



# Tom C. Bullard

Direct Testimony and Exhibits

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF THE APPLICATION )  
OF NEW MEXICO GAS COMPANY, INC. )  
FOR APPROVAL OF REVISIONS TO ITS )  
RATES, RULES, AND CHARGES PURSUANT )  
TO ADVICE NOTICE NO. 78 )  
NEW MEXICO GAS COMPANY, INC. )  
Applicant. )

Case No. 19-00317-UT

**DIRECT TESTIMONY AND EXHIBITS**

**OF**

**TOM C. BULLARD**

**December 23, 2019**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

**TABLE OF CONTENTS**

I.	CAPITAL INVESTMENT PROCESS.....	7
II.	CAPITAL IMPROVEMENT PROJECTS .....	19
A.	Significant and Large Capital Projects Directly Under My Direction.....	21
i.	Santa Fe Mainline Looping Project.....	23
ii.	Malaga Pipeline .....	28
iii.	Redondo Compressor Station Enhancements.....	31
iv.	Headquarters Building.....	35
v.	Brazos Mainline.....	42
vi.	Integrity Management Capital Expenditures.....	44
B.	Other Important Capital Projects.....	56
i.	Leak Repair Initiative .....	56
vii.	Compressed Natural Gas Initiative.....	56
viii.	Equipment Replacement Initiative .....	57
ix.	Solar Facilities Initiative.....	57
x.	Information Technology & Telecommunications .....	58
III.	SIGNIFICANT NEW RIGHTS-OF-WAY AND RENEWALS .....	58
IV.	O&M EXPENSES .....	61
V.	DISCOUNTED TRANSPORTATION RATES .....	65
VI.	NMGC FOURTH REVISED RATE NO. 11 .....	70
VII.	NMGC FIFTH REVISED NO. RATE 70 .....	74
VIII.	CONCLUSION.....	77

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

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

2 **A.** My name is Tom C. Bullard. My business address is 7120 Wyoming, Albuquerque,  
3 New Mexico 87109.

4

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

6 **A.** I am the Vice President of Engineering, Gas Management and Technical Services  
7 for New Mexico Gas Company, Inc. (“NMGC” or the “Company”).

8

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

11 **A.** My educational background and work experience are described in NMGC Exhibit  
12 TCB-1.

13

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

17 **A.** I am responsible for (i) the engineering and design of the NMGC natural gas  
18 distribution and transmission systems that serve the Company’s residential,  
19 commercial, and industrial customers throughout the State of New Mexico; (ii)  
20 executive oversight of NMGC’s capital plant and expenditures; (iii) the right-of-  
21 way, environmental, safety, and geographic information system departments; and

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 (iv) gas acquisitions, gas supply, system planning, market development, and the gas  
2 control and compression functions of the Company. I am also responsible for  
3 discounted transportation rates, which are discounted rates negotiated between the  
4 Company and certain transportation customers pursuant to 17.10.660 NMAC  
5 (“Rule 660”).  
6

7 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY TO THE NEW**  
8 **MEXICO PUBLIC REGULATION COMMISSION (“NMPRC” OR THE**  
9 **“COMMISSION”)?**

10 **A.** Yes, I filed direct testimony in NMPRC Case No. 19-00318-UT.  
11

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

13 **A.** The purpose of my testimony is to describe the types of capital investments NMGC  
14 will be making, to explain why from a business perspective we are making these  
15 investments, and to explain how these capital investments benefit customers. I  
16 provide the detailed monthly cost breakdowns of NMGC’s capital investments  
17 incurred for the years 2019, 2020 and 2021.  
18

19 Additionally, I provide information related to NMGC’s operations and  
20 management (“O&M”) expenditure increases resulting from recent changes to  
21 federal regulations. I also discuss the capital investments NMGC will make in

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 conjunction with the new federal regulations that warrant NMGC's request for a  
2 mechanism to recover significant additional recurring capital improvements to  
3 NMGC's system.

4  
5 Finally, I will provide information related to discounted transportation rates,  
6 describe NMGC's proposed revisions Rate No. 70 to address fuel charges related  
7 to the use of compressors, and propose a tampering fee penalty to help address the  
8 large numbers of dangerous meter tampering incidents the Company experiences  
9 every year.

10  
11 For ease of review, I have organized my testimony in the following sections:

- 12 • in Section I, I discuss NMGC's capital budgeting and prioritization process,  
13 including how priorities for capital projects are established and how capital  
14 budgets are monitored;
- 15 • in Section II, I describe the significant capital investments either already or  
16 to be made in 2019, 2020 and 2021. and why such investments are  
17 necessary;
- 18 • in Section III, I identify the estimated costs for upcoming new and renewed  
19 rights-of-way/easements across Native American lands;
- 20 • in Section IV, I describe how NMGC's O&M expenditures will increase  
21 due to new federal regulations;

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

- 1           • in Section V, I provide information about and support for NMGC’s  
2           discounted gas transportation rates;
- 3           • in Section VI, I discuss the rationale for a new meter tampering fee proposed  
4           to be included in NMGC Rate No. 11; and
- 5           • in Section VII, I propose revisions to update certain compression charges  
6           under NMGC Rate No. 70 for off-system deliveries of natural gas.

7

8   **Q.    ARE YOU SPONSORING ANY RULE 17.10.630 NMAC (“RULE 630”)**  
9   **SCHEDULES?**

10   **A.**    Yes, I am sponsoring four Rule 630 schedules as follows:

- 11           • Schedule Q-1 – Peak Demand Information;
- 12           • Schedule Q-7 – Scheduled Maintenance Information;
- 13           • Schedule Q-8 – Customer Service Interruption Information; and
- 14           • Schedule R-2 – Load Research Program.

15

16           Additionally, I provide information related to rights-of-way expenses that are  
17           contained in 630 Schedule H-7.

18

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. DOES YOUR TESTIMONY RELATE TO TESTIMONY PRESENTED BY**  
2 **OTHER COMPANY WITNESSES?**

3 **A.** Yes. I am primarily responsible for NMGC's transmission and distribution system capital  
4 improvements, and NMGC's capital budgeting process. I will be sponsoring NMGC's  
5 overall capital plan for the years 2019, 2020 and 2021 which will be used by NMGC  
6 Witnesses Jimmie L. Blotter and Michael J. Adams to develop NMGC's cost of service.  
7 For purposes of my testimony relating to the overall capital plan, I rely upon the  
8 testimony of fellow NMGC Witnesses Kevin D. Sturgill (Information Technology,  
9 and Telecommunication), Edward J. Kacer (Green Initiatives), and Denise E.  
10 Wilcox (Security Enhancements).

11

12 Separately, I discuss and provide monthly information about NMGC's anticipated  
13 O&M which is then used by NMGC Witnesses Blotter and Adams in the  
14 Company's cost of service calculations.

15

16 **Q. CAN YOU PLEASE BRIEFLY DESCRIBE NMGC'S CAPITAL**  
17 **INVESTMENT AMOUNTS FOR THE YEARS 2019, 2020, AND 2021?**

18 **A.** Yes, there are \$312.2 million of capital improvement-related costs in 2019, 2020 and  
19 2021. This amount breaks down as following:

20



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

- 1           • January 2019 – December 2019: \$65.8 million;
- 2           • January 2020 – December 2020: \$152.8 million; and
- 3           • January 2021 – December 2021: \$93.6 million.
- 4

5 **Q. PLEASE BRIEFLY DESCRIBE NMGC’S TRANSMISSION AND**

6 **DISTRIBUTION SYSTEMS.**

7 **A.** NMGC provides natural gas utility service throughout New Mexico. NMGC’s

8 transmission and distribution facilities serve customers all over the State.

9 NMGC operates approximately 1,520 miles of transmission pipelines (the

10 “Transmission System”), and over 10,680 miles of distribution pipelines (the

11 “Distribution System”).

12

13 **Q. IN THIS RESPECT, IS NMGC UNIQUE?**

14 **A.** Yes. Due to the geographic size of NMGC’s service territory and proximity to gas

15 producing basins, we own and operate considerably more miles of transmission

16 pipelines than most local distribution utilities across the country. As a result, we

17 have significant capital and O&M costs related to inspection, operation, and

18 maintenance for transmission lines as well as for our extensive distribution system.

19

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1                                   **I.     CAPITAL INVESTMENT PROCESS**

2   **Q.     PLEASE DESCRIBE NMGC’S NORMAL CAPITAL EXPENDITURE**  
3   **PROGRAM.**

4   **A.**   Every year, NMGC spends significant capital to maintain and improve its system  
5           to provide safe and reliable natural gas utility service to its customers. NMGC  
6           primarily makes capital improvements for four reasons: 1) new customer growth,  
7           2) system reliability, 3) in response to issues that arise during NMGC’s normal  
8           operations, and 4) proactive system improvements. Additionally, NMGC invests  
9           capital dollars in situations where investing in capital, rather than incurring O&M  
10          expenses, benefits NMGC’s customers.

11  
12          Investments related to new customer growth primarily relate to extending NMGC’s  
13          transmission and distribution systems to serve new customers. NMGC makes these  
14          investments consistent with NMGC First Revised Rule No. 16, which is NMGC’s  
15          Commission-approved line extension program. These investments provide benefit  
16          to new customers by providing reliable gas service at just and reasonable rates, and  
17          benefit existing NMGC customers by spreading our operating costs over a broader  
18          base of customers.

19  
20          Investments related to system reliability are made when NMGC determines  
21          additional investment is necessary to continue to provide efficient and reasonable

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 gas service to our customers as required by 17.10.650 NMAC. NMGC continually  
2 performs hydraulic system modeling of its transmission and distribution systems to  
3 identify areas that may need improvements to accommodate system growth and  
4 provide adequate capacity for our customers' current and future needs. In addition,  
5 as required by NMPRC regulation, every four years NMGC develops an Integrated  
6 Resource Plan ("IRP") with public input to ensure our transmission system has the  
7 capacity to meet current and future customer requirements. We use the IRP and  
8 hydraulic system modeling to plan transmission improvements in the near and long  
9 term.

10  
11 System improvements made in response to issues that arise during NMGC's normal  
12 operations are investments which are generally not predictable months in advance,  
13 such as the repair of system leaks. When we find system leaks, we replace the  
14 portion of the distribution main or service lines that are leaking. Additionally,  
15 piping and other system components including meters, regulators, and other  
16 equipment are continuously being replaced and protected with investments such as  
17 cathodic protection equipment.

18  
19 Proactive improvements are primarily driven by NMGC's distribution and  
20 transmission integrity management programs. NMGC has integrity management  
21 programs consistent with federal and state regulations to ensure we are proactively

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 identifying and mitigating the highest relative risks to people and property on our  
2 systems. The overarching objective of these proactive integrity management  
3 programs is to protect and enhance public safety. Proactively mitigating the highest  
4 relative system risks will, over time, enhance the overall safety of our transmission  
5 and distribution systems.

6  
7 **Q. PLEASE DESCRIBE NMGC'S CAPITAL IMPROVEMENT**  
8 **EVALUATION PROCESS.**

9 **A.** The capital improvement evaluation process is NMGC's program to review,  
10 standardize, and control its capital investments. This process is driven by NMGC's  
11 mission to provide efficient and reasonable service to customers. Consistent with  
12 prudent engineering practices, and as part of our ongoing work to meet the  
13 Commission's service standards set out in 17.10.650 NMAC, NMGC is constantly  
14 evaluating its system for potential improvements. NMGC then balances these  
15 potential improvements against the potential rate impact to customers.

16  
17 Through this process, NMGC continually identifies projects that could improve the  
18 safety, reliability, and operations of its system. NMGC begins every possible  
19 significant capital project by evaluating multiple possible solutions to the issue  
20 creating the need for capital improvements, including the possibility of creating  
21 solutions that are operating expenses, rather than capital investments. Each

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 potential solution is then evaluated for the relative cost/benefits of that solution  
2 including evaluation of environmental issues, permitting issues, land use issues,  
3 financing issues, and myriad other factors unique to any individual project. The  
4 options resulting from this evaluation are assessed to identify issues that could  
5 affect project viability. Such issues may include difficulty reconciling project  
6 schedules and budgets with the potential construction requirements of the site, the  
7 potential to experience delay due to necessary permitting and procurement  
8 requirements, difficulty in obtaining necessary sites or rights-of-way, required  
9 public input processes, or environmental compliance requirements. Cost estimates  
10 used in both the feasibility planning stage and for comparison between alternatives,  
11 are based on estimated line mileages, NMGC cost data that are periodically  
12 updated, and construction standards. The most cost-effective, viable option is  
13 selected for further evaluation in relation to NMGC's overall capital plan.

