Outlook

[EXTERNAL] 24-00266-UT Direct Testimony of Bradley T. Cebulko on Behalf of WRA

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Good afternoon,

Due to the large file size, please find the Redacted Direct Testimony of Bradley T. Cebulko on Behalf of Western Resource Advocates available for download at the following link:

WRA Public Direct Testimony of Bradley T. Cebulko

Thank you,

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC. **JOINT APPLICANTS**	**Case No. 24-00266-UT**

DIRECT TESTIMONY OF BRADLEY T. CEBULKO

ON BEHALF OF WESTERN RESOURCE ADVOCATES

April 18, 2025

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WESTERN RESOURCE ADVOCATES
DIRECT TESTIMONY OF BRADLEY T. CEBULKO

I. INTRODUCTION

Q. Please state your name, business address and position.

A. My name is Bradley Cebulko. My business address is 2900 E Broadway Blvd, Ste 100 #780 Tucson, AZ 85716. I am a Partner at Current Energy Group.

Q. Please summarize your professional experience and educational background.

A. I co-founded Current Energy Group ("CEG") in May 2024. CEG provides consumer advocates, public utility commissions, and public interest organizations technical, economic, and policy advisory services on electric and gas regulatory issues. At CEG, I work on a wide array of gas and electric issues including long-term planning, cost-of-service modeling, capital expenditure prudency, and new regulatory business models, amongst other issues. Prior to founding CEG, I briefly worked for my own sole proprietorship and, prior to that, was a Senior Manager at Strategen Consulting from 2021 to 2024. Before Strategen, I worked at the Washington Utilities and Transportation Commission ("UTC") for eight years. From 2013-2016, I was an analyst with the UTC Commission Staff focused on electric and natural gas integrated resource planning ("IRP"), electric and natural gas energy efficiency programs, and new program design and implementation. From 2016-2021, I was an advisor to the UTC Commissioners where I led or worked on the commissioners' review of general rate cases, rulemakings, and a proposed utility acquisition.

I have a master's in public administration from the University of Washington Evans School of Public Policy and Governance, and a Bachelor of Arts in Political Science from Colorado State University. My curriculum vitae is attached as Exhibit BTC-1.

Q. Have you previously testified before the New Mexico Public Regulation Commission ("Commission" or "PRC")?

A. No.

Q. Have you testified as an expert witness before other public utility commissions?

A. Yes. I have testified on a range of electric and gas issues before public utility commissions in Washington, Oregon, Arizona, North Dakota, Colorado, Illinois, Minnesota, Michigan, Ohio, Massachusetts, Maryland, Connecticut, and New Hampshire.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Western Resource Advocates.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to provide the Commission a recommendation on the Joint Application for the sale of New Mexico Gas Company ("NMGC") from Emera to Bernhard Capital Partners ("BCP").[1]

Q. Please summarize your recommendations to the Commission.

A. I recommend the Commission reject the Joint Application as not being in the public interest. The Joint Applicants have not demonstrated that the acquisition will result in net

[1] As shown in the Joint Application, the sale involves no fewer than 17 corporations, limited partnerships, and holding companies. However, to simplify the matter, I describe the sale of the New Mexico Gas Company as a transfer from Emera to BCP.

benefits to customers. Rather, should this acquisition be approved, customers will be at greater risk in the short- and long-term than they are today.

In the alternative, should the Commission consider approving the acquisition, I recommend the following:

1. Prior to approving the Joint Application, the Commission should require the Joint Applicants to file a non-consolidation opinion which concludes that the ring-fencing provisions are sufficient and that a bankruptcy court would not order the substantive consolidation of the assets, and liabilities of NMGC with those of Saturn Holdco, Saturn Utilities, BCP Infrastructure Funds or its affiliates or subsidiaries. In the event that the ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the Joint Applicants must 1. notify the Commission of their inability to obtain a non-consolidation opinion, and 2. propose additional ring-fencing provisions around NMGC as are sufficient to obtain a non-consolidation opinion.
2. Impose conditions that attempt to reduce the potential harm to ratepayers and the public interest as recommended in Section VII of my testimony.

II. SUMMARY OF THE TRANSACTION

Q. Please summarize the relationships of the Joint Applicants.

A. Emera, a publicly traded Canadian energy and services company that owns and invests in electric and gas utilities and services, through several holding companies, is currently the ultimate parent company of New Mexico Gas Company (NMGC).[2] Legally, NMGC is owned by New Mexico Gas Intermediate ("NMGI"), whose sole purpose is to own 100%

[2] Joint Application, pp. 2 – 4.

of NMGC's outstanding stock. NMGI, in turn, is 100% owned by TECO Energy, a holding company, which owns no other assets than NMGI. TECO Energy is owned by Emera U.S. Holdings ("EUSHI") and TECO Holdings. Emera wholly and directly owns EUSHI and indirectly owns TECO Holdings.

Emera is proposing to sell NMGC to newly created BCP Infrastructure Funds, which were created by Bernhard Capital Partners Management ("BCP Applicants") and will be managed by BCP Applicants going forward.[3] Legally, NMGC will be 100% owned by Saturn Holdco, which was created in August 2024 for the sole purpose of acquiring 100% of the equity interests of TECO Energy, and thus NMGI and NGMC. Saturn Holdco's sole member is Saturn Utilities, which is an indirect wholly owned subsidiary of the BCP Infrastructure Funds.

Q. Please describe the BCP Infrastructure Funds.

A. Should the Commission approve the application, the Joint Applicants stated that three Infrastructure Funds will be the parent entities of Saturn Holdco, which will in turn own NMGI, which will own NMGC. The three BCP Infrastructure Funds are BCP Infrastructure Fund II, BCP Infrastructure Fund II-A, and BCP Infrastructure Fund II GP. Joint Applicants witness Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC, and Senior Managing Director at BCP, testifies that BCP does not and will not directly or indirectly own NMGC.[4] Rather, BCP created a contractual right for itself to manage BCP Infrastructure Funds, which own Saturn HoldCo, which owns TECO Energy, which owns NMGI, which owns NMGC.

[3] Joint Application, pp. 2 – 4.
[4] Direct Testimony Jeffrey Baudier, p. 4, lines 11 – 18.

Q. What rulings are the Joint Applicants seeking from the Commission?

A. The Joint Applicants are seeking:[5]

1. Approval of the acquisition of TECO Energy, NMGI, and NMGC (collectively, the "NMGC Group") by Saturn Holdco;
2. Approval of the Transition Services Agreement ("TSA") whereby Emera and its affiliates will provide a variety of support services to the NMGC Group for 18 months after closing the Transaction;
3. Approval of the divestiture of the NMGC Group by Emera, EUSHI and TECO Holdings;
4. Approval of NMGC's Amended General Diversification Plan ("Amended GDP"); and
5. Any other approvals or authorizations necessary to consummate and implement the Transaction.

The Joint Applicants are seeking to close the transaction on September 30, 2025, or if feasible, in advance of the target date.[6]

Q. What is the price of the sale and how does BCP Management propose to fund the purchase of the sale?

A. The purchase price is $1.252 billion. The Joint Applicants testify that Saturn Holdco intends to fund the purchase using $448.9 million of equity from the BCP Infrastructure Funds, $250 million of private debt, which is non-recourse to NMGC, and to assume approximately $550 million of debt currently held by NMGC.[7]

[5] *Id.* at p. 8, lines 4 – 8.
[6] *Id.* at p. 5, lines 10 – 15.
[7] *Id.* at p. 22, lines 1 - 4.

Q. Will you please explain the $250 million in private debt?

A. Yes. The net book value of NMGC is approximately $1 billion.[8] The BCP Applicants,[9] through Saturn Holdco, propose to purchase NMGC for $1.252 billion. The difference, approximately $250 million, represents the premium, or goodwill, that BCP Applicants' would pay above the net book value to Emera for NMGC. The BCP Applicants testify that the $250 million in private debt to fund the premium is non-recourse to NMGC, which the Joint Applicants testify that BCP will not seek to directly recover those costs from ratepayers.[10] Later in this testimony, I will discuss why, although the Joint Applicants testify that the $250 million premium is non-recourse to NMGC customers, the BCP Applicants' will likely seek to recoup these costs indirectly from NMGC customers.

Q. Has the Commission identified a standard for approving acquisitions and consolidations?

A. New Mexico statute § 62-6-12 states that any sale of stock of a public utility or public utility holding company must seek approval from the Commission. New Mexico statute § 62-6-13 continues that the PRC shall approve proposed acquisitions and consolidations that require "unless the commission shall find that the proposed transaction is unlawful or is inconsistent with the public interest."

In its Certificate of Stipulation approving Emera's acquisition of NMGC in 2015, the Commission clarified that the test under § 62-6-13 is whether the public interest is

[8] *Id.* at p. 23, lines 1 – 4.
[9] The "BCP Applicants" consist of Saturn Utilities, LLC; Saturn Utilities Holdco, LLC; Saturn Utilities Aggregator, LP; Saturn Utilities Aggregator GP, LLC; Saturn Utilities Topco, LP; Saturn Utilities Topco GP, LLC; BCP Infrastructure Fund II, LP; BCP Infrastructure Fund II-A, LP; and BCP Infrastructure Fund II GP, LP.
[10] Direct Testimony of Jeffrey M. Baudier at p. 23, lines 1 – 4.

served by approving the proposed transaction, and that the proposed transaction results in positive benefits to customers.[11] In other words, the PRC uses a net benefits standard. Through a series of cases, the Commission has identified six factors it considers during acquisitions and consolidations. The six factors are:[12]

1. Whether the transaction provides benefits to utility customers;
2. Whether the NMPRC's jurisdiction will be preserved;
3. Whether quality of service will be diminished;
4. Whether the transaction will result in the improper subsidization of non-utility activities;
5. Careful verification of the qualifications and financial health of the new owner; and
6. Whether there are adequate protections against harm to customers.

