books and records. Rate Rider No. 8 revenue excesses or revenue deficiencies shall include:

(1) The amount, if any, by which weather-related revenue excesses occur due to colder-than-normal weather, as determined in accordance with the provisions of Rider No. 8.

(2) The amount, if any, by which weather-related revenue deficiencies occur due to warmer-than-normal weather as determined in accordance with the provisions of Rider No. 8.

B. Rate Rider No. 8 revenues or revenue credits shall be taken from the Company's books and records. Rate Rider No. 8 revenues shall include, but not be limited to:

(1) The amount of weather normalization adjustment revenues recorded through the customers' Weather Normalization Adjustment Component.

(2) The amount of weather normalization adjustment revenue credits recorded through the customers' Weather Normalization Adjustment Component.

C. The Company shall separately maintain records attributable to the operation of Rate Rider No. 8 for service provided to Rate 10 Residential Service customers and Rate 54 Small General Service customers.

D. If Rate Rider No. 8 is discontinued or replaced, the amount recorded in the Balancing Account, positive or negative, as of the effective date that Rate Rider No. 8 is discontinued or replaced shall be credited to customers or charged to customers in a future period.

3. Calculation of the Weather Normalization Adjustment Factor

A. The Weather Normalization Adjustment Factor shall be determined as follows:

(1) A calculation of the revenue impact of colder-than-normal or warmer-than-normal weather shall be performed for each month of the Heating Season. A revenue excess shall result for the month when the

NEW MEXICO GAS COMPANY

THIRD REVISED RULE NO. 29
CANCELING SECOND REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

Actual Calendar Month Heating Degree Days for the month exceed the Normal Calendar Month Heating Degree Days for the month. A revenue deficiency shall result for the month when the Actual Calendar Month Heating Degree Days for the month fall below the corresponding Normal Calendar Month Heating Degree Days for the month.

(2) The weather-related revenue impact shall be determined by first calculating the difference between Actual Calendar Month Heating Degree Days and Normal Calendar Month Heating Degree Days and multiplying this difference by the Degree Day Consumption Factor for the month and by the Margin Revenue Factor.

(3) The monthly weather-related revenue excess or revenue deficiency shall be determined separately for each rate class subject to Rider No. 8.

(4) The monthly revenue excesses and revenue deficiencies shall be summed together for the seven-month period of October through April to determine the net revenue excess or deficiency for the current Heating Season for each rate class subject to Rider No. 8.

(5) A calculation of the net prior period over or under-recovery of the Weather Normalization Adjustment Factor shall be performed by comparing the cumulative difference between the net revenue excess or revenue deficiency to the cumulative net revenues and revenue credits for prior periods for each rate class subject to Rider No. 8.

(6) The sum of the net revenue excess or deficiency for the current Heating Season and the net prior period over or under-recovery of the Weather Normalization Adjustment Factor for prior periods shall represent the total net revenue impact to be recovered through the Weather Normalization Adjustment Factor for each rate class subject to Rider No. 8.

(7) The Weather Normalization Adjustment Factor for the Adjustment Period shall be the total net revenue impact to be recovered through the Weather Normalization Adjustment Factor divided by the projected billing units for each rate class subject to Rider No. 8.

4. <u>Reports and Statements</u>

A. A Weather Normalization Adjustment Factor Statement must be filed annually with the Commission no later than June 30 before adjustment of the Weather Normalization Adjustment Factor. Each Statement shall consist of a cover letter identifying the items impacting the Weather Normalization Adjustment Factor, a projection of the final reconciliation balance for the twelve-month period ending on September 30 and any matters which may be of interest to the Commission. The Weather Normalization Adjustment Factor Statement consists of the following sections:

Advice Notice No. 96

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

NEW MEXICO GAS COMPANY

THIRD REVISED RULE NO. 29
CANCELING SECOND REVISED RULE NO. 29

RATE RIDER NO. 8 DETAILS

Section 1 - Summary of the Weather Normalization Adjustment Factors

Section 2 - Determination of the Weather Normalization Adjustment Factor

(A) Actual Monthly Heating Degree Days

(B) Monthly Weather-Related Revenue Excesses and Deficiencies

Section 3 - Determination of the Balancing Account Adjustment Factor.