14  
15 All of these projects are entered into a capital management software system, which  
16 develops a recommended portfolio of projects using information entered for each  
17 project by Company subject matter experts. The software uses a value framework  
18 created by the Company that considers the following categories when  
19 recommending a portfolio of projects: regulatory requirements, system reliability,  
20 safe and secure operation of the system, cost savings, efficiency, productivity,  
21 improving customer service, and environmental stewardship. For every specific

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 capital project, a value must be input for each of these categories. In order to help  
2 ensure a thorough weighing of each project, a committee of NMGC leaders meets  
3 with each NMGC subject matter expert that proposes a capital project to review the  
4 values that the person assigned to each of the categories above. Additionally, any  
5 projects that result in values that are outliers (such as projects with the highest  
6 values, the lowest values, and any with negative values), and projects which a  
7 subject matter expert has designated as “must-do”, are discussed in a meeting with  
8 NMGC leaders, and a consensus is reached on the values assigned for each category  
9 of the project being analyzed prior to running the software.

10  
11 Once the capital management software has ranked the projects, the NMGC Capital  
12 Allocation Team (“CAT”) reviews the results of the analysis and list of projects to  
13 determine whether any adjustments should be made based on the team’s judgment.  
14 The CAT is made up of leadership and subject matter experts from across the  
15 Company, including myself, NMGC’s Vice President of Strategy, NMGC’s Vice  
16 President of Operations, NMGC’s Director of Delivery, NMGC’s Director of  
17 Engineering, all of the managers in NMGC’s Operations group, and all of the  
18 managers in NMGC’s Engineering group. I am the leader of the CAT and the team  
19 meets on a monthly basis to discuss NMGC’s capital expenditures and the status of  
20 capital projects across the business.

21

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           Once a list of possible projects is prioritized, including budget amounts for routine  
2           types of projects that will occur during the year, the CAT works with NMGC's  
3           Finance group, including the Vice President of Finance, to determine a spending  
4           threshold that best balances the provision of safe and reliable service with rates that  
5           are fair, just, and reasonable. Any projects that fall below the threshold that is  
6           established are not included in NMGC's capital spending for the upcoming year.  
7           The CAT reviews the proposed projects that fall below the threshold to ensure that  
8           delaying those projects will not adversely impact the Company's ability to provide  
9           service to customers.

10  
11           Finally, the proposed capital spending for the year is included in NMGC's overall  
12           budget for the year, which is reviewed by management and then presented to  
13           NMGC's Board of Directors for approval.

14  
15   **Q.   PLEASE DESCRIBE HOW CAPITAL PROJECT COSTS ARE**  
16   **DETERMINED WHEN CREATING NMGC'S CAPITAL PLAN.**

17   **A.**   NMGC's personnel have many years of experience constructing capital projects,  
18           and are adept at estimating the time, labor, and equipment required for the vast  
19           majority of NMGC's capital projects based on information available from recent  
20           similar projects. NMGC obtains cost estimates for materials from various

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 distributors and manufacturers, and uses those costs when preparing capital project  
2 estimates.

3 For certain projects, NMGC will contract with construction firms to perform the  
4 majority of the construction activities. In these instances, NMGC issues a request  
5 for proposal and invites multiple construction firms to submit cost bids to complete  
6 the project. NMGC analyzes these bids to ensure the winner of the bid is not  
7 significantly out of line with other bidders.

8

9 **Q. HOW DOES NMGC ENSURE MATERIAL AND SUPPLY COSTS ARE**  
10 **REASONABLE?**

11 **A.** NMGC utilizes wholesale vendors that provide bulk materials and requests bids for  
12 materials on large projects such as compressors or pipelines over ten miles.  
13 Additionally, for certain significant projects, NMGC utilizes purchasing contracts  
14 through its affiliates, Tampa Electric Company and Peoples Gas, when available,  
15 to take advantage of economies of scale in order to create higher volume purchases  
16 to achieve better pricing.

17

18 **Q. DOES NMGC HAVE A PROCESS TO ACCOUNT FOR UNEXPECTED**  
19 **EVENTS IN RELATION TO ITS CAPITAL PLAN?**

20 **A.** Yes. We know that unexpected developments occur with planned projects, and that  
21 unplanned projects crop up as well. To meet these unexpected developments, the



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 CAT has a process in place to ensure the funding of necessary, but unbudgeted,  
2 capital expenditures while not exceeding the overall approved capital budget. The  
3 process involves documenting, as early as possible, the need for the new  
4 expenditure and identifying a budgeted project expenditure that can be postponed  
5 to accommodate the new expenditure. Finally, any change to the capital plan  
6 requires my approval as the leader of the CAT.

7

8 **Q. DOES THAT MEAN THAT IN ORDER TO FUND A NEW PROJECT,**  
9 **NMGC MUST ALWAYS ELIMINATE OR DELAY PREVIOUSLY**  
10 **APPROVED PROJECTS?**

11 **A.** No. The process I described above is NMGC's preferred method of addressing  
12 unplanned capital needs. In the event that a significant unplanned capital  
13 improvement expense occurs, and NMGC cannot safely delay other projects in  
14 order to shift expenditures, NMGC would still undertake all of the projects critical  
15 to its continued provision of safe and reliable natural gas service. NMGC would  
16 do this regardless of whether that meant spending more in a given year than  
17 originally approved in the capital plan.

18

19 **Q. HOW DOES NMGC MANAGE ITS CAPITAL SPENDING?**

20 **A.** NMGC manages its capital spending by category. These categories are: 1)  
21 transmission specific projects; 2) distribution specific projects; 3) transmission

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 blankets; 4) distribution blankets; 5) general plant; 6) information technology and  
2 telecommunication (“IT&T”); and 7) large unique projects. NMGC uses these  
3 categories because the projects within each category are similar in nature and  
4 generally managed within one business area.

5  
6 **Q. PLEASE DESCRIBE WHAT IS MEANT BY THE “BLANKET” CAPITAL**  
7 **INVESTMENT CATEGORIES.**

8 **A.** There are two blanket categories identified above: transmission and distribution  
9 blankets. In each of these categories, blankets are comprised of recurring projects  
10 that are individually less than \$200,000. Projects that do not meet the description  
11 for blankets are categorized as specific projects.

12  
13 In the distribution area, blankets include: meter replacements, short mainline  
14 extensions, relocation of distribution facilities, cathodic protection upgrades, minor  
15 system improvements, and service line extensions. These are recurring type  
16 operations that include labor for design and installation, materials, permitting, and  
17 right-of-way acquisition. Historically, NMGC spends approximately \$23 million  
18 annually on projects that fall within the “Distribution Blanket” category.  
19 Distribution projects that do not meet this description are categorized as  
20 “Distribution Specific” projects.

21

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 In the transmission area, blanket projects include the updating, replacing, or  
2 rehabilitating of equipment, pipelines, or structures that have reached the end of  
3 their useful life. Examples include upgrading, relocating, or replacing meter  
4 stations and regulator stations. Historically, NMGC spends approximately \$2  
5 million annually on projects that fall within the “Transmission Blanket” category.  
6 Transmission projects that do not meet this description are categorized as  
7 “Transmission Specific” projects.

8  
9 Overall, blankets consist of numerous small projects that generally address  
10 localized issues. Many of these repairs and replacements occur throughout the year,  
11 and are often not specifically planned months in advance. This means that these  
12 types of expenditures, while critical, cannot be specifically projected and identified  
13 by name or location, but NMGC can reasonably forecast the amounts it will  
14 normally spend in any given forecasted period based on historical experience.

15  
16 **Q. WHAT IS THE “GENERAL PLANT” CATEGORY OF CAPITAL**  
17 **PROJECTS?**

18 **A.** The general plant category involves capital expenditures relating to fleet and power  
19 equipment purchases such as backhoes and other similar equipment, facility  
20 improvements to our office locations, and tools and equipment utilized by our crews  
21 in providing safe and reliable gas service. NMGC bases its fleet and power

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 equipment replacements on run hours or mileage to ensure it continues to maintain  
2 a reliable and safe vehicle fleet and proper tools and equipment for its employees.  
3 Tools and equipment are generally replaced as they reach the end of their useful  
4 life in order to ensure crew member and customer safety, and to help avoid crew  
5 downtime due to tool or equipment failures. Facility improvements include  
6 enhanced safety and security measures, roof replacements, and other necessary  
7 improvements to office spaces. NMGC Witness Wilcox addresses the specific  
8 spending NMGC is undertaking to increase security at NMGC's facilities.  
9

10 **Q. WHAT IS THE "LARGE/UNIQUE" CATEGORY OF CAPITAL**  
11 **PROJECTS?**

12 **A.** Large and unique includes larger projects that are not reoccurring. The Santa Fe  
13 Mainline Looping project discussed later in my testimony is an example of a large  
14 and unique project.  
15

16 **Q. WHAT IS THE "IT&T" CATEGORY OF CAPITAL PROJECTS?**

17 **A.** The IT&T category of the capital plan encompasses all purchases of hardware,  
18 software, and telecommunications equipment necessary for NMGC to run its  
19 business. NMGC Witness Sturgill provides background and business information  
20 on capital improvements related to IT&T.  
21

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WHAT IS NMGC'S HISTORICAL TREND FOR COSTS INCURRED**  
2 **DURING THE IMPLEMENTATION OF THE CAPITAL PLAN EACH**  
3 **CALENDAR YEAR?**

4 **A.** On average, over the last five years, 61% of NMGC's capital improvement  
5 spending has occurred in the second half of the year. NMGC's capital spending  
6 each year is, therefore, not a flat line, and instead more closely resembles a steady  
7 incline or ramp.

8

9 **Q. WHY DOES NMGC MAKE THE MAJORITY OF ITS CAPITAL**  
10 **IMPROVEMENT EXPENDITURES IN THE SECOND HALF OF THE**  
11 **YEAR?**

12 **A.** There are several reasons. First, NMGC by design minimizes construction  
13 activities during the peak months of its winter heating season to reduce the  
14 possibility of interruptions of service to customers at a time when they are using  
15 natural gas to heat their homes and businesses. Second, the weather in many parts  
16 of the State is not conducive to construction projects in January, February, and even  
17 into parts of March. Third, NMGC uses the first quarter and parts of the second  
18 quarter of each year to primarily plan projects, obtain permitting and rights-of-way,  
19 and perform any inspections or studies required by law. As a result, NMGC  
20 traditionally incurs most of its capital expenditures during the third and fourth  
21 quarters of each calendar year.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

**II. CAPITAL IMPROVEMENT PROJECTS**

**Q. PLEASE DESCRIBE WHAT INFORMATION NMGC IS PRESENTING IN THIS CASE TO SUPPORT THE CAPITAL PROJECTS.**

**A.** Details of the projects included in the Company's Capital Investment Program can be found in the following exhibits:

- NMGC Exhibit TCB-2 – Distribution Blankets. This exhibit contains summaries of blankets that include many smaller projects, budget figures are displayed by cost type;
- NMGC Exhibit TCB-3 – Distribution Specifics. This exhibit contains detailed project information including project justifications, estimated completion dates, alternatives reviewed, and budget figures by cost type for specific distribution projects;
- NMGC Exhibit TCB-4 – General Plant. This exhibit contains summaries of blankets that include many smaller projects, budget figures are displayed by cost type;
- NMGC Exhibit TCB-5 – IT&T. This exhibit contains summaries of blankets that include many smaller IT&T projects. In this exhibit, budget figures are displayed by cost type;
- NMGC Exhibit TCB-6 – Large Unique Projects. This exhibit contains detailed project information including project justifications, estimated

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 completion dates, alternatives reviewed, and budget figures by cost type for  
2 several large unique projects;

3 • NMGC Exhibit TCB-7 – Transmission Blankets. This exhibit contains  
4 summaries of blankets that include many smaller transmission projects. In  
5 this exhibit, budget figures are displayed by cost type; and

6 • NMGC Exhibit TCB-8 – Transmission Specifics. This exhibit contains  
7 detailed project information including project justifications, estimated  
8 completion dates, alternatives reviewed, and budget figures by cost type.