In its approval of the Emera acquisition, the Commission also stated that it will consider conditions the PRC has attached to its past acquisition approvals.[13]

III. THE PROPOSED ACQUISITION IS NOT IN THE PUBLIC INTEREST BECAUSE IT FAILS TO SATISFY THREE OF THE SIX CONDITIONS

Q. You identified six factors that the Commission considers during an acquisition or consolidation. Does the proposed acquisition satisfy all six factors?

A. No. Based on my review of the record, I conclude that the acquisition fails to satisfy two, possibly three, of the six factors. Specifically, the acquisition:

1. Does not include adequate protections against harm to customers; and

[11] NMPRC Case No. 15-00327-UT, Certificate of Stipulation, at 30.
[12] *Id.* at 30 – 31.
[13] *Id.* at 32 – 33.

2. Does not provide positive, or net, benefits to customers

Further, I am concerned that the proposed sale did not include careful verification of the qualifications and financial health of the new owners.

IV. THE PROPOSED ACQUISITION DOES NOT SUFFICIENTLY PROTECT AGAINST HARM TO CUSTOMERS

Q. Please provide an overview of this section of your testimony

A. In this section of my testimony, I demonstrate that the proposed acquisition will increase the risk to customers of short- and long-term rate increases. I demonstrate that the BCP Applicants' interests are not aligned with NMGC customers' interests, which will likely lead to harm to the public interest.

Q. Please explain why the BCP Applicants'[14] interests are not aligned with customers' interests.

A. New Mexico law states that it is in the public interest, including the interest of consumers and the interest of investors, for the Commission to regulate public utilities to ensure services are available at fair, just and reasonable rates.[15] The Commission's role is to balance the interests and demands, which are often competing. To that end, it is helpful, where possible, to align the utility investors' incentives with those of the utility customers. Although full alignment may not be obtainable, the Commission should be cognizant of and work to mitigate instances in which investors' interests and ratepayers' interests are strongly misaligned.

[14] The "BCP Applicants" consist of Saturn Utilities, LLC; Saturn Utilities Holdco, LLC; Saturn Utilities Aggregator, LP; Saturn Utilities Aggregator GP, LLC; Saturn Utilities Topco, LP; Saturn Utilities Topco GP, LLC; BCP Infrastructure Fund II, LP; BCP Infrastructure Fund II-A, LP; and BCP Infrastructure Fund II GP, LP.

[15] NMSA 1978 § 62-3-1.

In this instant case, I am concerned that BCP Applicants' incentives are so misaligned with NMGC ratepayers that no set of conditions the Commission imposes upon the acquisition can rectify the probable harm to the public interest. While some misalignment between utility ownership and ratepayer interests may be inherent to monopoly regulation, in this instance, the misalignment is exaggerated by facts of this case for two principal reasons:

(1) The BCP Applicants' interest in NMGC is short-term while ratepayers' interests in NMGC are long-term, and

(2) The pressure on the BCP Applicants' to earn a return for its investors in a short-period of time after agreeing to pay a premium of $250 million over book value, is not financially rational unless the Company intends to achieve operational efficiencies from the acquisition, intends to grow its rate base, or increase its rate of return through a higher ROE or a change to its capital structure. The BCP Applicants do not have a plan to achieve operational efficiencies and therefore will likely try to expand rate base and earn a higher rate of return.

Q. What is BCP Applicants' commitment for holding NMGC?

A. The BCP Applicants testify that they will not sell their interest in NMGC for at least 5 years.[16]

[16] Direct Testimony of Jeffrey M. Baudier at 33: 9 – 10.

Q. Did the BCP Applicants identify a targeted exit date?

A. No. In a discovery response, the BCP Applicants stated that they do not have a targeted exit date.[17] However, it is reasonable to be concerned that the BCP Applicants' do not intend to hold the Company for more than a short-period of time.

Q. What leads you to believe that the BCP Applicants' do not intend to hold NMGC for the long-run?

A. Two reasons. First, the term of the BCP Infrastructure Funds is 12 years, with the option for three subsequent one-year extensions.[18] [redacted]

Second, the Commission can reasonably deduce the BCP Applicant's intentions through a comparison with its proposed investment condition as compared to the commitment Emera made in 2015. In its Certificate of Stipulation, Emera committed to holding NMGC for a minimum of 10 years. Should the Commission approve this

[17] Joint Applicants' ("JA") Response to WRA Interrogatory 2-1, attached as Exhibit BTC-2.
[18] JA Exhibit BR-12, (filed April 8, 2025).
[19] JA Exhibit BR-4 (confidential treatment pending).
[20] JA Confidential Response to WRA 3-1, attached as Exhibit BTC-3.

transaction, Emera will have held NMGC for just over its 10-year commitment. It is clear through a comparison of the commitments made by the BCP Applicants in this Joint Application to the commitments agreed to by Emera in 2015, that the BCP Applicants closely followed Emera's example. For example, in each case the parties agreed that NMGC will:

- Invest a minimum of the rolling (3) year average for depreciation and amortization on an average annual basis[21]
- Not move gas control operations outside of New Mexico without prior express Commission approval"[22]
- Participate in annual JD Power Residential Gas Utility Customer Satisfaction Surveys and provide the Commission with the results,[23] and
- "Maintain a post-closing equity ratio of at least fifty percent (50%) at NMGC until the final order in the next general rate case using a capital structure that includes equity and the par amount of long-term debt only. If the twelve (12) month average equity ratio falls below fifty percent (50%) for more than two (2) consecutive quarters, capital will be invested in NMGC to achieve the fifty percent (50%) equity ratio."[24]

In several instances, the BCP Applicants used the exact same language as the Emera agreement. Yet, with respect to the length of commitment the BCP Applicants will make to not sell their interest in NMGC, the BCP Applicants only proposed a 5-year commitment, while Emera agreed to a 10-year commitment. That the BCP Applicants'

[21] Joint Application at 11.
[22] Joint Application at 11.
[23] Joint Application at 12.
[24] Joint Application at 12.

reduced the commitment by half is a pertinent and a significant departure from Emera's commitment.

Q. Why is it problematic that the BCP Applicants are likely to only hold onto NMGC for a short period of time?

A. Utility service is capital intensive with long lives – the vast majority of NMGC's distribution pipelines have service lives greater than 50 years.[25] NMGC's transmission lines have estimated service lives that exceed 100 years.[26] This means that assets placed into service today most likely will not be paid off for many decades, far beyond when the BCP Applicants will have sold their stake in NMGC. Ratepayers are, for the most part, captive customers who expect that their service will remain reliable, safe, and affordable in perpetuity. Generally speaking, utilities and commissions set depreciation schedules for assets put into service with their useful lives, such that the customers who are using the system are paying for the system. NMGC ratepayers will be paying for the decisions that BCP makes over the next five to 15years into the year 2100 and beyond.

It is in the public interest for the utility and its customers to have similar long-term visions about the programs and investments that the utility makes. An ownership group with a short-term vision, like the BCP Applicants, can be problematic because their interests are not as well aligned with their customers. Because the BCP Applicants are paying a $250 million premium for NMGC, and they only intend to hold NMGC for a short period of time, the BCP Applicants' will feel pressure on NMGC to maximize its

[25] JA Response to WRA 4-16, attached as Exhibit BTC-4.
[26] *Id.*

rate of return ("ROR") and expand its rate base to earn comparable peer utility market rate returns.

Mergers and acquisitions also introduce uncertainty and, to some extent, instability. For the utility employees, changes in ownership can lead to organizational changes, layoffs, modifications to wages and benefits. For customers, a change in ownership can lead to changes in customer service and utility priorities. From a PUC administrative standpoint, a merger or acquisition takes a considerable amount of state, utility, and stakeholder resources (time and money) that are not being dedicated elsewhere. Regularly occurring ownership changes introduce uncertainty, instability, and the use of significant resources.

In summary, a short-term commitment is not aligned with customers' interests nor a more encompassing view of the public interest.

Q. The BCP Applicants state in the Joint Application that the $250 million premium is non-recourse, which means they will not seek to recover the costs from customers.[27] Please explain why this commitment does not sufficiently protect customers.

A. The premium the BCP Applicants have agreed to pay cannot be directly passed through to customers. However, the BCP Applicants, reasonably, expect to earn a return on their investment for their investors. The investors will likely expect, at a minimum, returns comparable with NMGC industry peers. Keep in mind that the BCP Applicants only intend to hold NMGC for at most 15 years,[28] and their initial starting point is a $250 million deficit. To earn a reasonable return – either through distributions to the parent

[27] Joint Application, at 12.
[28] JA Exhibit BR-12, (filed April 8, 2025).

company or through an increase in the value of the Company through a future sale - the BCP Applicants will need to do one of the following: reduce operational costs, increase its rate of return through a higher return on equity or gain a more favorable equity ratio, or expand rate base.

Q. Could the BCP Applicants realize synergy and operational benefits to reduce NMGC's costs to recoup some of the $250 million premium?