B. An Annual Certified Reconciliation Report shall be filed with the Commission as soon after the completion of the September accounting month as permitted by record availability, and shall be filed annually no later than December 31. This report shall consist of the following sections:

(1) a summary of weather-related revenue excesses or deficiencies and revenues or revenue credits which were recorded in the Balancing Account;

(2) a summary of reconciling items including items adjusting the Balancing Account; and

(3) any additional reporting requirements as specified by the Commission.

The Weather Normalization Adjustment mechanism is continuous and therefore, the Balancing Account is also continuous. Any under or over-collection of weather-related revenue excesses or deficiencies that resulted in the prior Reconciliation Period will immediately carry over into the subsequent Reconciliation Period. All adjustments resulting from the Annual Reconciliation will be recorded into the Balancing Account as they become certified in the Annual Reconciliation process.

Advice Notice No. 96

/s/Gerald C. Weseen

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

ATTACHMENT B

NMGC Rate Case Comparisons

	18-00038-UT	19-00317-UT	21-00267-UT	23-00255-UT
Revenue Increase Application	4.5% / approx. $8 mil	6.9% / $13.23 mil	20.8% / $40.7 mil	22.7% $48.97 mil $48.43 mil (updated 12/15/23)
Revenue Increase Stipulation	1.4% / $2.5 mil	$2.369% / $4.5 mil	9.68% /$19.3 mil	13.9% / $30 mil
ROE Application	10.2%	10.2%	10.1%	10.5%
ROE Stipulation	9.10%	9.375%	9.375%	9.375%
Cost of Debt Application	4.65%	4.02%	3.27%	3.86% (updated 3.988%)
Cost of Debt Stipulation	4.65%	3.70%	3.27%	3.99%
WACC Application	7.65%	7.36%	6.89%	7.38%
WACC Stipulation	6.96%	6.65%	6.44%	6.79%
Capital Structure Application (eq/ltd)	54/46	54/46	53/47	53/47
Capital Structure Stipulation (eq/ltd)	52/48	52/48	52/48	52/48
Base Revenue Increase Application	4.5%	6.9%	20.8%	22.7%
Base Revenue Increase Stipulation	0.3%	2.369%	9.68%	13.9%
Residential Class Base Revenue Increase Application	2.8%	6.5%	20.5%	22.7%
Residential Class Base Revenue Increase Stipulation	0.65%	2.355%	9.65%	13.9%
Increase to Avg. Res. Mo. Bill App.	1.4%	4.2% for 50 therm/mo user	9.0%	54 therm $6.71, an 11.2% increase
Increase to Avg. Res. Mo. Bill Stip.	Approx. 0.36%	1.5% for 50 therm/mo user	4.30%	$4.21 or 7.10%increase for 53 therm usage $1.99 or 6.30% increase for 25 therm usage
Increase in Residential Access Fee Application	$11.50 to $14.50	$11.65 to $12.70	$12.00 to $14.25	$12.40 to $15.50
Increase in Residential access Fee Stipulation	$11.50 to $11.57 and then to $11.65	$11.65 to $12.00	$12.00 to $12.40	$12.40 none