9

10 **Q. ARE THE CAPITAL PROJECTS DESCRIBED IN YOUR TESTIMONY**  
11 **AND NMGC EXHIBITS TCB - 2 THROUGH TCB - 8 NECESSARY FOR**  
12 **NMGC TO MEET ITS SERVICE OBLIGATION?**

13 **A.** Yes. These projects and their associated costs are necessary for NMGC to continue  
14 to provide adequate, efficient, and reasonable service to its customers. In addition,  
15 many of these projects are required for regulatory compliance purposes. These  
16 projects have been carefully vetted and prioritized as detailed in the budgeting  
17 process described above and are necessary and the associated costs are reasonable.

18

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **Q.   HOW IS THE REST OF YOUR TESTIMONY RELATED TO CAPITAL**  
2       **PROJECTS ORGANIZED?**

3   **A.**   I begin by discussing the important and large capital improvement projects that fall  
4       under my purview as the Vice President of Engineering, Gas Management and  
5       Technical Services. I then discuss important capital projects that originate in other  
6       departments, but which fall under my responsibilities as head of NMGC's capital  
7       plan.

8

9       **A.   Significant and Large Capital Projects Directly Under My Direction**

10   **Q.   PLEASE DESCRIBE THE SIGNIFICANT AND LARGE CAPITAL**  
11       **PROJECTS UNDER YOUR DIRECTION THAT NMGC IS SEEKING**  
12       **RECOVERY OF IN THIS CASE.**

13   **A.**   NMGC's significant individual capital projects, included in the case are described  
14       below. These projects comprise 31% of the Company's Capital Investment:

- 15           1. Santa Fe Mainline Looping: This project will increase system supply and  
16           reliability to Northern New Mexico;
- 17           2. Malaga Pipeline: This project will increase supply flexibility and reliability from  
18           the Permian Basin to the Southeast System;
- 19           3. Redondo Compressor Station Enhancement: This project will increase natural  
20           gas take away capacity from the interstate pipelines, increase options in gas



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

- 1 supply sourcing, enhance operational flexibility, and allow the Rio Puerco  
2 Mainline to operate at a higher pressure;
- 3 4. Headquarters Acquisition: This acquisition will benefit our customers by  
4 reducing costs and improving our facilities;
- 5 5. Brazos Mainline Acquisition: This acquisition of 24 miles of transmission  
6 pipeline in northern New Mexico will enable the Company to continue to provide  
7 natural gas service to the communities of Dulce and Chama, and the surrounding  
8 communities; and
- 9 6. Integrity Management Programs: These programs will allow us to comply with  
10 increasing regulatory requirements and enhance system integrity.

11

12 **Q. WHY IS NMGC UNDERTAKING THESE CAPITAL PROJECTS AT THIS**  
13 **TIME?**

14 **A.** The Santa Fe Mainline Looping Project, Malaga Pipeline Project, and Redondo  
15 Compressor Station are needed now for continued system reliability. The purchase  
16 of the Headquarters is necessary at this time because the building became available  
17 to purchase at this time, and now is a good time to convert from leasing the building  
18 to owning the building. The Brazos Mainline acquisition is occurring now because  
19 the owner only recently became interested in selling the asset and NMGC has been  
20 successful in partnering with the Jicarilla Apache Nation to arrange this acquisition.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           Lastly, the Integrity Management Program investments are being made now to  
2           ensure continued compliance with federal and state regulations.

3

4           I will now explain the reasons for all of these projects in greater detail below.

5

6

**i.           Santa Fe Mainline Looping Project**

7

**Q.       PLEASE DESCRIBE THE SANTA FE MAINLINE.**

8       **A.**    The Santa Fe Mainline (“SFML”) is a 12-inch diameter steel natural gas  
9       transmission pipeline that runs from Albuquerque to Santa Fe. It transports gas  
10       from Albuquerque for use by the communities of Santa Fe, Espanola, Taos, Questa  
11       and Red River, and surrounding communities and Pueblos, as well as the Los  
12       Alamos National Laboratories and Los Alamos County.

13

14

**Q.       PLEASE DESCRIBE THE SFML LOOPING PROJECT.**

15       **A.**    The SFML Looping Project consists of constructing approximately 36 miles of a  
16       20-inch diameter steel natural gas transmission pipeline in Santa Fe and Sandoval  
17       counties. The proposed pipeline will be built to loop the existing Santa Fe Mainline.  
18       The looping project includes building approximately 189,000 linear feet of steel  
19       pipeline, as well as seven block valves, three of which will also serve as in-line  
20       inspection tool launchers and/or receivers. The looped portion of the SFML is  
21       designed for a maximum allowable operating pressure (“MAOP”) of 875 psig.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **Q.   WHY DOES NMGC NEED TO LOOP THE SFML?**

2   **A.**   The communities in north central New Mexico including Santa Fe, Espanola, Taos,  
3            Questa and Red River and surrounding communities, as well as the Los Alamos  
4            National Laboratories and Los Alamos County are currently supplied by two  
5            separate 12-inch pipelines: 1) the SFML, and 2) the Department of Energy Mainline  
6            (“DOE ML”). The DOE ML was constructed over 70 years ago, and the age and  
7            condition of the DOE ML requires the Company to consider alternatives for its use  
8            as we go forward, including potentially abandoning it or reducing its pressure and  
9            use. NMGC, however, cannot simply retire it at this time and continue to provide  
10           safe and reliable service to customers in northern New Mexico with a single 12-  
11           inch transmission pipeline. Thus, NMGC needs to construct a pipeline to replace  
12           the capacity currently provided by the DOE ML.

13

14   **Q.   PLEASE DESCRIBE THE DOE ML AND ITS CONDITION.**

15   **A.**   The DOE ML was originally constructed in 1946 for Los Alamos National  
16           Laboratory. This original DOE ML started near the Kutz processing plant in San  
17           Juan County and followed the Albuquerque Mainline corridor until turning east  
18           through Cuba, NM and Los Alamos County. NMGC uses the DOE ML to serve  
19           Cuba, Los Alamos National Labs, and Los Alamos County. The DOE ML also  
20           provides additional gas supply for NMGC’s Northern System, including Santa Fe,  
21           Española and Taos.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 Due to the DOE ML's age and condition, NMGC frequently needs to perform: 1)  
2 in-line inspections to monitor corrosion, and 2) close interval surveys to ensure  
3 adequate application of cathodic protection. The in-line inspection data indicates  
4 the DOE ML is nearing the end of its useful life as a transmission pipeline, and that  
5 NMGC cannot rely on continued use of the DOE ML as a transmission pipeline  
6 into the future.

7  
8 **Q. DID NMGC CONSIDER REPLACING THE EXISTING DOE ML WITH A**  
9 **NEW PIPELINE ALONG THE SAME GENERAL ROUTE?**

10 **A.** Yes. The segment of the original DOE ML from the Albuquerque Mainline near  
11 Lybrook to Cuba has been replaced. However, approximately 42 miles of the  
12 original pipeline remains in service between Cuba and Los Alamos. This portion  
13 extends southeast across the Jemez Mountains, the Santa Fe National Forest, and  
14 the Valles Caldera National Preserve, and ultimately ties into NMGC's  
15 Northcentral Transmission System at the Ottowi Junction. This original segment  
16 of the DOE ML crosses mountainous terrain and in many places is extremely hard  
17 to access with the type of machinery necessary to construct and maintain a modern  
18 natural gas pipeline. Additionally, replacing the DOE ML along the same route  
19 would require NMGC to construct 42 miles of new pipeline, which is six miles  
20 more than the SFML Looping project will require. These facts make replacement

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 of the DOE ML more costly than looping the SFML, and create project  
2 uncertainties that could delay or prevent construction of a new pipeline.

3  
4 By looping the SFML, NMGC will have more options for the DOE ML, including  
5 downgrading the DOE ML from a transmission pipeline to a distribution pipeline,  
6 or retiring approximately 42 miles of the DOE ML between Cuba and Los Alamos.

7

8 **Q. WHAT WILL THE ROUTE BE FOR THE SFML LOOPING PROJECT?**

9 **A.** The pipeline corridor begins at the Placitas Block Valve near the intersection of  
10 Highway 550 and Interstate 25, and proceeds in a northeasterly direction to the  
11 Highway 599 Regulator Station in Santa Fe County. The looped portion of the  
12 SFML will generally follow the route of the existing 12-inch SFML for 23 miles at  
13 the south end of the project and will be constructed in new easements for  
14 approximately 13 miles at the north end.

15

16 **Q. HOW MUCH WILL THE LOOPING OF THE SFML COST?**

17 **A.** The cost of the project is projected to be approximately \$50.1 million.

18

19 **Q. HOW DID NMGC DETERMINE THIS COST?**

20 **A.** NMGC obtained firm bids on the pipe material from third-party vendors, which is  
21 a significant portion of the overall cost of the project. We have selected a pipe

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 manufacturer and the pipe is ordered and scheduled for delivery in March 2020. In  
2 addition, NMGC's transmission engineering team has estimated the contractor cost  
3 for the installation and testing of the new pipeline, utilizing its significant  
4 experience in building and replacing portions of transmission pipelines.

5

6 **Q. DOES NMGC HAVE A SCHEDULE FOR CONSTRUCTION ACTIVITIES  
7 AND SPENDING FOR THE LOOPING OF THE SFML?**

8 **A.** Yes, NMGC has developed a construction schedule and a forecast for expenditures  
9 for the project. Construction is scheduled to start in the second quarter of 2020,  
10 and the looped portion of the SFML is anticipated to be placed into service by  
11 December 2020. Please see NMGC Exhibit TCB-6 for a forecast of expenditures.

12

13 **Q. HAS NMGC OBTAINED ALL OF THE RIGHTS-OF-WAY NECESSARY  
14 TO CONSTRUCT THE LOOPED PORTION OF THE SFML?**

15 **A.** NMGC has made offers to all landowners and tribal entities along the route to  
16 obtain easements. NMGC has reached agreements with the three Pueblos on the  
17 route, which have been signed by NMGC and the respective Pueblos, and the  
18 necessary applications have been filed with the United States Department of  
19 Interior's Bureau of Indian Affairs ("BIA") for approval and granting of the agreed  
20 upon rights-of-way. NMGC is finalizing rights-of-way documents across the  
21 parcels of private property along the route as landowners and NMGC agree on

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 terms. As of December 2019, NMGC has reached agreements for 35 of the 39  
2 required private rights-of-way.

3

4 **Q. ARE THERE ANY GOVERNMENTAL APPROVALS NMGC MUST**  
5 **OBTAIN, AND IF SO HAS NMGC SECURED THOSE APPROVALS?**

6 **A.** The project will require BIA-approval of the land use authorizations from the three  
7 Pueblos and an acknowledgement from BIA that the Environmental Assessment  
8 resulted in a Finding of No Significant Impact. BIA approval is expected in the  
9 spring of 2020.

10

11 Construction activities in Santa Fe County (“SFCO”) are subject to approval of a  
12 Conditional Use Permit (“CUP”) by SFCO, which is a multi-stage process in which  
13 the project plans indicate conformance to the land use code, public notices and  
14 meetings, and ultimately a public hearing. NMGC is in the process of obtaining a  
15 CUP for the project, and anticipates final approval by January 2020.

16

17 **ii. Malaga Pipeline**

18 **Q. PLEASE DESCRIBE THE MALAGA PIPELINE PROJECT.**

19 **A.** The Malaga Pipeline project consists of constructing approximately ten miles of  
20 12-inch steel transmission pipe, from NMGC’s Pecos Valley mainline on the south

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 end of NMGC's southeast system in the Permian Basin to new processing plants  
2 near Loving, NM

3

4 **Q. WHY IS THE MALAGA PIPELINE NECESSARY?**

5 **A.** This project provides NMGC access to new natural gas processing plants that were  
6 recently constructed in the Loving, NM area. These new processing plants will  
7 provide access to additional reliable gas supply while allowing NMGC to further  
8 diversify its gas supply, potentially at a lower cost for gas, and improve the  
9 operation of its system. Since the processing plants will be directly connected to  
10 NMGC's system, NMGC will not incur interstate transportation charges to access  
11 this new gas. Additional benefits to customers include the possibility of negotiating  
12 gas supply contracts at attractive prices, and the ability to offer an additional supply  
13 source for on system transportation services and potential for increased off system  
14 transportation services.