A. Perhaps, but the BCP Applicants are not claiming that they will achieve operational benefits and therefore the Commission should not expect that they will. The BCP Applicants "have not quantified any operational cost reductions or efficiencies that may be realized post-acquisition."[29] Consequently, we cannot make any positive assumptions that NMGC will become more efficient, while maintaining reasonable customer service and service quality, under new ownership.

Q. Is it concerning that the BCP Applicants have not identified operational benefit post-acquisition?

A. Yes. Typically, one of the principal customer benefits of a merger or acquisition is the potential for operational cost reductions or efficiencies. For example, two companies joining together may need only one accounting department, one customer service department, and one legal department. The BCP Applicants have not identified any potential benefits or savings to customers from increased operational efficiencies as a result of the acquisition.[30] In fact, the BCP Applicants are proposing to remove current shared services offered by TECO and Emera and create new positions in New Mexico for

[29] JA Response to WRA 2-10, attached as Exhibit BTC-5.
[30] *Id.*

Information Technology, Finance, and Human Resources.[31] One of the most common public interest benefits during a utility merger or acquisition is the likelihood of achieving operational efficiencies that reduce customer costs. To demonstrate benefit to customers, the acquiring entity typically offers a bill credit or some other renumeration to customers as a way to share the benefit of the increased operational efficiencies with customers. Here, the BCP Applicants neither project operational efficiencies nor offer bill credits to customers.

Q. Because the BCP Applicants do not plan to achieve operational efficiencies, the BCP Applicants are likely to either seek to accelerate the expansion of NMGC's rate base or seek to increase its authorized rate of return. Is it in interest ratepayers to increase NMGC's authorized rate of return?

A. Whether or not the authorized rate of return should be increased is fact-specific to the utility and present economic conditions. The capital structure and the authorized return on equity must be sufficient to attract capital and provide a fair return to investors, but no higher. I am not opining if the Company's current capital structure or return on equity is correctly calibrated. That said, I am unaware of any evidence that shows NMGC's return on equity has not been reasonably set by this Commission.[32] Nor have I seen any evidence that the current capital structure, as set by the Commission, is unreasonable. Without such a demonstration, increasing the authorized rate of return is an increase of costs to customers without any clear corresponding ratepayer benefit.

[31] Direct Testimony of Jeffrey M. Baudier at p. 24, lines 18 – 25:5.

[32] In fact, there is an argument that typical industry return on equity is currently set too high. *See* Ellis, Mark. "Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities from Overcharging the Public." American Economic Liberties Project. January 2025. Available at: https://www.economicliberties.us/wp-content/uploads/2025/01/20250102-aelp-ror-v5.pdf.

Q. Is it in the ratepayers' interests for the BCP Applicants to embark on accelerated investment of rate base?

A. It depends on the underlying reasons for the expansion. There are circumstances in which accelerating the expansion of rate base may be in the interests of customers, such as when there is a consistent notable increase in customer demand. However, I do not see those underlying conditions present here. My concern is that the BCP Applicants will force significant new investments in rates for the sake of expanding the rate base, rather than in response to customer needs. This is underlined by a NMGC presentation to prospective buyers that the Company presents "[c]ompelling line-of-sight growth driven by reliability-focused capex program that balances customer affordability."[33]

Q. Is the Company experiencing significant demand growth?

A. Not particularly, and the growth that is occurring comes from large customers whose demand is more at risk from changing economic and market conditions. From 2016 through 2024, the Company's non-weather adjusted demand grew on average 3.58% annually.[34] From 2020 through 2024, on a weather adjusted basis, demand grew at 1.67% annually. On initial pass, the Company's growth appears to be decent – although still significantly below the Company's annual growth in capital expenditures. However, upon closer examination, it is clear that the growth in demand is being driven by large industrial and commercial customers whose demand tends to be relatively more volatile and secure than residential and small commercial customers. Rate 70 Off-System Transportation customers' demand grew from 45 million therms annually in 2016 to 179

[33] JA Exhibit NEE 2-43(b), at 7, attached as Exhibit BTC-6.
[34] JA Exhibit WRA 4-13, attached as Exhibit BTC-7.

million therms annually in 2024, or an average annual growth of 18%.[35] There are fewer than two dozen Off-System Transportation customers. Large commercial or industrial facilities are typically more susceptible to economic and market conditions than the far more numerous residential customer class.

Residential customers make up 92% of the company's customer base and, according to the BCP Applicant-commissioned Black & Veatch report, approximately 73% of the company's gross margin as of 2023.[36] From 2016 to 2024, residential non-weather adjusted demand grew only 0.62%.[37] Moreover, since 2020, on a weather adjusted basis, residential demand has actually *decreased* by an average of 1.67% annually.[38]

The Joint Applicants agree that New Mexico is not a high-growth area, writing that population growth in New Mexico from 2010 to 2020 was 62% and 80% lower than the national average and neighboring state's growth over the same period.[39]

Q. Has NMGC's level of capital expenditure investment been consistent with its growth in demand?

A. No, NMGC's capital expenditure spending is growing significantly faster than customer demand. From 2016 to 2024, NMGC's annual capital expenditure spending grew at an average annual rate of 9.44%.[40] In other words, from 2016 to 2024, NMGC's rate of spending on capital expenditures was more than 2.5 times greater than its growth in system-wide, non-weather-adjusted demand. From 2020 to 2024, NMGC's rate of

[35] *Id.*
[36] JA Exhibit Staff 3-4 with Confidential Material Redacted, at 2:26 – 27, attached as Exhibit BTC-8.
[37] JA Exhibit WRA 2-13, attached as Exhibit BTC-9.
[38] JA Exhibit WRA 4-13, attached as Exhibit BTC-7.
[39] JA Response to NEE 2-45, attached as Exhibit BTC-10.
[40] Calculated using JA Response to WRA 2-23 & 2-24, attached as Exhibit BTC-11.

spending on capital expenditures grew more than 5 times faster than NMGC's system-wide, weather-adjusted growth in demand.[41]

Q. Why is it concerning for ratepayers that the rate of NMGC's capital expenditure spending has consistently outpaced growth in demand?

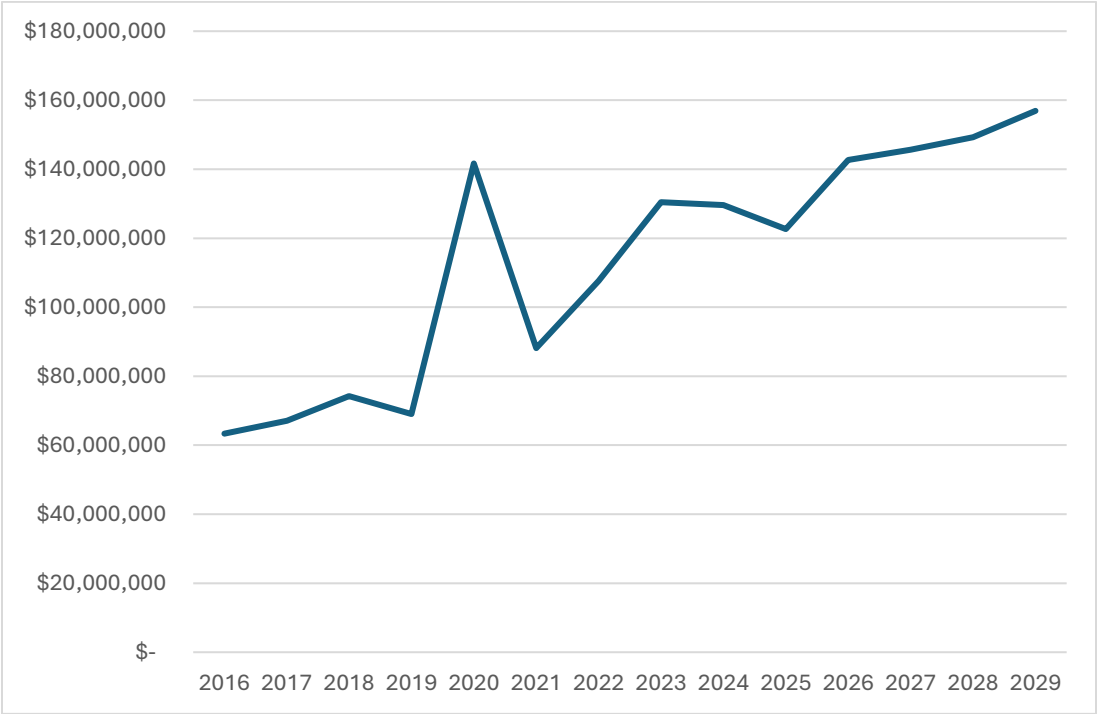
A. All else equal, when spending increases faster than demand, customer rates will increase. The growth mismatch is particularly problematic when customer demand is flat, and alarming when customer demand is declining. This is because the growing fixed costs of the system are spread over the same, or fewer, therms of gas.

Q. Is NMGC forecasting that capital expenditure growth will continue to outpace demand growth?

A. As part of its due diligence into NMGC, the BCP Applicants contracted with PA Consulting to conduct a Commercial Market Expert Report.[42] The report estimated overall total sales volumes to grow only at an average annual growth rate of 0.3%.[43] Meanwhile, the Company forecasts that annual capital expenditure spending will grow at more than 6% annually from 2025 through 2029.[44]

[41] 9.44% as compared to 1.67%.
[42] JA Exhibit NEE 2-43c, attached as Exhibit BTC-12.
[43] *Id.* at 62.
[44] Calculated using JA Response to WRA 2-23 & 2-24, attached as Exhibit BTC-11.