ATTACHMENT C

Parties and Counsel

NMGC

Nicole V. Strauser

Thomas M. Domme

Brian J. Haverly

CCAE

Cara R. Lynch

Charles de Saillan

FEA

Peter Meier

LAC

Daniel A. Najjar

NEE

Mariel Nanasi

NM AREA

Peter Gould

NMDOJ

Gideon Elliot

Jocelyn Barrett

WRA

Cydney Beadles

Staff David Black

Bradford Borman

Exhibits and Testimony

NMGC

NMGC Ex. 1	Ryan A. Shell Direct Testimony and Exhibits
NMGC Ex. 2	Ryan A. Shell Direct Testimony and Exhibit in Support of Uncontested Stipulation
NMGC Ex. 3	Tom C. Bullard Direct Testimony and Exhibits
NMGC Ex. 4	Tom C. Bullard Direct Testimony in Support of Uncontested Stipulation
NMGC Ex. 5	Tommy H. Sanders Direct Testimony and Exhibits
NMGC Ex. 6	Kevin I. Farr Direct Testimony and Exhibits
NMGC Ex. 7	Gerald C. Weseen Direct Testimony and Exhibits
NMGC Ex. 8	Denise E. Wilcox Direct Testimony and Exhibits
NMGC Ex. 9	Denise E. Wilcox Direct Testimony in Support of Uncontested Stipulation
NMGC Ex. 10	Alana M. De Young Direct Testimony and Exhibits (Corrected)
NMGC Ex. 11	Dylan W. D'Ascendis Direct Testimony and Exhibits
NMGC Ex. 12	Dylan W. D'Ascendis Direct Testimony and Exhibit in Support of Uncontested Stipulation
NMGC Ex. 13	Davicel Avellan Direct Testimony and Exhibits
NMGC Ex. 14	Erik C. Buchanan Direct Testimony and Exhibits (Corrected)
NMGC Ex. 15	Erik C. Buchanan Direct Testimony and Exhibit in Support of Uncontested Stipulation
NMGC Ex. 16	Timothy S. Lyons Direct Testimony and Exhibits (Corrected)
NMGC Ex. 17	Timothy S. Lyons Direct Testimony in Support of Uncontested Stipulation
NMGC Ex. 18	NMGC's Response to Second Bench Request

Commission

Commission Ex. 1	Gas Company's Response to Third Bench Request
Commission Ex. 2	Gas Company's Response to the Hearing Examiner's March 5th Bench Request (First Bench Request)

Commission Ex. 3	NMGC Rate Case Comparisons Comparisons
Bench Request	NMGC's Response to Fourth Bench Request
Bench Request	NMGC's Response to Fifth Bench Request
Bench Request	Joint Response to Sixth Bench Request
Bench Request	NMGC's Response to Seventh Bench Request

FEA

FEA Ex. 1	Direct Testimony of Maureen L. Reno on Behalf of Federal Executive Agencies
FEA Ex. 2	Settlement Testimony of Maureen L. Reno on Behalf of Federal Executive Agencies

NEE

NEE Ex. 1	Direct Testimony and Exhibits of Christopher K. Sandberg on Behalf of New Energy Economy
NEE Ex. 2	Supplemental Testimony and Exhibits of Christopher K. Sandberg in Support of Uncontested Stipulation on Behalf of New Energy Economy

NMDOJ

NMDOJ Ex. 1	Direct Testimony of Andrea Crane Re: Revenue Requirements on Behalf of the New Mexico Department of Justice
NMDOJ Ex. 2	Direct Testimony of Doug Gegax on Behalf of the New Mexico Department of Justice
NMDOJ Ex. 3	Direct Testimony of J. Randall Woolridge, PH.D. on Behalf of the New Mexico Department of Justice
NMDOJ Ex. 4	Supplemental Testimony of Andrea Crane in Support of Unopposed Stipulation on Behalf of the New Mexico Department of Justice
NMDOJ Ex. 5	Supplemental Testimony in Support of Uncontested Stipulation of Doug Gegax on Behalf of the New Mexico Department of Justiced

NM AREA

NM AREA Ex. 1	Direct Testimony and Exhibits of Michael P. Gorman on Behalf of New Mexico Affordable Reliable Energy Alliance