15

16 **Q. HOW MUCH WILL THE MALAGA PIPELINE COST?**

17 **A.** The estimated cost of the project is \$14.9 million.

18

19 **Q. HOW DID NMGC DETERMINE THIS COST?**

20 **A.** First, NMGC obtained a price quote from a third-party vendor for pipeline  
21 materials. Second, NMGC's transmission engineering team used its significant



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           experience with actual construction expenses from recent similar projects to  
2           estimate the construction costs.

3

4   **Q.    DOES NMGC HAVE A SCHEDULE FOR CONSTRUCTION ACTIVITIES**  
5   **AND SPENDING?**

6   **A.**   Yes. We anticipate beginning construction in the second quarter of 2020, and plan  
7           to have the project completed by the end of 2020. Please see NMGC Exhibit TCB-  
8           6 for a forecast of expenditures.

9

10 **Q.    HAS NMGC OBTAINED ALL OF THE RIGHTS-OF-WAY NECESSARY**  
11 **TO CONSTRUCT THE MALAGA PIPELINE?**

12 **A.**   NMGC is in the process of acquiring rights-of-way for the project. NMGC hired  
13           an experienced right-of-way contractor, Select Right of Way, to obtain all necessary  
14           rights-of-way, temporary use agreements, New Mexico Department of  
15           Transportation permits, Burlington Northern Santa Fe Railway permits, and the  
16           permits required to bore under the Pecos River.

17

18 **Q.    ARE THERE ANY ENVIRONMENTAL IMPACT OR OTHER STUDIES**  
19 **NMGC NEEDS TO CONDUCT?**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **A.**    No. The route for the Malaga Pipeline is entirely on private lands. NMGC will  
2            comply with required permit conditions for the project such as sections of the Clean  
3            Water Act, as well as and local required ordinances for the project.

4  
5   **Q.**    **ARE THERE ANY GOVERNMENTAL APPROVALS NMGC MUST**  
6            **OBTAIN IN ORDER TO CONSTRUCT THE MALAGA PIPELINE?**

7   **A.**    Part of the Malaga Pipeline will traverse property within the City of Carlsbad, and  
8            NMGC will need permits from the City of Carlsbad. We expect to obtain these  
9            permits in the first quarter of 2020.

10

11                    **iii.        Redondo Compressor Station Enhancements**

12   **Q.**    **PLEASE DESCRIBE THE REDONDO COMPRESSOR STATION AND ITS**  
13            **ABILITIES.**

14   **A.**    The Redondo Compressor Station (“Redondo”) is located at the Rio Puerco  
15            Interconnect, which provides access to natural gas from the Transwestern (“TW”) and El Paso Natural Gas (“EPNG”) interstate pipelines. Access to these pipelines  
16            is critical to provide reliable gas supply during high usage periods such as the winter  
17            heating season. Because the operating pressures from the TW and EPNG pipelines  
18            are different and typically lower than NMGC’s operating pressure, NMGC uses  
19            compression to ensure adequate gas flows and pressures from the lower pressure  
20

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 pipelines during periods of peak demand. Currently there are two compressors  
2 operating at this location.

3

4 **Q. WHY IS NMGC ADDING ADDITIONAL COMPRESSION TO THE**  
5 **REDONDO COMPRESSOR STATION?**

6 **A.** During the winter heating season of 2018-2019, NMGC was unable to flow its total  
7 scheduled amount of gas at the Rio Puerco interconnect due to the lower pressures  
8 on TW and EPNG, and NMGC's constrained ability to compress the total scheduled  
9 amount of gas. Additional modeling demonstrated that making enhancements at  
10 Redondo would allow NMGC to compress additional gas from the interstate  
11 pipelines during peak load days and thereby maintain operating pressures on  
12 NMGC's mainlines within optimal operating conditions and increase the gas supply  
13 at Rio Puerco.

14

15 NMGC is modifying Redondo for three key reasons:

- 16 1. to flow more gas from the TW and EPNG interstate pipelines at the Rio  
17 Puerco Interconnect;
- 18 2. to provide increased options for gas supply sourcing and enhance  
19 operational flexibility with the TW and EPNG interstate pipelines; and
- 20 3. to enable NMGC to operate its Rio Puerco Mainline at a higher pressure.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. HOW MUCH ADDITIONAL GAS WILL NMGC BE ABLE TO FLOW**  
2 **FROM THE INTERSTATE PIPELINES AFTER COMPLETION OF THE**  
3 **ENHANCEMENTS?**

4 **A.** The enhancements at Redondo will allow NMGC to take an additional 120,000  
5 Mcf/day of natural gas from the interstate pipelines. This is approximately a 49%  
6 increase in NMGC's capacity to flow gas through the Rio Puerco pipelines to  
7 Albuquerque and northern New Mexico.

8

9 **Q. HOW DO THE ENHANCEMENTS INCREASE OPTIONS FOR GAS**  
10 **SUPPLY SOURCING AND INCREASE OPERATIONAL FLEXIBILITY?**

11 **A.** Currently, Redondo can only compress the supply from one of the interstate  
12 pipelines at a time. Because the operating pressures are typically higher on the TW  
13 interstate pipeline as compared to the EPNG interstate pipeline, it is currently  
14 operationally preferred for NMGC to source more gas supply from the TW system  
15 rather than EPNG. By adding compression and making piping changes, NMGC  
16 will be able to source more gas from both the EPNG system and the TW system  
17 and better diversify its gas supply. In addition, due to increased take-away capacity  
18 from each interstate pipeline, NMGC will have the opportunity to switch gas supply  
19 from one source to another in case one or the other interstate pipeline systems has  
20 operational difficulties. Finally, the ability to easily switch gas supply from one

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 interstate pipeline to the other means NMGC will be able take advantage of pricing  
2 differences between the two interstate pipelines.

3

4 **Q. PLEASE DISCUSS THE BENEFITS OF BEING ABLE TO OPERATE THE  
5 RIO PUERCO MAINLINE AT A HIGHER PRESSURE.**

6 **A.** Higher operating pressures equate to greater pipeline capacity. The enhancements  
7 at Redondo will allow NMGC to compress more gas during peak load conditions  
8 and help to ensure NMGC's mainline pressures are kept within optimal operational  
9 parameters.

10

11 **Q. PLEASE DESCRIBE THE NEW COMPRESSOR UNIT NMGC PROPOSES  
12 TO INSTALL AT THE REDONDO COMPRESSOR STATION.**

13 **A.** NMGC intends to install an additional unit like the current Redondo # 2 unit. The  
14 additional horsepower along with piping improvements at the site will provide  
15 greater supply flexibility and higher system pressures during high load conditions.

16

17 **Q. PLEASE DESCRIBE THE OTHER ENHANCEMENTS NMGC PROPOSES  
18 TO MAKE AT THE REDONDO COMPRESSOR STATION.**

19 **A.** NMGC intends to rebuild the exiting interconnect piping and compressor station  
20 piping to allow the gas being delivered from either the TW or EPNG interconnects  
21 to be compressed through any of the compressors. This ensures that gas being

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 delivered from either TW or EPNG can then be compressed into the NMGC  
2 pipelines that leave the station and head north to supply the rest of the system.

3

4 **Q. HOW MUCH WILL THE ENHANCEMENT OF THE REDONDO**  
5 **COMPRESSOR STATION COST?**

6 **A.** The projected cost is approximately \$8.5 million.

7

8 **Q. WHEN WILL NMGC PERFORM THE REDONDO COMPRESSOR**  
9 **STATION ENHANCEMENTS?**

10 **A.** We will start the enhancements in the summer of 2020 and be completed by the end  
11 of 2020. Please see NMGC Exhibit TCB-6 for a forecast of expenditures.

12

13 **iv. Headquarters Building**

14 **Q. PLEASE DESCRIBE NMGC'S HEADQUARTERS.**

15 **A.** NMGC currently leases approximately 68,850 square feet of space in Suite 20  
16 located at 7120 Wyoming Boulevard in Albuquerque. NMGC also leases Suites  
17 16 and 17 at the same location, which are comprised of approximately 4,500  
18 additional square feet. This building houses NMGC's Customer Service, IT&T,  
19 Human Resources, Executives, Engineering, Accounting and Finance, Legal and  
20 Regulatory, Rights-of-Way, Environmental, Geographic Information System, Gas

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 Control, and Gas Supply groups. Approximately 250 employees currently work in  
2 this building.

3

4 **Q. HOW LONG HAS NMGC USED THIS BUILDING?**

5 **A.** NMGC has occupied this building since January 2009.

6

7 **Q. WHAT IS THE TERM OF NMGC'S CURRENT LEASE, AND WHAT ARE**  
8 **THE CURRENT RENT PAYMENTS?**

9 **A.** The initial term of the lease for Suites 20 and 17 expires on August 31, 2023 and  
10 has two additional five-year renewal options. The current annual rent payment for  
11 Suites 16, 17, and 20 is \$935,314. This amount does not include common area  
12 maintenance charges which amount to an additional \$231,817 annually.

13

14 **Q. WHAT IS THE PROPOSED PURCHASE PRICE?**

15 **A.** NMGC and the seller have agreed to a purchase price of \$11,200,000. NMGC will  
16 also incur approximately \$300,000 in closing and due diligence costs associated  
17 with the purchase that will bring the total amount paid at closing to approximately  
18 \$11,500,000.

19

20 **Q. WHY IS NMGC PROPOSING TO PURCHASE THIS BUILDING?**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1    **A.**    Because it is financially beneficial to NMGC’s customers. First, the cost of  
2           continuing to rent just Suite 20 through September 2033 would be \$12,764,487, which is  
3           more expensive than the purchase price of the building. Moreover, at the end of the lease  
4           period, NMGC would need either to renew its lease or move somewhere else, sign a new  
5           lease, or purchase another facility at that time. With the purchase of NMGC’s current  
6           Headquarters, customers will recognize a significant cost savings over time. Second,  
7           NMGC was able to negotiate a good price for the building and existing infrastructure,  
8           which also benefits customers. Third, staying in our current facilities means that the  
9           Company does not have to pay for a move, or suffer disruption of the business during  
10          such a move.

11

12    **Q.    IS THE PURCHASE PRICE A FAIR VALUE FOR THE PROPERTY?**

13    **A.**    Yes. NMGC hired a professional appraisal company, Godfrey Appraisal Services,  
14          Inc., to perform appraisals of the facilities NMGC is purchasing. The appraisals  
15          determined a value range of between \$10,450,000 and \$11,160,000, with an overall  
16          fair market value for the appraisals of Suite 20 and of Suites 16 and 17 of  
17          \$10,600,000. I have attached the appraisals as an exhibit to my testimony as  
18          NMGC Exhibit TCB-9. The appraisals evaluated the building “as is” and did not  
19          take into account the value of the equipment and fixtures NMGC has installed in  
20          the building over the last ten years. The equipment (especially IT&T infrastructure)  
21          and fixtures in the building has a value to NMGC that is not reflected in the



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1            appraisals. NMGC has spent \$9.7 million installing equipment and making  
2            improvements to the building (not including the initial investments made in the  
3            building in 2009 as start-up costs), which are necessary for NMGC’s business, and  
4            which NMGC would have to duplicate if it moved to another building. When  
5            adding the cost of the equipment and improvements to the cost of the building,  
6            NMGC is able to purchase this property at a significant discount compared to other  
7            options we evaluated involving other properties in Albuquerque.

8

9            Additionally, NMGC retained CBRE Group, Inc. (“CBRE”), the largest  
10           commercial real estate brokerage firm in New Mexico, to help us evaluate the value  
11           of the building. CBRE agents took NMGC personnel on tours of similar sized  
12           office buildings available for purchase, and provided a property valuation analyses  
13           that included values for both properties available for sale in Albuquerque and  
14           values of recently sold properties in Albuquerque. The analysis of similar  
15           properties in the Albuquerque area demonstrated that NMGC was paying a fair  
16           price.

17

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **Q.   PLEASE DESCRIBE WHY NMGC’S EVALUATION PROCESS FOR**  
2           **DETERMINING PURCHASING THE HEADQUARTERS BUILDING WAS**  
3           **THE MOST APPROPRIATE ACTION.**

4   **A.**   With the expiration of our lease coming up, we began to analyze the most cost-  
5           effective option going forward. We had four options: 1) execute one of the five-  
6           year lease renewals; 2) build a new building on land the Company owns at the  
7           corner of Edith Boulevard and Griegos Road (which is where the Company’s  
8           service center is located); 3) buy a building and refurbish it for our specific uses; or  
9           4) purchase our existing location.