Figure 1: NMGC Historic and Forecasted Annual Capex Spending[45]



Q. You showed that the growth rate of capex spending has outpaced demand even before the Joint Applicants proposed this acquisition and the Company is continuing to forecast annual capital expenditure growth that far exceeds growth in demand. Why is this issue relevant to this case?

A. As I stated earlier, for this acquisition to make financial sense for the BCP Applicants, they need to wring out significant operational efficiencies from the utility, increase the rate of return, accelerate the expansion of rate base, or some combination of the three. As demonstrated, the BCP Applicants have not quantified potential operational efficiency savings. That leaves them only two options: increasing its authorized ROR and expanding its rate base to an even greater degree. Accelerating rate base growth is a particularly risky strategy given the uncertainty of the future. NMGC's demand from its

[45] JA Response to WRA 2-23 & 2-24, attached as Exhibit BTC-11.

existing customers is relatively flat. As WRA witness Michael Kenney discusses, the state has ambitious climate goals, and in order for the state to meet those goals, it will require some level of building electrification, which will further reduce demand for gas. NMGC's future, like the gas utility industry as a whole, is quite uncertain.[46] An aggressive capital investment plan to put into place new assets with service lives of 50 or more years, up to 100 years is highly risky for customers.

Q. Many utilities across the country are replacing their transmission and distribution systems to remove leak-prone-pipe, which has driven growth in gas utility capital expenditure spending since 2009. Does NMGC have significant amounts of leak prone pipe or a relatively leaky system?

A. No. NMGC's system is relatively new and not leaky. This is confirmed through a comparison of NMGC with 40 other investor-owned gas utilities of similar size to NMGC as well as a BCP-commissioned study. NMGC has a relatively small proportion of leak-prone pipe (de minimis bare steel main, 2% bare steel services).[47] The Company has a relatively low reported leak ratio per mile (all grades), at 0.05, compared with an average leak ratio of 0.31 for the 40 IOUs surveyed. The Company also has a hazardous leak ratio (grade 1) significantly below average, at 0.04, compared with an average hazardous leak ratio of 0.14. My findings were sourced using publicly available data from the Pipeline Hazardous Materials Safety Administration (PHMSA). My analysis was confirmed by a report conducted by Black & Veatch on behalf of the BCP Applicants during its due diligence into NMGC.[48]

[46] *See* "The Future of Gas Utilities Series: Transitioning Gas Utilities to a Decarbonized Future." Brattle. 2021. Available at: https://www.brattle.com/insights-events/publications/the-future-of-gas-utilities-series/.
[47] *See* Cebulko Workpapers Benchmark Analysis, attached as Exhibit BTC-13.
[48] JA Exhibit Staff 3-4, attached as Exhibit BTC-8.

Q. Please discuss Black & Veatch's findings on the state of NMGC's system.

A. The Black and Vetch report confirmed my findings that NMGC's system is relatively new and less leaky than its peers. Black & Veatch found:

- "The material composition of the distribution system is in line with industry standards. NMGC plans to eliminate all bare steel main and all PVC
- pipe by end of year 2024."
- "the average number of leaks and hazardous leaks per thousand mile of distribution mains and services are well below national average and has been gradually decreasing from 2015 to 2023."[49]
- "Leaks per 1,000 main miles is consistently declining from 2015 – 2023. Leaks per service line miles has been flat."[50]
- "Hazardous leaks per 1,000 miles is significantly below national average and has been steady since 2015."
- "…the number of corrosion and hazardous corrosion leaks per thousand miles of steel mains has remained steady and significantly lower than the national average between 2015 and 2023. Average leak backlog has dropped significantly since 2015 and also remains well below the national average. These favorable metrics indicate good operating condition of NMGC's distribution system."[51]
- "The lost and unaccounted for (LAUF) gas record for NMGC for [sic] since 2020 is well below the national average."[52]

[49] *Id.* at pp. 1-4.
[50] *Id.* at pp. 2-8.
[51] *Id.* at pp. 1-4.
[52] *Id.*

Q. Are you suggesting that NMGC does not need to continue investing in its system to maintain safety?

A. No. It is NMGC's responsibility to ensure that it is operating a safe and reliable system, which means making the necessary investments into repairing leaks. The utility must continue to make investments to maintain a safe and reliable system. My point is that the Company's system is relatively new, not particularly leaky, and there isn't a need to significantly increase the pace of investments in the system to replace existing pipe with a significant amount of undepreciated assets. NMGC is not similarly situated to other states that have significant amounts of leak-prone pipe in their systems that to be repaired, replaced, or decommissioned. Given that NMGC's system is relatively high performing, is forecasting relatively weak demand growth and is likely to experience headwinds associated with meeting state emissions reduction goals, NMGC should take a cautious approach to its capital expenditure plan.

Q. Turn back to the BCP Applicants' willingness to pay a $250 million premium for NMGC. Isn't it possible that the BCP Applicants would be willing to pay the premium even if they did not expect to achieve operational synergies, accelerate investment in rate base, or increase its rate of return?

A. Based on the record of this case, I don't believe so. It is possible a buying entity (private equity, another utility, etc.) that seeks stable and consistent returns and intends to hold NMGC for the long-term would be comfortable paying the premium and taking distributions consistent with NMGC's historic record. The buying entity would need to have a long-term investment strategy (i.e., decades) and sufficient confidence that customer demand for its product will continue more-or-less at current trends. However,

the BCP Applicants have a much shorter investment strategy of 5 to, at most, 12 or 15 years. The BCP Applicants have a limited amount of time to justify paying the premium and to earn a reasonable return for its investors.

Q. Can you summarize why you do not think the proposed acquisition does not sufficiently protect customers from harm?

A. Yes. Based on my review, the BCP Applicants have limited ability to increase system operating efficiencies, which leaves two options: accelerating investment in rate base and increasing their rate of return. My primary concern is that BCP has a strong incentive to overinvest in the Company's delivery system to increase the rate base both to extract greater profit, and to increase the value of the Company for a future sale. Overinvesting in the delivery system, particularly when demand is relatively flat, creates a high risk of increasing rates for NMGC's customers.

V. THE PROPOSED ACQUISITION DOES NOT PROVIDE NET BENEFITS TO CUSTOMERS

Q. What do the Joint Applicants testify are the purported benefits of the transaction?

A. The purported benefits of the transaction are minimal, especially as compared to the benefits and commitments made during previous acquisitions, most notably, Emera's takeover of NMGC 10 years ago. Moreover, the benefits identified by the Joint Applicants pale in comparison to the risks, and likely costs, ratepayers will experience as a result of the acquisition. In its application and testimonies, the Joint Applicants have identified four potential benefits.

1. BCP Management anticipates that the transaction will result in approximately 51 to 61 new jobs in New Mexico.
2. NMGC will evaluate opportunities for the development of and investment in renewable natural gas, certified low emission natural gas, and/or other lower-carbon energy sources including low-carbon hydrogen development, without seeking recovery from customers for the costs of those evaluations.
3. NMGC will contribute $5 million over a period of five years to economic development projects or programs in NMGC's service territory designed to attract new business and to retain and grow existing businesses, without seeking recovery from customers for the costs of those economic development projects or programs.
4. NMGC will make annual charitable contributions of cash or in-kind donations valued at a minimum of $500,000 for five years to qualified, tax-exempt organizations that are engaged in the development and improvement of communities and citizens in NMGC's service territory. NMGC will not seek recovery from customers of those contributions or in-kind donations.

The Joint Applicants also testify that NMGC will maintain or strengthen more than two dozen commitments related to customer benefits and protections.[53]

[53] Joint Application, pp. 11 - 12

Q. Let's examine each of the four specific benefits in turn. Do you have any concerns that the transaction may not result in approximately 51 to 61 new jobs in New Mexico?

A. Yes. The Joint Applicants do not make any specific commitment to a certain number of new jobs, and thus the Commission should assign no weight to the Joint Applicants' assertion of a benefit to ratepayers. The Joint Applicants testify that they "anticipate that the Transaction will result in adding approximately 51 to 61 new jobs in New Mexico as support services currently performed for NMGC by Emera and its affiliates out-of-state are moved to New Mexico."[54] The Joint Applicants have not committed to a minimum number of jobs added in New Mexico. None of the jobs are guaranteed.[55] As such, the purported economic benefits of the acquisition are, currently, illusory. Should the Commission approve the acquisition, NMGC could choose not to hire any employees and still remain in compliance with their commitment. The Joint Applicant's commitment stands in contrast to the commitments to maintain a certain level of workforce made by Emera in its acquisition of NMGC in 2015.

Q. What employment commitments did Emera make in its acquisition in 2015?

A. In its 2015 acquisition filing, Emera committed that "there will be no diminution in current levels of quality of customer service or system reliability for as long as Emera, or an affiliated entity, owns NMGC."[56] To ensure that commitment is met, Emera agreed that NMGC would maintain 675 full-time positions in New Mexico for three years after the acquisition, and thereafter would not drop below 675 employees without express prior

[54] Joint Application, at 10.
[55] JA Response to Exhibit WRA 1-7, attached as Exhibit BTC-14.
[56] NMPRC Case No. 15-00327-UT, Certification of Stipulation, at 17.

NMPRC approval.[57] If its workforce dropped below 675 positions for more than three consecutive months, Emera pledged to inform parties and use its best effort to restore the workforce. Finally, Emera pledged not to eliminate any "customer facing" positions for three years after closing except through attrition, voluntary severance, or for cause.[58]

It is notable that the Joint Applicants in this instant case, who reviewed the commitments made by Emera in the prior proceedings, did not make a firm commitment to a specific number of new hires, maintain a certain number of employees, maintain customer facing positions, or agree to make filings before the PRC if the number of employees dropped below a certain threshold.