NM AREA Ex. 2	Testimony of Michael P. Gorman in Support of the Stipulation on Behalf of New Mexico Affordable Reliable Energy Alliance
NM AREA Ex. 3	Direct Testimony and Exhibits of Christopher C. Walters on Behalf of New Mexico Affordable Reliable Energy Alliance
NM AREA Ex. 4	Testimony in Support of Stipulation of Christopher C. Walters on Behalf of New Mexico Affordable Reliable Energy Alliance

WRA

WRA Ex. 1	Testimony of Gwendolyn Farnsworth in Support of Stipulation

STAFF

Staff Ex. 1	Prepared Direct Testimony of Jonah B. Mauldin
Staff Ex. 2	Prepared Direct Testimony and Exhibits of Daren K. Zigich
Staff Ex. 3	Prepared Direct Testimony of Bamadou Ouattara
Staff Ex. 4	Prepared Direct Testimony of Marc A. Tupler
Staff Ex. 5	Prepared Direct Testimony of Elisha C. Leyba-Tercero
Staff Ex. 6	Testimony of Elisha C. Leyba-Tercero in Support of Uncontested Stipulation
Staff Ex. 7	Staff's Notice of Errata to the Testimony of Elisha C. Leyba-Tercero in Support of Uncontested Stipulation Filed on March 13, 2024
Staff Ex. 8	Testimony of Jonah B. Mauldin in Support of Uncontested Stipulation
Staff Ex. 9	Testimony of Marc A. Tupler in Support of Uncontested Stipulation
Staff Ex. 10	Testimony of Daren K. Zigich in Support of the Uncontested Stipulation

ATTACHMENT D

Pursuant to 1.2.2.34(C) NMACs proposed amended transcript corrections are accepted:

SPEAKER	TRANSCRIPT PAGE	TRANSCRIPT LINE	TRANSCRIPT NOW READS	TRANSCRIPT SHOULD READ
Shell	29	17	- -	math
Shell	38	7	last	left
Shell	39	9	.	,
Shell	39	11	we've worked	we work
Shell	40	9	PJC	PGAC
Shell	69	23	was	were
Shell	73	3	the	to
Shell	77	8	their	the
Shell	91	7	help	helped
Shell	104	10	it'll	will
Shell	109	9	that I	that, I
Shell	109	12	that	the
Shell	109	17	upon	on
Shell	111	8	since	so since
Shell	112	18	environment	requirement
D'Ascendis	563	9	Mr. Mau	Mr. Maul
D'Ascendis	567	15	Spread	Growth
D'Ascendis	573	14	Somewhat	some
D'Ascendis	583	9	Carbonization	Decarbonization
Bullard	206	7-8	meter for the other pipeline that they have	meter or for the other pipeline they are connected with to provide a second meter
Bullard	214	13	available	variable
Bullard	222	8	types	pipes
Bullard	226	21, 22	TRC	T or C
Bullard	229	9	it's a 720	to a 720 psi MAOP

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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

CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent via email a true and correct copy of **Certification of Stipulation** to the parties listed below.

NM GAS COMPANY	
Thomas Domme	tmd@jhkmlaw.com;
Brian Haverly	bjh@jhkmlaw.com;
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PRC Hearing Examiners Division	Ana.Kippenbrock@prc.nm.gov;

DATED this 6th of June 2024

NEW MEXICO PUBLIC REGULATION COMMISSION

Ana Kippenbrock

Ana C. Kippenbrock
Law Clerk

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC. FOR APPROVAL OF REVISIONS TO ITS RATES, RULES, AND CHARGES PURSUANT TO ADVICE NOTICE NO. 96	)))))	**Docket No. 23-00255-UT**

CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent via email a true and correct copy of the foregoing ***Final Order*** to the parties listed below.

NM GAS COMPANY	
Thomas Domme	tmd@jhkmlaw.com;
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Julianna T. Hopper	jth@jhkmlaw.com;
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NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ LaurieAnn Santillanes, electronically signed
LaurieAnn Santillanes, Law Clerk