10

11           NMGC began the process by evaluating the cost of continuing to lease the building  
12           for the duration of the two five-year renewals allowed for under the current lease.  
13           The cost of these lease payments over the remainder of the lease term for Suite 20  
14           would be \$12,764,487. At the end of those terms, NMGC would either have to  
15           negotiate a new lease with the landlord, lease new space somewhere else and move,  
16           or purchase or build a new building and move.

17

18           NMGC then examined the cost of constructing a new building at its property at  
19           Edith Boulevard and Griegos Road. After taking into account moving expenses  
20           and necessary IT&T infrastructure costs, the initial cost estimate to construct and  
21           move to a new building was \$34,880,000.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 NMGC personnel next toured multiple commercial properties available for sale in  
2 Albuquerque. We quickly learned that there are very few buildings currently for  
3 sale large enough for NMGC's needs in Albuquerque. NMGC found one  
4 potentially suitable property, but it was a shell space that would require significant  
5 infrastructure improvements. After taking into account moving expenses,  
6 necessary IT&T infrastructure costs, and other improvements needed to efficiently  
7 use the building, the total cost estimate exceeded \$29,550,000.

8  
9 NMGC then began discussions with its current landlord. The landlord was not only  
10 interested in selling the current property NMGC uses for its Headquarters, but an  
11 additional approximately 14,000 square feet of space that NMGC can use for future  
12 expansion, possibly creating a payment center in the northeast area of Albuquerque.  
13 The landlord was also interested in executing a sale of the building in the near  
14 future, which would allow NMGC to save three years of lease payments.

15  
16 **Q. WILL NMGC'S CUSTOMERS BENEFIT BY NMGC BUYING THIS**  
17 **BUILDING?**

18 **A.** Yes. The 40-year net present value of the cost to customers for the building purchase is  
19 \$14.1 million whereas it would be more than \$18 million to continue leasing.

20

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. ARE THERE CURRENTLY TENANTS IN OTHER PORTIONS OF THE**  
2 **BUILDING?**

3 **A.** Yes. There are two tenants in the building, as well as a cellphone tower lease. The  
4 current owner of the building will assign its interest in each of these leases to  
5 NMGC.

6  
7 **Q. WILL NMGC RECOGNIZE THE RENT IT RECEIVES FROM TENANTS**  
8 **AGAINST ITS REVENUE REQUIREMENT?**

9 **A.** Yes. NMGC has recognized the lease payments in the period between July 1, 2019  
10 through December 31, 2020 (“Linkage Periods”) and from January 1, 2021 through  
11 December 31, 2021 (the “Future Test Year”).

12  
13 **Q. WHAT WILL NMGC DO WITH THE SPACE CURRENTLY OCCUPIED**  
14 **BY THE TENANTS AFTER THOSE LEASES EXPIRE?**

15 **A.** As each lease term expires and renewal options are not executed, NMGC will  
16 convert each space for use by the Company. NMGC’s long-range plan is to occupy  
17 the entire building with NMGC’s personnel and facilities.

18

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WILL THE PURCHASE OF THE BUILDING IMPACT NMGC'S O&M**  
2 **COSTS?**

3 **A.** Yes, it will decrease O&M costs by over one million dollars a year, because NMGC  
4 will no longer be making rent payments to a landlord.

5

6 **Q. WHEN WILL THE PURCHASE OF THE BUILDING CLOSE?**

7 **A.** The purchase should close in the first or second quarter of 2020.

8

9

**v. Brazos Mainline**

10 **Q. PLEASE DESCRIBE THE BRAZOS MAINLINE.**

11 **A.** The Brazos Mainline is a 42-mile steel transmission pipeline in Rio Arriba County.  
12 It was built in the 1960s by a subsidiary of Benson-Montin-Greer Drilling Corp. It  
13 runs from the western edge of the Jicarilla Apache Nation east to its current  
14 terminus in Chama, NM. Approximately 16.2 miles of 6-inch pipeline runs through  
15 the Jicarilla Apache Nation, while the remaining approximately 24 miles of 4-inch  
16 pipeline runs through private and state land and the entire pipeline operates at 260  
17 psig.

18

19 For many years, NMGC and its predecessors-in-interest have leased the full  
20 capacity of the Brazos Mainline to serve NMGC's customers in northern Rio Arriba

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 County. Currently, NMGC serves approximately 1,700 customers off the Brazos  
2 Mainline.

3

4 **Q. WHY IS NMGC PROPOSING TO ADD THE BRAZOS MAINLINE TO**  
5 **RATE BASE IN THIS CASE?**

6 **A.** NMGC entered into an agreement to purchase 24 miles of the Brazos Mainline for  
7 \$400,000. NMGC has been interested in acquiring the pipeline to ensure the safe  
8 and reliable management and operation of the sole source of transmission of natural  
9 gas to customers in northern Rio Arriba County. As this is the only source of  
10 natural gas for customers in northern Rio Arriba County, we believe it is in the  
11 public interest for NMGC to own and operate a majority of the Brazos Mainline.

12

13 **Q. IS THE ACQUISITION OF THE BRAZOS MAINLINE SUBJECT TO**  
14 **NMPRC APPROVAL?**

15 **A.** Yes. On October 22, 2019, NMGC filed an application with the NMPRC for  
16 approval to acquire the Brazos Mainline. The case was assigned the following case  
17 number: Case No. 19-00318-UT. Additional information regarding the purchase  
18 can be found in that proceeding.

19

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1                    **vi.            Integrity Management Capital Expenditures**

2    **Q.    PLEASE EXPLAIN THE TERMS “INTEGRITY MANAGEMENT”, AND**  
3                    **“INTEGRITY MANAGEMENT PROGRAM” AS THEY ARE**  
4                    **COMMONLY USED IN THE NATURAL GAS INDUSTRY.**

5    **A.**    Integrity management generally refers to the process of identifying, evaluating,  
6                    preventing, inspecting, and addressing potential or direct threats to reduce both the  
7                    likelihood and consequence of incidents such as pipeline failure.

8  
9                    The terms “Integrity Management Program” and “Integrity Management Plan,”  
10                    often shortened to just “IMP,” commonly identify a utility’s plans and programs  
11                    designed to identify and mitigate the greatest relative risks within a gas distribution  
12                    and transmission system. These programs are constantly evolving and are a  
13                    combination of company and industry standards, and state and federal regulation.

14  
15    **Q.    ARE THERE GOVERNMENTAL AGENCIES THAT REGULATE**  
16                    **PIPELINE SAFETY AND INTEGRITY MANAGEMENT PROGRAMS?**

17    **A.**    Yes, there are regulators responsible for pipeline safety at both the federal and state  
18                    levels. The United States Department of Transportation (“DOT”) is responsible for  
19                    pipeline safety, including promulgating regulations related to pipeline safety. The  
20                    Pipeline and Hazardous Materials Safety Administration (“PHMSA”), an agency

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           within DOT, is responsible for the regulation of natural gas transmission and  
2           distribution pipeline safety.

3

4           The Commission’s Pipeline Safety Bureau (“PSB”) is responsible for administering  
5           the DOT’s pipe-line related regulations and PHMSA’s safety requirements within  
6           New Mexico. Thus, PSB has regulatory oversight of NMGC in relation to federal  
7           and state pipeline safety regulations and requirements, as well as any state-specific  
8           safety requirements.

9

10   **Q.   HAS DOT/PHMSA IMPLEMENTED ANY REGULATIONS RELATED TO**  
11   **TRANSMISSION AND DISTRIBUTION IMPS?**

12   **A.   Yes.  These regulations can be found in 49 CFR 192 Subpart O and Subpart P.**

13

14   **Q.   PLEASE PROVIDE A BRIEF SUMMARY OF THE HISTORY OF**  
15   **FEDERAL REGULATION RELATED TO IMPS.**

16   **A.   IMP related regulations have been adopted throughout the years.  PHMSA started**  
17   **implementing rules related to regulation in 1994.  That year, regulations were**  
18   **adopted that required all gas transmission pipeline constructed after 1994 be**  
19   **designed and constructed to accommodate the passage of instrumented internal**  
20   **inspection devices, or as commonly referred to in the natural gas industry – pigging.**  
21   **Pigging involves inserting a device that either cleans or conducts internal**



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 inspections of the pipeline as the gas flow pushes it through the pipeline. Every  
2 NMGC transmission pipeline constructed after 1994 is piggable.

3  
4 In 2004, PHMSA issued new regulations requiring: 1) natural gas transmission  
5 pipeline operators develop and implement a transmission IMP and complete the  
6 baseline integrity assessment of its covered High Consequence Area (“HCA”)  
7 segments by 2012, with reassessments every seven years; and 2) that any  
8 replacement gas transmission lines be designed and constructed to accommodate  
9 pigging. NMGC has fully complied with these requirements.

10  
11 In 2009, PHMSA adopted regulations requiring operators of gas distribution  
12 pipelines to develop and implement IMPs to enhance safety by identifying and  
13 reducing pipeline integrity risks. The IMPs required by this rule are similar to those  
14 required for gas transmission pipelines, but tailored to reflect the differences in  
15 distribution pipelines. The rule also requires operators to install excess flow valves  
16 on new and replaced residential service lines. NMGC is in compliance with these  
17 requirements.

18  
19 Finally, in October 2019, PHMSA adopted new regulations which address integrity  
20 management requirements and other requirements by focusing on actions a natural  
21 gas pipeline operator must take to reconfirm the MAOP of previously untested

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 natural gas transmission pipelines and pipelines lacking certain material or  
2 operational records. PHMSA also required periodic assessment of pipelines in  
3 populated areas not designated as “high consequence areas”, reporting of  
4 exceedances of MAOPs on any pipeline, consideration of seismicity as a risk factor  
5 in integrity management, safety features on pigging launchers and receivers, and  
6 related recordkeeping provisions.

7  
8 So, in addition to having complied with all previous regulations, NMGC is  
9 preparing to fully comply with these latest 2019 regulations, and as a result is  
10 launching more ambitious IMPs as set forth below.

11  
12 **Q. HAS NMGC WORKED WITH PSB IN RELATION TO NMGC’S IMP?**

13 **A.** Yes. The Company has kept PSB informed as to the creation of NMGC’s IMP, the  
14 initial action items identified by the IMP, NMGC’s implementation of the actions  
15 identified by the IMP, and any significant changes to the program.

16  
17 **Q. PLEASE DESCRIBE THE COMPANY’S IMP AND ITS CURRENT MAIN  
18 OBJECTIVES.**

19 **A.** As required by federal regulations, NMGC’s IMP involves the evaluation of its  
20 transmission and distribution systems to identify the highest relative risks on its  
21 systems and developing and executing a plan to achieve risk reduction in the

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 system. The mitigation of the risks includes, but is not limited to, increased  
2 patrolling and monitoring, and gas system replacements/modifications. NMGC's  
3 IMP determines the best mitigation given the relative risk.

4

5 In its last rate case, Case No. 18-00038-UT, NMGC identified three areas with the  
6 highest relative risk for distribution inspection and mitigation activities as part of  
7 its IMP:

- 8 • replacement of legacy plastic pipe;
- 9 • replacement of legacy bare steel pipe; and
- 10 • replacement of mechanically connected X-Tube services.

11

12 As a result of the new 2019 regulations and continued research into potential system  
13 risks, NMGC has identified and developed additional mitigation programs:

- 14 • sewer Camera Inspections to locate and eliminate sewer cross bores;
- 15 • transmission system modifications required to make all transmission  
16 pipelines constructed prior to 1994 internal inspection capable;
- 17 • installation of remote shut-off valves to reduce the time to respond to an  
18 emergency;
- 19 • verification of pipeline materials through cutouts of small portions of the  
20 pipelines and performing mechanical testing on the cutouts; and

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

- 1                   • reconfirmation of the MAOP of pipelines constructed prior to 1970 via  
2                   hydrostatic testing or replacement.

3  
4                   All of the activities I have listed are capital projects, except for the hydrostatic  
5                   testing of pipelines constructed prior to 1970 which is primarily an O&M expense.