Q. The Joint Applicants committed to evaluating opportunities for the development of and investment in renewable natural gas ("RNG"), certified low emission natural gas, and/or other lower-carbon energy sources including low-carbon hydrogen development, without seeking recovery from customers for the costs of those evaluations. What is your response?

A. A reasonably managed utility should be regularly analyzing its economic, political, and regulatory landscape to assess opportunities for, and risks to its customers and business. The state has set ambitious emissions reduction goals and I would expect that the utility would examine the potential role of supply-side alternatives, namely RNG and hydrogen. WRA witness Michael Kenney discusses the limitations of these resources in greater detail. In any case, the idea of examining market opportunities is not a benefit to customers but rather an expectation of a reasonably managed utility.

[57] *Id.*
[58] *Id.* at 18.

I appreciate that the Joint Applicants stated that they will not seek cost recovery of these evaluations. However, the commitment is vague and void of details, and it is not clear which costs the Joint Applicants are referencing nor the value of the "evaluations." I conclude that the Commission should not assign any benefit from this commitment.

Q. What is your response to the Joint Applicant's commitment that NMGC will contribute $5 million over a period of five years to economic development projects or programs in NMGC's service territory designed to attract new business and to retain and grow existing businesses, without seeking recovery from customers for the costs of those economic development projects or programs.

A. I appreciate that the BCP Applicants have stated their intention to contribute to economic development in the state. Unfortunately, the BCP Applicants' commitment is vague, lacks detail, and is therefore impossible to determine the benefit to customers with attracting new businesses or "retain and grow." For example, what does it mean to "retain" an existing business and how will NMGC determine if that business would have departed if not but for their "economic project?" Does NMGC intend to use ratepayer money, in addition to shareholder money, on expenditures to attract new businesses or retain/grow existing businesses? If yes, how will they demonstrate that the use of ratepayer money is in the public interest? If no, how will the Company ensure that other customers do not indirectly pay for the incentives to attract, grow, or retain the businesses? What types of businesses does NMGC intend to attract or retain? Are there stranded assets risks associated with attracting new businesses and building out the system to meet their demand? Again, I urge the Commission to assign no benefit to this commitment.

Q. Finally, NMGC committed to making annual charitable contributions of cash or in-kind donations valued at a minimum of $500,000 for five years to qualified, tax-exempt organizations that are engaged in the development and improvement of communities and citizens in NMGC's service territory. NMGC agrees that it will not seek recovery from customers of those contributions or in-kind donations. What is your response?

A. BCP's commitment for NMGC to contribute $500,000 per year cash or in-kind is actually lower than NMGC shareholders have been contributing since at least 2014. According to NMGC, from 2014 to 2015, NMGC shareholders contributed approximately $500,000 per year in cash.[59] Shareholder contributions increased from 2017 – 2020, to $800,000 - $900,000 per year. Since 2021, shareholder cash contributions have averaged approximately $530,000 per year.[60] BCP, on the other hand, is proposing to reduce shareholder contributions to $500,000 per year, set a limit of contributions for only five years, and an indeterminate amount of that value could come from "in-kind" contributions, which are not defined. The Commission should view BCP's commitment not as a net positive but as a net negative to customers.

Q. Did the BCP Applicants conduct an analysis that compares the costs and benefits of the transaction on behalf of the customers?

A. No, they did not.[61]

[59] JA Response to WRA 5-4, attached as Exhibit BTC-15.
[60] *Id.*
[61] JA Response to NMDOJ 3-4, attached as Exhibit BTC-16.

Q. The Joint Applicants stated that they will maintain or strengthen more than two dozen commitments related to customer benefits and protections. What is your response?

A. I characterize these as "no harm" commitments rather than creating new, positive benefits for customers. For example, the BCP applicants agree that NMPRC will retain jurisdiction over NMGC and will not be diminished or adversely affected in any manner as a result of the Transaction.[62] I agree that it is important for the BCP Applicants to affirm the NMPRC's jurisdiction in writing. I would not, however, consider the BCP Applicants' acceptance of the Commission's authority to be a benefit to customers.

Q. Are there any other specific commitments made by the Joint Applicants that you wish to address?

A. Yes. The Joint Applicants testify that NMGC will not seek a regulatory equity ratio in its next base rate proceeding in excess of fifty-four percent (54%). I would not consider the Company's declaration to be a benefit to ratepayers.

Q. Why do you not consider this commitment to be a benefit for ratepayers?

A. A capital structure with a 54% equity ratio would be outside industry norms and this Commission's recent actions. Despite initially requesting equity ratios of 53% or higher in the past four general rate cases, the Company has agreed to in Stipulation, and the Commission has approved, NMGC's capital structure at 52% equity and 48% debt.[63] Furthermore, a 54% equity ratio would be significantly higher than peer gas utility's

[62] Joint Application, at 16.
[63] NMPRC Case 23-00255-UT, Final Order; NMPRC Case No. 21-00267-UT, Order Adopting and Approving Certification of Stipulation; -NMPRC Case No. 19-00317-UT, Certification of Stipulation; NMPRC Case No. 18-00038-UT, Phase 1 Certification of Stipulation.

equity ratio over the last 5 years. In my review of 165 gas utility rate cases from 42 states since 2021, the average common equity ratio is 51.7%, more than 2% below the BCP's theoretical limit.[64]

In other words, BCP's commitment offers no real benefit to ratepayers because it is based on an equity ratio that is unlikely to be approved and is higher than industry norms.

Q. NMGC commits to investing a minimum of the rolling three-year average for depreciation and amortization expense on an average annual basis in the NMGC system to ensure reliability and safety until the NMGC's next general rate case.[65] Do you agree that this constitutes a reasonable commitment or benefit to customers?

A. No. I find this commitment underwhelming for two reasons. First, the benchmark – a rolling three-year average for depreciation and amortization expense – has no basis in the utility's future capital needs. The Company's plan for future capital expenditure should be based on the system needs and not historic spending. The BCP Applicants made this commitment because it was the exact same commitment Emera made in its 2015 acquisition case.[66] The BCP Applicants' did not consider any other metric.[67] I cannot speak to the reasonableness of Emera's commitment to the Commission in 2015. That said, I am concerned that the BCP Applicants did not assess the needs of the utility, nor its current planning environment, when it made a commitment as meaningful as a certain level of capital investment in a gas utility.

[64] *See* Cebulko Workpapers S&P ROE and COC, attached as Exhibit BTC-17.
[65] Joint Application, p. 11.
[66] JA Response to Staff 3-1, attached as Exhibit BTC-18.
[67] *Id.*

My sense is that, implicit in this commitment, is an assurance from the BCP Applicants to the Commission that it does not intend to acquire NMGC then starve the utility of the capital it needs to maintain a safe and reliable system. If that is their intention, I believe it would be better captured if the BCP Applicants' and NMGC would make specific commitments to a certain level of service quality and reliability. For example, NMGC could propose metrics regarding average number of leaks and hazardous leaks per thousand miles of distribution mains and services, number of corrosion and hazardous corrosion leaks per thousand miles of steel mains, and average leak backlog, along with penalties for missing the targets. By establishing performance metrics that measure desired outcomes, rather than spending targets, the BCP Applicants and NMGC would make a commitment to customers on achieving certain hold harmless or positive outcomes. And, as I already addressed, my greater concern is not that the BCP Applicants intends to underinvest in NMGC but rather will overinvest in the Company's delivery system to increase the rate base both to extract greater profit, and to increase the value of the Company for a future sale.

Q. The BCP Applicants copied many of the benefits and commitments made by Emera in 2015 in this case. Looking holistically at the 2015 Certification of Stipulation agreed to by Emera, and the commitments made by the BCP Applicants in this instant case, what conclusions can you make?

A. Although the BCP Applicants made many of the same, or substantively the same, commitments as Emera, the BCP Applicants modified several important commitments and omitted several key benefits. Emera's complete list of commitments and benefits to customers was more comprehensive. For example, Emera agreed:

1. Not to sell its interest in NMGI or in NMGC for at least ten years after closing of the transaction approved in the TECO Acquisition Case,
2. To share the proposed cost savings resulting from that transaction in the form of bill credit totaling $4 million per year for three years,
3. Not to seek an increase in base rates that would be effective before December 31, 2017, and use a historic test year in its next rate case for which a final order is issued,
4. No diminution in current levels of quality of customer service or system reliability for as long as Emera, or an affiliated entity, owns NMGC,
5. Maintaining wages, benefits, and other terms and conditions of employment for NMGC employees that are at least substantially comparable to those currently existing for NMGC employees,
6. Report to the NMPRC, on a quarterly basis for three years after closing of the Proposed Transaction, the number of NMGC position reductions, by function,
7. Increase NMGC's commitment to community charitable contributions and enterprises engaged in economic development and business development in New Mexico to $800,000 annually for three years from the closing of the Proposed Transaction. NMGC agrees that none of this $800,000 will be recoverable in rates,
8. Not to invest in businesses not engaged solely in the provision of utility service, and

9. Maintaining 675 full-time positions in New Mexico for three years after the closing of the Proposed Transaction and thereafter will not drop below this level without express prior NMPRC approval.

Q. Let's examine several of the commitments that you have not already addressed. The BCP Applicants did not propose a bill credit for customers. Please discuss why it is important that Emera committed to bill credits for ratepayers.