6  
7                   **Q. PLEASE DESCRIBE IN GREATER DETAIL THE SEVEN CAPITAL**  
8                   **IMPROVEMENT IMP PROJECTS YOU JUST LISTED.**

9                   **A.** I will discuss the seven capital improvement projects in the order I listed them  
10                  above:

11  
12                  1. Replacement of Legacy Plastic Pipe

13                  NMGC currently has approximately 211 miles of PVC<sup>1</sup> and ABS<sup>2</sup> plastic pipe in  
14                  its distribution system, mainly in the southern and eastern areas of the system.  
15                  Installation of this legacy plastic pipe was completed prior to the development of  
16                  the federal pipeline safety regulations and in many cases was not installed with  
17                  location wire, which means that NMGC may have difficulty locating the pipe –  
18                  both before excavation by a third party and in an emergency situation. Third party  
19                  damage is one of the leading contributors to gas distribution incidents across the

---

<sup>1</sup> Polyvinyl Chloride

<sup>2</sup> Acrylonitrile Butadiene Styrene

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 country. Moreover, legacy plastic pipes tend to be thinner and are more easily  
2 damaged by third parties than modern plastic pipe material. Finally, these legacy  
3 plastic pipes are no longer used in the industry and repairing damaged sections often  
4 takes longer and is more difficult to perform.

5  
6 2. Replacement of Legacy Bare Steel Pipe

7 This pipe was installed decades ago and lacks a protective coating which makes it  
8 difficult to provide effective cathodic protection. Without adequate cathodic  
9 protection, this pipe may be more susceptible to corrosion which could result in gas  
10 leakage. NMGC leak surveys the bare steel pipe in its system and, while it is  
11 currently operating safely, NMGC believes that it is prudent to be proactive and  
12 replace all bare steel pipe within its distribution system.

13  
14 3. Replacement of X-Trube Services

15 X-Trube services are thin-wall steel tubing services installed in the 1960s and 1970s  
16 that were typically tied to the main with compression-style mechanical fittings  
17 instead of being welded. Because they contain compression fittings instead of  
18 welded joints, they tend to have higher instances of leaks when there is soil  
19 movement or other outside forces in the area. NMGC has approximately 13,620  
20 X-Trube services in its system that were connected with a mechanical fitting,  
21 mainly in the Albuquerque area.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 NMGC’s goal, with its IMP, is to mitigate and reduce risk, and replacing the X-  
2 Trube services will decrease system risk associated with mechanical couplings.  
3 Additionally, due to higher frequency leak survey requirements on X-Trube  
4 services with compression fittings, NMGC is incurring additional leak survey  
5 expenses. This extra expense is only necessary due to the compression fitting on  
6 X-Trube services, and will be reduced when the X-Trube services and their  
7 associated compression fittings are replaced.

8  
9 Additionally, during the replacement of the X-Trube services and during the  
10 replacement of the services associated with legacy plastic pipe and bare steel main,  
11 the Company is able to make additional safety improvements to its system in a cost-  
12 effective manner. An example of this is the installation of excess flow valves  
13 (“EFV”). Because NMGC is already excavating facilities to replace X-Trube,  
14 legacy plastic, and bare steel main services, it is easy and very cost-effective for the  
15 Company to install the EFVs during the replacement process.

16  
17 4. Sewer Camera Inspections

18 As is being done throughout the country, NMGC is undertaking a program to perform  
19 sewer camera inspections to identify, address and repair instances where a gas line has  
20 passed through or intersected a sewer line. This intersection of a natural gas pipeline and a  
21 sewer line is called a cross bore. A cross bore can result in a safety risk when a homeowner

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 or plumber attempts repair work to a sewer line outside the premise using mechanical  
2 cleaning or “snake” machines. These machines could sever a gas line and cause a gas leak,  
3 which could result in a hazardous situation. Although not common, NMGC has found  
4 multiple cross bores in its system, all of which were remedied upon discovery.

5 To address possible cross bores, the utility is starting a proactive inspection program. The  
6 inspection program will cover all of NMGC’s service areas and will involve inserting  
7 cameras into the sewer line.

8

9 5. Transmission System Modifications

10 As I discussed previously, before 1994 there was no requirement that transmission  
11 lines be designed and constructed to accept in-line inspection tools. As a result, all  
12 of NMGC’s transmission systems constructed prior to 1994 were built in a way that  
13 does not allow for pigging. Consistent with its transmission IMP and the new  
14 PHMSA regulations, NMGC is making modifications to its transmission systems  
15 to allow for pigging activities.

16

17 Here is a good scenario to illustrate the issue: during the initial construction of a  
18 pipeline, the direction of the pipeline needs to change to avoid an upcoming  
19 obstacle. In such a scenario today, the pipe route would be designed to make a long  
20 gradual change of direction. Decades ago, the solution may have been to use a  
21 short radius 90-degree fitting in the pipe and make a more drastic change in

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 direction. While a short radius fitting does not impede the flow of gas, it does make  
2 it impossible to use smart pigs to inspect the integrity of the pipe in those areas.  
3 Therefore, before NMGC may utilize smart pigs, it must identify and replace all  
4 fittings, valves, and other apparatus on the transmission system that are not  
5 designed to accommodate smart pigs.

6  
7 6. Installation of Remote Shut-Off Valves

8 Current IMP regulations require preventative and mitigative measures to address  
9 the threats for each pipeline in a HCA to minimize the consequence of unintended  
10 releases of gas, to enhance public safety, and for environmental protection. NMGC  
11 installs remote shut-off capability on valves in the transmission systems to  
12 minimize the time to isolate a section of pipe. NMGC has a fifteen-year plan to  
13 install remote shut-off valves (“RSVs”) on over 151 valves as a preventative and  
14 mitigative measure. PHMSA has introduced a Notice of Proposed Rulemaking,  
15 which will require NMGC to complete RSV installations on valves that protect  
16 HCAs within six years of publication of the rule. The six-year goal is a subset of  
17 NMGC’s 15-year goal.

18  
19 7. Perform Material Verification Cutouts

20 The new PHMSA regulations require materials verification for all HCAs, Class 3  
21 and Class 4 locations, and piggable moderate consequence areas (“MCAs”). This



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 rule will require NMGC to perform one cutout for material testing per mile of  
2 pipeline for any pipelines that do not have records that are traceable, verifiable, and  
3 complete for materials and other properties such as diameter, wall thickness, yield  
4 strength, ultimate tensile strength, and impact toughness. These records were not  
5 originally required before 1970. Approximately 55% of NMGC's transmission  
6 pipelines were installed prior to 1970 and NMGC estimates that 70% (or 38% of  
7 the total transmission system) of those do not have traceable, verifiable, and  
8 complete records and will require cutouts and material testing.

9

10 **Q. HOW MUCH WILL NMGC SPEND ON IMP-RELATED CAPITAL**  
11 **IMPROVEMENTS IN 2020 AND 2021?**

12 **A.** NMGC will spend \$15.9 million in 2020, and \$16.5 million in 2021 on IMP-related  
13 capital improvements. Please see NMGC Exhibit TCB-10 for a breakdown of these  
14 costs.

15

16 **Q. NMGC WITNESS DANIEL P. YARDLEY DESCRIBES THE DETAILS OF**  
17 **NMGC'S PROPOSED IMP RECOVERY MECHANISM. FROM YOUR**  
18 **PERSPECTIVE, WHAT ARE THE BENEFITS OF AN IMP RECOVERY**  
19 **MECHANISM?**

20 **A.** From my perspective, an IMP Recovery Mechanism will make implementing  
21 NMGC's IMP easier. With approval of the IMP Recovery Mechanism NMGC will

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 be better able to plan and manage its IMP activities. Customers, the Commission,  
2 and the Company will benefit through improved communication and consistency  
3 in implementing the IMP; including information on what work is being performed  
4 and the cost of that work on an ongoing basis, rather than a review of the work  
5 NMGC has completed over a number of years.

6  
7 Additionally, an IMP Recovery Mechanism facilitates longer-term planning with  
8 respect to the capital-intensive aspects of NMGC's IMP. This type of planning  
9 provides opportunities for potential cost savings in terms of engineering and  
10 planning, as well as for managing the contractor relationships in a way that best  
11 manages labor and material costs for the projects.

12  
13 **Q. WILL NMGC CONTINUE THE PROJECTS CALLED FOR IN ITS IMP**  
14 **EVEN IF THE COMMISSION DOES NOT APPROVE THE IMP**  
15 **MECHANISM?**

16 **A.** Yes. The actions in NMGC's IMP are required by PHMSA/PSB. Moreover, as a  
17 prudent operator of a gas transmission and distribution system, NMGC will make  
18 these improvements regardless of the method of recovery of the cost. Nevertheless,  
19 a reasonable and timely recovery mechanism for the costs incurred will facilitate  
20 our planning and operational efforts in this regard.

21

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

**B. Other Important Capital Projects**

**i. Leak Repair Initiative**

**Q. PLEASE DESCRIBE THE LEAK REPAIR INITIATIVE.**

**A.** As discussed in NMGC Witness Kacer’s testimony, the Leak Repair Initiative is to repair all outstanding leaks within NMGC’s distribution and transmission system.

**Q. HOW MUCH WILL NMGC SPEND ON THE LEAK REPAIR INITIATIVE IN 2020 AND 2021?**

**A.** Starting in 2020, NMGC will spend \$1,000,000 annually on Leak Repair Initiative related activities.

**vii. Compressed Natural Gas Initiative**

**Q. PLEASE DESCRIBE THE COMPRESSED NATURAL GAS INITIATIVE.**

**A.** As discussed in NMGC Witness Kacer’s testimony, the Compressed Natural Gas (“CNG”) Initiative is a two-pronged effort by NMGC. First, NMGC will build CNG fueling stations to both accommodate its fleet needs and provide others with CNG vehicles a place to refuel. Second, NMGC will begin converting a portion of its vehicle fleet to run on CNG.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. HOW MUCH WILL NMGC SPEND ON CNG FACILITIES IN 2020 AND**  
2 **2021?**

3 **A.** NMGC will spend \$4.2 million on CNG facilities over 2020 and 2021. This is  
4 based on NMGC's commitment to build two CNG fueling facilities by the end of  
5 2021, at a cost of \$2.1 million per facility. Each facility will be constructed close  
6 to existing NMGC mainlines, and will be designed to fill 70 vehicles a day.

7

8 **viii. Equipment Replacement Initiative**

9 **Q. PLEASE DESCRIBE THE COMPANY'S EQUIPMENT REPLACEMENT**  
10 **INITIATIVE.**

11 **A.** As discussed in NMGC Witness Kacer's testimony, NMGC plans to replace all  
12 Wizard Controllers by the end of 2021.

13

14 **Q. WHAT WILL IT COST TO REPLACE THE WIZARD CONTROLLERS?**

15 **A.** NMGC will spend \$400,000 to replace Wizard Controllers over 2020 and 2021.

16

17 **ix. Solar Facilities Initiative**

18 **Q. PLEASE DESCRIBE THE SOLAR FACILITIES INITIATIVE.**

19 **A.** As discussed in NMGC Witness Kacer's testimony, under the Solar Facilities  
20 Initiative NMGC will place solar panels on Company-owned buildings throughout

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           the state in order to generate clean electric power and reduce greenhouse gas  
2           emissions.

3

4   **Q.   HOW MUCH WILL NMGC SPEND ON SOLAR FACILITIES IN 2020 AND**  
5   **2021?**

6   **A.**   NMGC will spend \$1.9 million on solar facilities over 2020 and 2021.

7

8                   **x.       Information Technology & Telecommunications**

9   **Q.   HOW MUCH WILL NMGC SPEND ON IT&T AND RELATED SECURITY**  
10 **MEASURES IN 2019, 2020 AND 2021?**

11 **A.**   NMGC anticipates spending \$21.2 million on IT&T and security measures during  
12 these periods. Witness Sturgill, the Company’s Director of IT&T services provides  
13 the business case for these investments.

14

15                   **III.   SIGNIFICANT NEW RIGHTS-OF-WAY AND RENEWALS**

16 **Q.   HAS THE COMPANY OBTAINED ANY SIGNIFICANT NEW RIGHTS-**  
17 **OF-WAY SINCE ITS LAST RATE CASE?**

18 **A.**   Yes. NMGC has executed agreements for new long-term rights-of-way across the  
19 lands of three Native American Pueblos. These rights-of-way have a value of \$22.6  
20 million, and NMGC has deposited this amount in escrow and is working with the  
21 respective Pueblos and the BIA to approve the rights-of-way as required under

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 federal law. The escrow entities will pay the amounts held in escrow to the three  
2 Native American Pueblos upon BIA's approval, which we expect by April 2020.

3

4 **Q. ARE THERE ANY SIGNIFICANT RIGHTS-OF-WAY RENEWALS IN**  
5 **THE LINKAGE DATA AND TEST PERIOD?**

6 **A.** Yes. NMGC is in the process of renewing long-term rights-of-way across the lands  
7 of three Native American Pueblos. Additionally, there are three transmission and  
8 two distribution rights-of-way renewals across Native American lands that will  
9 need to be renewed at an estimated cost of \$7.4 million.

10

11 **Q. IS NMGC FORECASTING THESE RIGHTS-OF-WAY RENEWAL COSTS**  
12 **IN THIS RATE CASE?**

13 **A.** Yes. NMGC forecasts estimated rights-of-way costs based on recent right-of-way  
14 agreements, which represent and incorporate current market and economic  
15 conditions. NMGC's rights-of-way renewal requirements are prescribed by federal  
16 regulation and are administered through the BIA. Due to the unique circumstances  
17 associated with sovereign Native American tribes, renewal costs are not necessarily  
18 uniform and future costs must be estimated. NMGC has identified those rights-of-  
19 way that are set to expire during the Linkage Periods and the Future Test Year and  
20 has analyzed the renewal costs.

21

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WHY ARE THE FORECASTED RIGHTS-OF-WAY RENEWALS**  
2 **INCLUDED IN THIS CASE?**

3 **A.** NMGC's system is situated across lands of 17 of New Mexico's 23 Pueblos, Tribes  
4 or Nations in New Mexico. In accordance with federal regulations pertaining to  
5 rights-of-way across tribal lands, many of NMGC's rights-of-way are restricted to  
6 a term of years and expire at varying times throughout the life of those system  
7 facilities. Also pursuant to federal law, NMGC cannot condemn rights-of-way  
8 across federal lands held in trust for Native American Nations, Tribes or Pueblos.  
9 All of these rights-of-way are necessary to maintain and operate NMGC's facilities  
10 and its ability to continue to provide reasonable and efficient gas utility service to  
11 customers. Each facility serves an integral role in the continued operation of  
12 NMGC's transmission and distribution systems.

13

14 **Q. HAS NMGC SUPPORTED ITS ESTIMATED COSTS FOR RENEWED**  
15 **RIGHTS-OF-WAY?**

16 **A.** Yes. NMGC has significant experience in securing necessary rights-of-way across  
17 private lands, government-owned lands, and Native American lands. We have a  
18 proven process that we follow for new rights-of-way and renewed rights-of-way  
19 that we apply with respect to securing rights-of-way. Based on NMGC's  
20 experience with acquiring and renewing rights-of-way, we have bona fide market  
21 data about the likely costs that will be incurred. All of these factors are considered

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 in NMGC’s cost estimates presented in this case, and form a reliable basis for use  
2 in establishing a cost of service for these expenses. From the settlements completed  
3 to date, NMGC’s payments are consistent with the overall estimate. Please see  
4 Rule 630 Schedule H-7, Work paper H-7 for a detailed description of the rights-of-  
5 way expenses, amortizations, and adjustments included in this case.  
6

7 **Q. ARE THE RIGHTS-OF-WAY NECESSARY FOR THE CONTINUED**  
8 **PROVISION OF NATURAL GAS SERVICE TO NMGC’S CUSTOMERS?**

9 **A.** Yes. The facilities located on the subject rights-of-way are vital components of  
10 NMGC’s system and are critical to providing reliable service to NMGC customers  
11 throughout New Mexico. For each of the new and renewed rights-of-way NMGC  
12 is including in this case, there is no cost-comparable alternative to the rights-of-  
13 way across Native American-owned lands. The expenses associated with these  
14 rights-of-way are necessary for NMGC to install and maintain NMGC’s facilities  
15 on these properties and prevent NMGC from incurring costly relocations of these  
16 facilities and having to build around Native American nations.  
17

**IV. O&M EXPENSES**

18 **Q. WHAT O&M COSTS ARE YOU ADDRESSING IN YOUR TESTIMONY?**

19 **A.** My testimony is limited to O&M cost increases in the Linkage Periods and Future  
20 Test Year due to IMP-related activities.  
21



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WHAT ARE THE TYPICAL O&M EXPENDITURES ASSOCIATED WITH**  
2 **NMGC’S TRANSMISSION AND DISTRIBUTION SYSTEM?**

3 **A.** O&M expenses for NMGC’s transmission and distribution systems include the  
4 labor expenses of NMGC employees and contract workers that directly support the  
5 functions that monitor and control the system; schedule the maintenance and repairs  
6 of the stations, lines and equipment; IMPs; and perform system reliability,  
7 interconnection and engineering cost studies.

8

9 **Q. WHAT ARE THE INCREASED O&M COSTS RELATED TO THE**  
10 **COMPANY’S IMP?**

11 **A.** As discussed in greater detail earlier in my testimony, new federal regulations were  
12 passed that will require NMGC to broaden the scope of its IMP activities. Specific  
13 to O&M costs, NMGC will need to: 1) increase its inline inspection activities; and  
14 2) undertake hydrostatic pressure testing (“Hydro-Testing”) activities.

15

16 **Q. PLEASE DESCRIBE NMGC’S O&M EXPENDITURES RELATED TO**  
17 **INLINE INSPECTION ACTIVITIES.**

18 **A.** As part of NMGC’s IMP activities, the Company performs inline inspections on its  
19 transmission system. An inline inspection tool, also known as a smart pig, is a  
20 device that is run through NMGC’s transmission system to identify anomalies in  
21 transmission pipelines. This type of inspection is also commonly referred to as

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           “pigging” in the natural gas industry. These inspections help to identify system  
2 needs and replacements to facilitate safe and reliable service. The Base Period (July  
3 1, 2018 through June 30, 2019) O&M expenditures related to pigging activities are  
4 \$882,652.

5

6 **Q. IS NMGC PROPOSING A CHANGE TO ITS EXPECTED LEVEL OF**  
7 **INLINE INSPECTION O&M EXPENSES?**

8 **A.** Yes. NMGC estimates the O&M related to inline activities in 2020 and 2021 will  
9 be \$1,186,000 and \$1,851,000 respectively. Please see NMGC Exhibit TCB-11 for  
10 more detail related to these expenses.

11

12 **Q. WHY ARE NMGC’S INLINE INSPECTION O&M EXPENSES**  
13 **INCREASING IN 2020 AND 2021?**

14 **A.** New federal regulations broadening integrity management requirements were  
15 implemented on October 1, 2019. Included in these new regulations is a federal  
16 mandate to expand integrity assessments to include additional areas beyond high  
17 consequence areas called moderate consequence areas. This will increase the miles  
18 of pipe that NMGC is required to perform inline inspection from 145 miles to 475  
19 miles.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WHAT IS HYDRO-TESTING?**

2 **A.** Hydro-Testing is a process to assess pipeline integrity using water to pressure test  
3 the pipeline. Water is pumped into the pipeline and pumped up to a pressure that  
4 is a minimum of 1.5 times the operating pressure. The pressure is maintained and  
5 monitored for a minimum of eight hours to ensure there are no defects.

6  
7 **Q. PLEASE DESCRIBE NMGC'S O&M EXPENDITURES RELATED TO**  
8 **HYDRO-TESTING ACTIVITIES.**

9 **A.** In addition to increased inline inspection activities, the new integrity management  
10 federal regulations require pipeline operators such as NMGC to reconfirm the  
11 MAOP of existing pipelines that do not have pressure test records. Hydro-Testing  
12 is the most economical method of reconfirming the MAOP of these pipelines.  
13 Pressure testing of pipelines and retention of associated records were not required  
14 on pipelines constructed prior to 1970. As a consequence, approximately 38% of  
15 NMGC's pipelines do not have pressure test records. Thus, pipeline operators such  
16 as NMGC must now reconfirm the MAOP of many existing pipelines that were  
17 installed prior to 1970

18

19 The new requirement requires NMGC to prepare a plan for testing by 2020, and  
20 that NMGC reconfirm at least 50% of its pipelines without pressure test records by

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 the end of 2027, and complete testing of all pipelines without pressure test records  
2 by 2034.

3

4 **Q. IS NMGC PROPOSING A CHANGE TO ITS EXPECTED LEVEL OF**  
5 **HYDRO-TESTING O&M EXPENSES?**

6 **A.** Yes. NMGC spent \$350,000 in the Base Period O&M on Hydro-Testing. NMGC  
7 estimates the O&M expenses related to Hydro-Testing activities to be \$1,543,000  
8 for 2020 and \$3,248,000 for 2021. Please see NMGC Exhibit TCB-12 for the  
9 calculation of the test period amounts.

10

11 **V. DISCOUNTED TRANSPORTATION RATES**

12 **Q. DOES NMGC CURRENTLY OFFER ANY DISCOUNTED RATES FOR**  
13 **TRANSPORTATION SERVICES?**

14 **A.** Yes, NMGC currently offers nine discounted rates for transportation services.  
15 NMGC Exhibit TCB-13 summarizes all of NMGC's existing discounted  
16 transportation rates in effect at the time of this filing. This exhibit includes  
17 information about the purpose of the discount and any other information related to  
18 the discounted rate.

19

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **Q.   HOW IS NMGC ABLE TO DISCOUNT ITS TRANSPORTATION RATES**  
2           **BELOW THE RATES ESTABLISHED IN ITS RATE NO. 70 FOR**  
3           **TRANSPORTATION SERVICE?**

4   **A.**   Rule 660 - specifically Rule 660.10(F)(8) - allows gas utilities to offer discounted  
5           transportation rates to transportation customers (both on-system and off-system)  
6           that are lower than the approved tariff rates, in order to compete for the customer's  
7           business. These rates must be offered on a non-discriminatory basis, and must be  
8           above the variable cost of service provided.

9

10 **Q.   PLEASE DESCRIBE THE CIRCUMSTANCES UNDER WHICH NMGC**  
11 **WILL OFFER A DISCOUNTED TRANSPORTATION SERVICE RATE.**

12 **A.**   As noted above, pursuant to Rule 660, NMGC may offer discounted transportation  
13           rates, on a non-discriminatory basis, in order to compete for the business of a  
14           transportation customer or an end-user. The circumstances under which NMGC  
15           will offer a discount to compete for a transportation customer's or end-user's  
16           business are:

17           1. A customer is in such economic or business circumstances that a discount may  
18                 keep the customer's business in operation. This may be characterized as a  
19                 discount to "retain load."

20           2. A customer has a viable alternative to purchasing transportation service from  
21                 NMGC, including through the construction of a customer-owned delivery

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1           system for natural gas or through the use of an alternative pipeline connection.

2           This may be characterized as a discount to “prevent bypass.”

3           3. A customer requires a discount in order to bring new business onto NMGC’s  
4           system. This new business may include new transportation volumes altogether,  
5           or it may involve incremental volumes above the levels that the customer  
6           already acquires from NMGC. This may be characterized as a discount to  
7           “increase throughput.”

8

9   **Q.   HAVE NMGC’S CRITERIA FOR NEGOTIATING A DISCOUNTED RATE**  
10   **FOR TRANSPORTATION SERVICE CHANGED SINCE NMGC’S LAST**  
11   **RATE CASE?**

12   **A.**   No.

13

14   **Q.   PLEASE DESCRIBE HOW NMGC AND THE CUSTOMER ARRIVE AT A**  
15   **DISCOUNTED TRANSPORTATION SERVICE RATE.**

16   **A.**   The parties negotiate the discounted transportation rate and terms of service at  
17           arm’s length, based upon their own knowledge and understanding of the situation.  
18           NMGC attempts to negotiate a rate as close to the tariff rate as possible, yet still  
19           prevent a bypass, retain the customer’s existing load, or increase volume  
20           throughput.

21

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **Q.   WHAT IS THE BENEFIT TO NMGC’S OTHER CUSTOMERS OF**  
2   **SECURING BUSINESS AT THESE DISCOUNTED RATES?**

3   **A.**   Customers to whom service is provided at discounted transportation rates make  
4   important contributions to fixed costs, which benefit other customers. Any revenue  
5   that is received from discounted transportation rate customers above the variable  
6   cost of providing the service helps to reduce the revenue requirement in a general  
7   rate case and, therefore, reduces the revenue that would otherwise be needed from  
8   other customers to cover the Company’s costs of providing service.