A. In testimony supporting its application, Emera testified that the purpose of the bill credits was to provide "immediate reductions in customer bills to share savings attributable to labor efficiency resulting from the TECO Acquisition."[68] Based on my review of acquisitions in New Mexico and elsewhere, it is common for the acquiring entity to provide rate credits back to customers. Ratepayers, whose rates provide the revenue for making capital and operational expenditures, should financially share in the benefits BCP Applicants argues that the acquisition will create. One common practice for sharing the benefit is through a bill credit or through a rate freeze. The BCP Applicants neither propose a bill credit or a rate freeze.

Q. Emera committed not to seek an increase in base rates until December 31, 2017 – approximately 18 months after the Commission approved the acquisition. Emera also agreed to use an historic test year in its subsequent rate case. Was the value of these commitments quantified?

A. Yes, to an extent. In the Certification of Stipulation, the Commission noted that the value of using an historic test year rather than a future test year was estimated to be in the range

[68] NMPRC Case No. 15-00327-UT, Nancy Tower Direct, JA Exhibit NT-3, p. 11.

of between $3 and $5 million.[69] It appears that the use of a historic test year was important to Commission Staff who believed its use would be less speculative than a future test year case. The parties did not appear to have estimated the value of Emera and NMGC committing to not seeking a rate increase for 18 months after the conclusion of the proceeding.

Q. Did the BCP Applicants make a similar commitment to freeze rates for a period of time after the acquisition, or to use a historic test year in its next rate case?

A. No, they did not. NMGC has the opportunity to determine when it will come in for a rate case, and how it will present its case, so the BCP Applicants could make this commitment. The BCP Applicants chose not to.

Q. Please discuss the relevance of Emera's commitment that there would be no diminution in current levels of quality of customer service or system reliability for as long as Emera, or an affiliated entity, owns NMGC.

A. In my experience, it is common for public utility commissions to impose customer service and reliability standards to guard against the new ownership from reducing operational, and to a lesser extent capital, costs to increase shareholder profits. Emera agreed that there would be no diminution in the current levels of quality of customer service or system reliability. To effectuate this commitment, Emera agreed to maintain a certain number of full-time positions.

While I appreciate Emera's recognition that the number of employees is likely correlated with positive customer service and reliability, I have a preference for measuring customer service and reliability outcomes, rather than utility inputs. That said,

[69] NMPRC Case No. 15-00327-UT, Certification of Stipulation, p. 38.

Emera's commitment that "there would be no diminution in current levels of quality of customer service or system reliability" is a meaningful statement that the Commission can reference when assessing NMGC's performance.

The BCP Applicants, unfortunately, did not make a similar commitment. Like Emera, BCP Management proposed to continue filing the customer service reports. Committing to filing already required reports, however, is a no harm commitment rather than an additional benefit.

Q. Emera agreed to provide $800,000 per year, for three years, to community charitable contributions and enterprises engaged in economic development and business development. How does Emera's commitment compare to BCP Management's commitment to provide $500,000 in cash or in-kind donations per year for five years?

A. Emera's commitment over the three-year period, beginning in 2016, was $2.4 million in cash. BCP Applicants' commitment is $2.5 million in cash or in-kind contributions. It is not clear what BCP Management intends by "in-kind contributions" nor what percentage of the $2.5 million will be cash and what will be considered "in-kind." The BCP Applicants have not committed to specifying the amount that will cash as opposed to "in-kind."[70] In my experience, most charitable organizations would prefer cash rather than "in-kind contributions" because cash gives them more flexibility. It is also worth mentioning that the BCP Applicant's commitment is only $100,000 greater than Emera's, the latter of which was made eight years ago. Since 2016, there has been significant

[70] JA Response to WRA 4-19, attached as Exhibit BTC-19.

inflation, which means the BCP Applicants' total cash and in-kind commitment is worth slightly less than Emera's cash commitment was at the time.[71]

VI. IT IS NOT CLEAR THAT THE BCP APPLICANTS HAVE SUFFICIENT QUALIFICATIONS AND FINANCIAL HEALTH TO SATISFY THE COMMISSION'S CONDITION

Q. Do the BCP Applicants have a demonstrated record of owning regulated natural gas utilities?

A. No. BCP does not currently manage any regulated natural gas or electric utilities. While BCP is acquiring two gas utilities in Louisiana and Mississippi, BCP has only just recently closed on one of acquisitions.[72] BCP has owned and managed a regulated water utility with operations in North Carolina and Indiana since 2021. However, Clear Current is a small utility with about 2,000 customers across the two states. The differences between managing 2,000 customer water company and a 500,000-customer natural gas utility are enormous. Neither intervenors nor the PRC have observable data on how BCP manages regulated gas utilities through even one general rate case, much less through an entire investment life cycle, from acquisition through its subsequent sale. This is a significant uncertainty and risk for customers and the state.

I am also concerned that BCP does not have a sufficiently robust team with experience managing regulated gas utilities. Although it appears that one BCP

[71] Calculated using Federal Reserve Bank of Minneapolis Inflation Calculation. *See* https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator.
[72] https://www.bernhardcapital.com/portfolio-items/delta-utilities/

individual[73] has significant experience managing an electric utility and working in the energy regulatory space, the BCP Applicants have not put forth any evidence that there is sufficient depth of expertise in energy regulation within BCP. There is a risk to NMGC and its ratepayers, should the one experienced person leave BCP, while its Infrastructure Funds continue to own NMGC and BCP provides management. Moreover, this individual has a finite amount of time and undoubtedly will have other responsibilities managing the other Infrastructure Fund companies. Of course, NMGC and not BCP will be managing the day-to-day affairs of the gas utility. However, it is important for the parent companies of NMGC to have experienced persons who understand regulated utilities.

NMGC's current parent company Emera, on the other hand, owns and operates seven regulated utilities, which make up all but one of Emera's portfolio of companies. Emera has deep familiarity with operating regulated energy utilities and a depth of experience to draw upon.

Q. Is there a risk to ratepayers due to the types of businesses BCP invests in outside of the regulated utility space?

A. Yes. BCP is a private equity firm that invests in companies in several sectors of the economy, many of which are less financially secure industries than regulated utilities. The BCP Infrastructure Funds may house companies other than regulated utilities. This exposes captive ratepayers to another layer of risk.

Q. The BCP Applicants' have made several ring-fencing commitments, such as operating NMGC as a standalone LDC.[74] What other steps has BCP taken to ring-

[73] Witness Jeffrey M. Baudier
[74] Direct testimony of Jeffrey. M Baudier, beginning on page 37.

fence NMGC from the parent companies that would prevent recourse to NMGC for any debt by BCP Infrastructure Funds and Saturn Companies?[75]

A. The BCP Applicants testify that BCP has taken several steps to insulate NMGC, such as imposing multiple steps of corporate separation from the Saturn companies, and asserting that Saturn Utilities will not engage in any business except for serving as the sole member of Saturn Holdco.[76] The witness testifies that this structure ensures that, in the event of a default by an upstream parent entity, the only asset of the defaulting entity would be its immediate subsidiary and that NMGC would have multiple levels of remoteness from any defaulting entity.[77] Witness Baudier notes that the Joint Application stated that NMGC will seek Commission approval for loans or transfers of assets to affiliated interests, and maintain separate books and records from NMGC's affiliates. BCP makes several other commitments related to the timing of dividends payments which appear to be similar to the commitments made by Emera in its acquisition.[78]

Q. When it acquired NMGC, Emera committed that NMGC would not invest in businesses not engaged solely in the provision of utility service. Did BCP Management make this commitment as well?

A. No. Emera's commitment is more restrictive and reduces ratepayer exposure to investments relative to the BCP Applicants' commitment. Emera's commitment is clear – NMGC would only invest in businesses providing utility services, which are likely to be regulated.[79] BCP Management, on the other hand, only proposes that NMGC will not

[75] Supplemental Testimony and Exhibits of Jeffrey M. Baudier in Response to February 19, 2025 Hearing Examiners' Bench Request, p. 14.
[76] *Id.*
[77] *Id.*
[78] Joint Application at 13 – 15.
[79] NMPRC Case No. 15-00327-UT, Certification of Stipulation, at 13.

invest in businesses that do not have a "significant relationship to regulated services NMGC provides."[80] It is not at all clear what the BCP Applicants mean by "significant relationship to regulated services NMGC provides." Under a plain reading of the BCP Applicants' commitment, they could still use NMGC to invest in adjacent industries to utility services, some of which may be unregulated, and are likelier to be riskier than NMGC's regulated service.

Q. Do you agree that the BCP Applicants have sufficiently ring-fenced NMGC to avoid potential recourse to NMGC should any parent company, or affiliated companies, default?

A. I do not know for certain. I'd recommend that the Commission require the Joint Applicants to file a non-consolidation opinion as soon as possible, which concludes that the ring-fencing provisions are sufficient and that a bankruptcy court would not order the substantive consolidation of the assets, and liabilities of NMGC with those of Saturn Holdco, Saturn Utilities, BCP Infrastructures or its affiliates or subsidiaries. In the event that the ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the Joint Applicants must 1. Notify the Commission of their inability to obtain a non-consolidation opinion, and 2. Propose additional ring-fencing provisions around NMGC as are sufficient to obtain a non-consolidation opinion.

[80] Joint Application at 15.

Q. BCP Infrastructure Funds, not BCP Management, will own NMGC. Does BCP Management have equity commitments for the BCP Infrastructure Funds from its investors?