9  
10   Discounted transportation revenue contributes approximately \$3 million of revenue  
11   credits to NMGC’s customers in the Base Period.

12  
13   If NMGC did not enter into discounted transportation rate arrangements with some  
14   or all of these customers, these revenue contributions would be reduced or lost  
15   entirely. In such a situation, the Company’s revenue requirement would increase  
16   by the amount of the lost revenue from discounted transportation services. Thus,  
17   by retaining customers using discounted transportation rates, revenues collected  
18   from such customers benefit all customers in the form of lower rates.

19

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WERE DISCOUNTS PROVIDED TO ANY TRANSPORTATION**  
2 **CUSTOMER LOWER THAN THE SYSTEM AVERAGE VARIABLE**  
3 **COST?**

4 **A.** No.

5

6 **Q. HAS NMGC IMPLEMENTED ANY NEW DISCOUNTED RATES FOR**  
7 **TRANSPORTATION SERVICE SINCE ITS LAST RATE CASE?**

8 **A.** No.

9

10 **Q. HAVE ALL OF THE DISCOUNTED TRANSPORTATION RATES IN**  
11 **EFFECT AT THE TIME OF THIS FILING BEEN INCLUDED IN PRIOR**  
12 **GENERAL GAS UTILITY RATE CASES FOR REVIEW BY THIS**  
13 **COMMISSION?**

14 **A.** Yes, all of the discounted transportation rates currently in effect have been the  
15 subject of direct testimony and Commission review in prior NMGC rate cases. The  
16 Commission has never disallowed any of NMGC's discounted transportation rates.

17

18 **Q. ARE EACH OF THE DISCOUNTED TRANSPORTATION RATES IN**  
19 **EFFECT AT THE TIME OF THIS FILING JUST AND REASONABLE,**  
20 **AND DO THEY BENEFIT OTHER CUSTOMERS ON NMGC'S SYSTEM?**

21 **A.** Yes.



**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1                               **VI.   NMGC FOURTH REVISED RATE NO. 11**

2   **Q.   PLEASE DESCRIBE THE CHANGES CONTAINED IN NMGC’S**  
3           **PROPOSED FOURTH REVISED RATE NO. 11 COMPARED TO NMGC’S**  
4           **CURRENT THIRD REVISED RATE NO. 11.**

5   **A.**   NMGC is proposing that a tampering penalty be added in NMGC’s Fourth Revised  
6           Rate No. 11 – Miscellaneous Fees and Charges. The tampering penalty would be  
7           levied against any customer who utilized, accessed, replaced, or bypassed NMGC’s  
8           facilities in an unauthorized manner. NMGC believes that a tampering penalty will  
9           help discourage customers and their agents from tampering with NMGC’s meters.

10

11   **Q.   HOW DO NMGC CUSTOMERS TAMPER WITH METERS?**

12   **A.**   NMGC has experienced numerous tampering events by customers. Most often  
13           tampering activities consist of the following:

- 14           • turning on a meter without NMGC’s permission that was previously turned off;
- 15           • attempting to disable certain portions of a meter;
- 16           • stealing a meter;
- 17           • replacing a meter that was turned off with another meter; and
- 18           • bypassing a meter by tapping an NMGC-owned pipe and running a connector  
19           to a home or business.

20

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. HOW MANY TAMPERING EVENTS DOES NMGC GENERALLY**  
2 **EXPERIENCE?**

3 **A.** NMGC has experienced a significant number of meter tampering incidents each  
4 year. During NMGC's base year for this case, NMGC performed 555  
5 investigations related to possible meter tampering. Those investigations resulted in  
6 NMGC removing 306 meters for tampering.

7

8 **Q. IS THERE A SAFETY ASPECT RELATED TO THE PROPOSED**  
9 **TAMPERING PENALTY?**

10 **A.** Yes. It is extremely dangerous for anyone other than NMGC-authorized personnel  
11 to do anything with NMGC's meters, or to try and bypass NMGC's meters.  
12 Tampering can easily result in gas leaks, which can in turn cause significant risk to  
13 people's lives and property. The safety risk is not limited to the person that is  
14 responsible for the tampering, as gas leaks could injure neighbors or damage  
15 neighboring properties if the leaking gas is ignited. NMGC takes this safety risk  
16 very seriously and believes a tampering penalty will help decrease the number of  
17 tampering events in its service area.

18

19 **Q. WHAT AMOUNT IS NMGC PROPOSING FOR ITS TAMPERING**  
20 **PENALTY?**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1   **A.**    NMGC is proposing a tampering penalty in the amount of \$250 for the first offense  
2           and \$500 for each offense thereafter.

3

4   **Q.**    **IS NMGC PROPOSING OTHER PROVISIONS TO ITS PROPOSED**  
5           **TAMPERING PENALTY?**

6   **A.**    Yes. In addition to the tampering penalty, NMGC is proposing to charge anyone  
7           who has tampered with a meter the estimated gas usage at the applicable rate, any  
8           labor costs associated with investigating and remedying a tampering event, the  
9           actual cost for any materials or supplies used to remedy a tampering event, and the  
10          addition of a fixed overhead fee of 50% for the repair and replacement of Company  
11          equipment caused by the tampering of its facilities.

12

13 **Q.**    **DID NMGC INCLUDE OTHER PROVISIONS OR REQUIREMENTS**  
14          **REGARDING HOW THE COMPANY WILL ADDRESS THE**  
15          **RESTORATION OF SERVICE AFTER AN ASSESSMENT OF A**  
16          **TAMPERING PENALTY?**

17 **A.**    Yes. The Company is proposing that prior to the restoration of services, the  
18          customer be required to pay the Company for amounts charged related to the  
19          tampering penalty.

20

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. DO OTHER UTILITIES IN NEW MEXICO HAVE COMMISSION-**  
2 **AUTHORIZED TAMPERING PENALTIES?**

3 **A.** Yes. All of the other major investor owned utilities in New Mexico have  
4 Commission-authorized tampering penalties. Public Service Company of New  
5 Mexico (“PNM”) charges a \$200 tampering penalty; Southwestern Public Service  
6 Company (“SPS”) charges a \$200 (plus damages) tampering penalty; El Paso  
7 Electric Company (“EPE”) charges a \$325 tampering penalty; and Zia Natural Gas  
8 (“Zia”) charges a \$250 tampering penalty.

9  
10 Additionally, Rural Electric Cooperatives and Municipality-owned utilities also  
11 charge tampering penalties. For example, Jemez Electric Cooperative charges a  
12 \$500 tampering penalty; Lea County Electric charges a \$200 tampering penalty;  
13 Socorro Electric charges \$250 (first offense) and \$500 (all subsequent offenses)  
14 tampering penalties; and Central New Mexico Electric Cooperative charges a \$500  
15 tampering penalty.

16  
17 **Q. DO OTHER UTILITIES INCLUDE SIMILAR PROVISIONS ADDED BY**  
18 **THE COMPANY?**

19 **A.** Yes. PNM, SPS, EPE, and Zia have provisions related to the recovery of costs for  
20 consumption, labor, and materials for repairs to damaged company facilities. There  
21 is no mention in their respective tariffs as to how they manage the restoration of

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 service after a diversion/tampering penalty and other associated charges have been  
2 assessed.

3

4 **Q. HAS NMGC PREPARED A FOURTH REVISED RATE NO. 11 TO**  
5 **INCLUDE A TAMPERING PENALTY?**

6 **A.** Yes. Attached to my testimony as NMGC Exhibit TCB-14 is NMGC's proposed  
7 Fourth Revised Rate No. 11 with the tampering penalty included.

8

9 **Q. IS NMGC PROPOSING ANY OTHER CHANGES TO FOURTH REVISED**  
10 **RATE NO. 11?**

11 **A.** Yes. NMGC is also proposing a minor name change to its "Charge for returned check  
12 or bank draft" to "Return Payment Fee." This name change is a better representation of  
13 returned items

14

15 **VII. NMGC FIFTH REVISED NO. RATE 70**

16 **Q. WHAT IS NMGC PROPOSING IN ITS FIFTH REVISED RATE NO. 70?**

17 **A.** NMGC is seeking to adjust the fuel rate NMGC currently charges off-system  
18 transportation customers who utilize NMGC's system to deliver gas from the San  
19 Juan Basin area to the Rio Puerco Interconnection. Attached to my testimony as  
20 NMGC Exhibit TCB-15 is NMGC's proposed Fifth Revised Rate No. 70 –  
21 Transportation Services.

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1 **Q. WHAT IS THE CURRENT PROVISION IN NMGC RATE NO. 70**  
2 **RELATED TO FUEL FOR OFF-SYSTEM CUSTOMERS?**

3 **A.** The relevant portion of Rate No. 70 is in the section entitled “Other Conditions”,  
4 paragraph 7, which states as follows: “Transportation contracts that include off-  
5 system deliveries through the Company’s ”Trex” projects (Redondo and Espejo  
6 Compressors) will include an additional three percent (3%) amount to reflect the  
7 additional gas consumption through those facilities.”

8

9 **Q. DOES NMGC CHARGE 3% GAS FOR ANY OFF-SYSTEM DELIVERIES**  
10 **OF GAS ON OTHER PARTS OF NMGC’S SYSTEM?**

11 **A.** No. For all other parts of NMGC’s system, NMGC charges 1% for gas consumed.

12

13 **Q. WHAT IS THE “TREX” PROJECT?**

14 **A.** The “Trex” Project was comprised of two compressor stations installed along  
15 NMGC’s system, which were used in part to transport gas from the San Juan Basin  
16 to the Rio Puerco Interconnection. The two compressor stations are Redondo and  
17 Espejo.

18

19 **Q. WHY ARE OFF-SYSTEM DELIVERIES OF GAS TRANSPORTED**  
20 **THROUGH THE TREX PROJECT CHARGED AN ADDITIONAL 3% GAS**  
21 **CHARGE?**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1    **A.**    I understand that this provision was added to NMGC Rate 70 when PNM sold its  
2           gas gathering assets, and was carried over by NMGC when it purchased all of  
3           PNM’s remaining gas assets. I further understand that the additional 3% gas rate  
4           for off-system deliveries arose because at the time three compressor stations were  
5           necessary to compress the natural gas sufficiently to deliver it to interstate pipelines  
6           at the Rio Puerco interconnect. Thus, all off-system deliveries through the “Trex”  
7           projects are currently charged 4% gas (the 1% normally charged for off-system  
8           deliveries plus the 3% charged for the compressors on the “Trex” Project).

9

10   **Q.    DOES NMGC UTILIZE ADDITIONAL COMPRESSOR STATIONS TO**  
11       **COMPRESS NATURAL GAS TO DELIVER GAS TO THE RIO PUERCO**  
12       **INTERCONNECT?**

13   **A.**    Yes. NMGC also utilizes the Star Lake Compressor Station to deliver gas to the  
14       Rio Puerco Interconnect. The Star Lake Compressor Station was not originally  
15       listed as one of the facilities making up the “Trex” Project but has and continues to  
16       be used to deliver natural gas off-system.

17

18   **Q.    DOES NMGC STILL AUTOMATICALLY UTILIZE ALL THREE**  
19       **COMPRESSORS TO MAKE OFF-SYSTEM DELIVERIES FROM THE**  
20       **SAN JUAN BASIN THROUGH THE RIO PUERCO INTERCONNECT?**

**DIRECT TESTIMONY OF  
TOM C. BULLARD  
NMPRC CASE NO. 19-00317-UT**

1    **A.**    No. Often times NMGC only needs to run one of those compressors to make off-  
2            system deliveries from the San Juan Basin through the Rio Puerco Interconnect  
3            project, and rarely uses all three compressors to make an off-system delivery.

4  
5    **Q.    HOW DOES NMGC PROPOSE TO REVISE THIS PROVISION OF RATE**  
6            **NO. 70?**

7    **A.**    NMGC proposes a tiered fuel rate charge for off-system deliveries from the San  
8            Juan Basin through the Rio Puerco Interconnect. If no compression is necessary,  
9            NMGC will charge 1% gas consumed. If one compressor station is required,  
10           NMGC will charge 2% gas consumed. If two compressor stations are required,  
11           NMGC will charge 3% gas consumed. Finally, if all three compressor stations are  
12           necessary, NMGC will charge 4% gas consumed.

13

14                            **VIII. CONCLUSION**

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

16   **A.**    Yes.