A. No, it appears they do not. In response to the Bench Request 16(H), the Joint Applicants testify that the entities who provided the preliminary equity commitment will not be participating in the acquisition of NMGC, but rather their commitments will be replaced by equity commitments from BCP Infrastructure Fund investors. The BCP Applicants witness Baudier testifies that "[t]he BCP Infrastructure Funds did not yet contain the capital necessary to complete the acquisition of NMGC" at the time the Joint Applicants submitted their acquisition filing to the Commission.[81] The witness continues that he remains confident that the BCP Infrastructure Funds will meet the capital requirements to close the purchase, but in the event it does not, other BCP Infrastructure Funds can satisfy the requirement. The witness closes that once the Infrastructure Funds are "of such a size they can fully satisfy the equity commitments reflected in the Equity Commitment Letters, the current participants in the Equity Commitment Letters will assign the Equity Commitment Letters to the BCP Infrastructure Funds."

On April 8, 2025, nearly 7 weeks after the Commission first asked the Joint Applicants to identify the names of general limited partners, or members of the BCP Infrastructure Funds, the BCP Applicants filed supplemental testimony identifying several limited partners.[82] Confidential Exhibit BR-5 names several limited partners,

[81] Second Supplemental Testimony of Jeffrey M. Baudier in Response to March 24, 2025 Hearing Examiners' Bench Request, p. 5, lines 5-6.
[82] Supplemental Testimony and Exhibits of Jeffrey M. Baudier in Response to April 11, 2025 Bench Request, at 2.

however, the response does not provide other relevant information, such as each entity's overall commitment. The status of each limited partner's commitment is also not clear.

Q. Is it concerning the BCP Applicants have not provided a clear demonstration that they have sufficient financial commitments from investors to fund the acquisition at this time?

A. Yes, it is startling that the BCP Applicants did not line up investors for its acquisition of NMGC prior to submitting its application. Furthermore, it is worrisome that Emera entered into an agreement with the BCP Applicants without confirmation that BCP had lined up its investors. The Joint Applicants are exposing customers – and the state – to unnecessary risk.

Q. What are the risks to customers and the state that the BCP Applicants have not identified and secured investors for BCP Infrastructure Funds, the parent company of NMGC, prior to submitting its application for approval before the Commission?

A. There are at least two risks. First, there is a potential that BCP may need to turn to debt financing or investors that expect higher returns rather than investors who are seeking the lower risk investments of a regulated utility. From the public interest perspective, NMGC investors would hold the Company for the long-run and expect a return on its equity that is in line with the regulated natural gas utility sector as a whole. As I earlier mentioned, the BCP Applicants have not committed to holding NMGC for the long-run.

Second, it should go without saying, but it is in the public interest of the Commission, stakeholders, and the public to know who is purchasing their regulated utility prior to an application submitted to the Commission. There could be hidden risks

associated with certain buyers or potential conflicts of interest, and these issues should reasonably be expected to be vetted during an acquisition process.

Q. Are you concerned about the relative size of BCP to NMGC and its ability to access capital reserves?

A. Yes. Emera is a large, publicly traded company that owns 6 regulated utilities in addition to NMGC. It has a market capitalization of approximately $12.6 billion. Emera had an operating cash flow of $2.3 billion in 2023.[83] Emera is a publicly traded company and can issue equity and debt to raise capital. Emera has both the experience managing regulated utilities and the known access to capital to weather unexpected financial challenges that require capital infusions.

On the other hand, we know much less about BCP Infrastructure Funds, which would be the ultimate parent company of NMGC. At the time of this filing, BCP had not yet even identified all of its investors. BCP Infrastructure Funds were formed less than 12 months ago and do not yet have balance sheets, income statements, cash flow statements, debt-to-equity ratios, or short- or long-term debt obligations or any of the other relevant information a lender would consider in its determination.[84] BCP should have presented a clear record in its application to the Commission that it has sufficient capital and investor backing to demonstrate long-term financial stability.

[83] https://investors.emera.com/news/news-details/2024/Emera-Reports-2023-Fourth-Quarter-and-Annual-Financial-Results/

[84] Supplemental Testimony and Exhibits of Jeffrey M. Baudier in Response to February 19, 2025 Hearing Examiners' Bench Request, p. 13, lines 5 – 8.

Q. What criteria did Emera consider when reviewing applicants to acquire NMGC?

A. According to the Company, it considered 13 criteria which were related to reviewing the potential buyers' proposals as well as operating and ownership experience.[85] However, based on NMGC's Project Saturn Round 1 Bid Summary, Emera's initial screening appears to have focused entirely on the interested buyer's purchase price, financial and administrative capacity, and timing of the acquisition.[86] Based on the Bid Summary and associated documents, it appears that Emera began earnest discussions with BCP after it submitted a revised bid that set the enterprise value at $1.252 billion, which met Emera's threshold value.[87]

Q. Did Emera consider customers' interest in its initial screening?

A. No. It does not appear that Emera considered potential buyer's operating and ownership experience, particularly as it related to the customer experience, until after BCP sent its revised bid. I find it concerning that Emera did not consider customers' interests at all in its initial screening.

Q. Why is it concerning that Emera did not consider customer interest in initial potential buyer screening?

A. Customers do not choose their gas service provider. They are, for the most part, captive. The state empowers the NMPRC to regulate in the public interest, which means that they must consider the interests of both customers and the shareholders when it makes decisions. To that end, the Commission should be considering the alignment of the shareholders' interests with that of the customers. In its initial screening, Emera appears

[85] JA response to WRA 5-5, attached as Exhibit BTC-20.
[86] JA Exhibit NMDOJ 1-37 (Revised) with Confidential Material Redacted, attached as Exhibit BTC-21.
[87] *Id.*

to have only considered the purchase price a buyer was willing to pay, and if the buyer had sufficient resources to follow through on that price. It does not appear that Emera considered if a buyer had a demonstrated record of providing high quality customer service, reliability, and affordable rates. Emera put its own shareholders' interests ahead of NMGC customers to such an extent that it did appear to identify customers' interests as initial selection criteria.

VII. RECOMMENDATIONS AND CONDITIONS

Q. What is your primary recommendation to the Commission?

A. For the reasons discussed in my testimony, I recommend that the Commission reject the proposed acquisition. As I have demonstrated, the Joint Applicants have not demonstrated that the acquisition will result in net benefits to customers. Rather, should this acquisition be approved, customers will be at greater risk in the short- and long-term than they are today.

Q. If the Commission were to consider approving this acquisition, are there conditions that you would recommend?

A. Yes. First, I recommend the Commission order the BCP Applicants to immediately file a non-consolidation opinion with the Commission which concludes that the proposed ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of NMGC with those of Saturn Holdco, Saturn Utilities, BCP Infrastructures or its affiliates or subsidiaries. If the ring-fencing provisions are insufficient to obtain a non-consolidation opinion, Saturn Utilities and NMGC must propose additional ring-fencing provisions around NMGC so as to be able to obtain a non-consolidation opinion.

Q. Are there financial and governance transparency requirements that you recommend?

A. Yes. BCP is a private equity firm, which means that it is not subject to many of the same public disclosure requirements as publicly held companies. A private equity firm is not required to make the same Securities and Exchange Commission filings such as 10-Ks and 10-Qs that provide important information regarding the financial health and governance of the utility. Ratepayers and the state have a vested interest in the financial stability and health of its monopoly utilities, and it can only obtain confidence in the utility if it has the necessary information. The PRC should require NMGC, NMGI, Saturn Utilities, and Saturn HoldCo to provide equivalent public disclosures to the regulator and the public on the same cadence as publicly held companies.

Similarly, I recommend the Commission hold NMGC to the same rules applicable to New York Stock Exchange Corporate Governance Standards and several sections of the Sarbanes-Oxley Act.

Q. What are your specific recommendations for good governance and transparency?

A. First, I recommend that the Commission require NMGC, to the extent practical, to comply with the rules applicable to a registrant under New York Stock Exchange Corporate Governance Standards. The Company should submit a filing to the Commission that identifies the applicable NYSE rules, describes the current requirement, describes the post-closing requirement, and sets forth NMGC's post-closing commitment with respect to each requirement in the event a current requirement is not a continuing obligation. The filing should detail the requirements of the NYSE with respect to the following:

(a) annual report availability,
(b) interim financial statements,
(c) independent directors,
(d) director executive sessions,
(e) communication with non-management directors,
(f) nominating and governance committee matters,
(g) compensation committee matters,
(h) the audit committee and committee membership,
(i) the internal audit function,
(j) corporate governance guidelines,
(k) disclosure of corporate governance guidelines,
(l) code of business conduct and ethics, and
(m) officer certification.

Second, I recommend that NMGC and Saturn Utilities should be required to make filings to the Commission that mirror relevant SEC financial reporting requirements with respect to the following:

(a) Section 13(a) disclosure requirements,
(b) Section 15(d) disclosure requirements, and
(c) indenture covenants disclosure requirements.

Third, I recommend that NMGC and Saturn Utilities be required to commit to key sections of the Sarbanes-Oxley Act, regarding Auditor Independence (Title II), Corporate Responsibility (Title III), Enhanced Financial Disclosures (Title IV), and Section 906 related to corporate responsibility for financial reports:

(a) Section 201 guidance on the use of outside auditors,
(b) Section 202 pre-approval requirements with respect to the engagement and compensation of auditors,
(c) Section 203 requirements with respect to audit partner rotation,
(d) Section 204 guidance with respect to the requirements of auditor reports to audit committees,
(e) Section 206 guidance with respect to auditor conflicts of interest,
(f) Section 301 requirements with respect to audit committee requirements,
(g) Section 302 requirements with respect to corporate responsibility for financial reports,

(h) Section 401 requirements with respect to the form and content of periodic and annual reports,
(i) Section 403 requirements with respect to disclosures of certain transactions involving management and shareholders,
(j) Section 404 requirements with respect to management assessment of internal controls,
(k) Section 406 requirements with respect to the code of ethics for senior financial officers
(l) Section 407 requirements with respect to disclosure of audit committee financial expert, and
(m) Section 906 requirements with respect to corporate responsibility for financial statements.

Q. You discussed your concern with the pace and growth of the utility's historic capital expenditure spending, as well as its forecasted growth, particularly in comparison to the Company's customer demand. Do you have any recommendations to improve the transparency of the Company's forecasts?

A. Yes. When examining the Company's most recent Integrated Resource Plan ("IRP"), I was surprised by its lack of critical information. An IRP is a long-term forecast of customer demand and the resources and investments it will use to meet demand at the lowest cost, lowest risk to customers. I was unable to identify an actual annual demand forecast. I have reviewed dozens of IRPs in my career, and this is the first time I have seen a plan without an annual demand forecast for the length of the planning period. Although the Company identified a design day demand, that is only one element of a demand forecast. The IRP was also missing several other important elements of an IRP, such as scenario and sensitivity analysis. The only certainty of a long-term forecast is that it is wrong. It is important to use scenario and sensitivity analysis to bound that uncertainty to inform decision making to identify the least cost, least risk resources and investments.

I recommend the Commission require, within 150 days of the approval of the transaction, NMGC to make a filing detailing how the Company will revise its approach to Integrated Resource Planning with the intention of adopting best practices in gas utility planning. Prior to making the filing, NMGC would hold no fewer than 4 work sessions with interested parties to discuss gas utility planning best practices and improvements to the Company's Integrated Resource Plans. Within 14 days of the conclusion of the 4th workshop, NMGC will present interested parties with an updated framework for developing its integrated resource plans. Interested parties will have 28 business days to provide feedback to NMGC. In its filing to the Commission, NMGC will include a matrix detailing interested party comments on its draft framework and provide responses on whether NMGC accepted or rejected the recommendation. The Commission should require that the updated IRP include projected capital and O&M expenditures, and that the Company develop a non-pipeline alternative framework for evaluating the opportunities to avoid capital expenditures with less expensive demand- and supply-side resources and investments.

Q. Do you have a recommendation regarding NMGC's obligation to meet state greenhouse gas emissions reduction goals?

A. Yes. I recommend that the Commission require NMGC, through its Integrated Resource Plan, demonstrate how it will meet the New Mexico's greenhouse gas emission reductions goals identified in Executive Order 2019-003. The IRP must include analyses of the greenhouse gas emissions associated with NMGC's Scope 1, 2and 3 emissions,[88] and explore resource and investment options for NMGC's to meet its pro rata share of

[88] Scope 3 emissions include the end-use combustion of natural gas by NMGC's customers.

state emissions reductions. This requirement ensures the Company's plans are aligned with state policy and guards against the risk and cost of overbuilding the system.

Q. Do you have recommendations for mitigating customer risks from the merger?

A. A primary public interest concern during an acquisition is the utility will make cuts to operations that diminish customer service and reliability. To minimize degradation to the customer experience, the Commission should require NMGC to meet or exceed its service quality and customer service metrics. To the best of my understanding, NMGC only has a target for one metric (percentage of calls answered with 60 seconds).[89] While it may be most appropriate to set metric targets in a different commission proceeding, for now, I recommend the Commission set the target at the average score for each metric for the three year-period from 2022 – 2024. I do not recommend that this target is a rolling average but rather a fixed target set before the BCP Applicants acquisition of NMGC.

Q. If the Commission were to adopt each of the conditions that you identified, would you change your position and support the acquisition as in the best interest of customers?

A. No. The acquisition remains contrary to the public interest for the reasons I identified in my testimony. I offer these conditions to mitigate the risk to customers of the acquisition should the Commission determine to move forward with the acquisition.

IV. CONCLUSION

Q. Does this conclude your testimony?

A. Yes.

[89] JA Exhibit WRA 5-1, attached as Exhibit BTC-22.

Brad Cebulko

Partner, (317) 519-3165, bcebulko@currentenergy.group

Education

Master of Public Administration
University of Washington - Seattle, WA (2012)

Bachelor of Arts Political Science
Colorado State University – Fort Collins, CO (2006)

Work Experience

Founding Partner, Current Energy Group, (May 2024 – Present)

- Works with consumer advocates and public interest organizations on gas and electric regulatory issues before state public utility commissions.

Founder, CEB Energy Consulting, (March 2024 – May 2024)

- Worked with consumer advocates and public interest organizations on gas and electric regulatory issues before state public utility commissions.

Senior Manager, Strategen Consulting, (2021 – March 2024)

- Led Strategen's gas transition practice, which included regulatory and legislative strategy, prudence reviews, and gas infrastructure planning.
- Worked with state regulatory commissions, consumer advocates, non-profits, and other clients to advance the public interest in regulatory decision-making.
- Developed testimony, comments, reports, and analysis on a subject matter including gas utility decarbonization strategies, performance-based regulation, electric and gas resource planning, fuel costs, energy efficiency, and low-income ratepayer issues.

Senior Policy Advisor for Energy Strategy, Washington Utilities and Transportation Commission (2016 – 2021)

- Advised the Commissioners on electric and gas utility regulation and legislation.
- Led major Commission policy initiatives through Commission orders, policy statements, and rulemakings, including developing rules for the Clean Energy Transformation Act.
- Chair of the Staff Subcommittee on International Relations at NARUC.

Regulatory Analyst, Washington Utilities and Transportation Commission (2013 – 2016)

- Testified before the commission in suspended utility filings and general rate case proceedings.
- Led Commission Staff's review of electric and natural gas utility energy efficiency filings.
- Led Commission Staff's review of natural gas integrated resource plans.

Expert Testimony

Public Service Company of New Hampshire 2024 Rate Case (DKT: DE 24-070) on Behalf of AARP
Direct Testimony

Filed direct testimony on issues related to the Company's cost of service study, revenue allocation, residential rate design, and a newly proposed K-Bar capital investment mechanism as part of the Company's multi-year rate plan.

Case Details | Testimony

Duke Energy Ohio 2024 Electric Security Plan (DKT: 24-278-EL-SSO) on Behalf of the Environmental Law & Policy Center and the Ohio Environmental Council
Testimony Modifying Settlement Stipulation

Filed testimony recommending modification of the multi-party settlement stipulation recommending the Ohio commission include the demand-side management (DSM) programs and budget that were originally included in the Company's Application and Direct Testimony

Case Details | Testimony

Columbia Gas of Maryland 2024 Natural Gas Rate Increase (DKT: 9754) on Behalf of the Office of People's Counsel
Direct

Filed direct testimony on issues related to the Company's cost of service study, revenue allocation, and residential rate design.
Case Details | Direct Testimony

Northern State Power Company North Dakota 2024 Natural Gas Rate Increase Application (DKT: 23-367) on Behalf of AARP
Direct and Settlement Testimony

Filed direct and settlement testimony on issues related to the Company's cost of service study and residential rate design. The settlement reduced the Company's proposed revenue requirement increase to residential customers by 28% and the residential customer charge was not increased over present rates.
Case Details | Direct Testimony | Settlement Testimony

Montana-Dakota Utilities Co. North Dakota 2023 Natural Gas Rate Increase Application (DKT: 23-341) on Behalf of AARP
Settlement Testimony

Filed settlement testimony in support of an all-party agreement with a focus on the Company's cost of service study, residential rate design, and integration of Wahepton residential customers into MDU's tariffs. The settlement reduced the Company's proposed revenue requirement increase to residential by 18% and the residential customer charge was not increased over present rates.
Case Details | Settlement Testimony

Puget Sound Energy 2024 General Rate Case (DKT: UE-240004 & UG-240005) on Behalf of the Joint Environmental Advocates
Response and Cross Answering Testimony

Filed testimony assessing PSE's 2023 Decarbonization Study Update, building electrification pilots, gas plant capital investment plan, and the role of differentiating the return on equity for certain investments to incentivize the utility to achieve its decarbonization goals.
Case Details | Response Testimony | Cross-Answering Testimony

Enbridge Gas Inc. 2024 to 2028 Rates Application (DKT: EB-2024-0111) on Behalf of Environmental Defence, Ontario Canada
Evidentiary Report

Co-authored report on incentive ratemaking for capital cost containment and energy transition risk reduction. The report discussed differentiated return on equity, revenue decoupling, efficiency carryover mechanisms, CIACs, gas supply risk sharing, and nonpipeline alternative incentives.
Case Details | Report

DTE Gas Company 2024 Rate Case (DKT: U-21291) on Behalf of The Ecology Center, The Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar
Direct and Rebuttal Testimony

Filed testimony examining the Company long-term capital investment strategy, proposal to end demand response pilots, and the benefits of customer mapping to ensure equitable gas service.
Case Details | Direct Testimony | Rebuttal Testimony

Northwest Natural Gas Company 2024 General Rate Case (DKT: UG 490) on Behalf of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club
Direct Testimony

Filed testimony recommending the Commission reject the Company's proposed line extension allowance modifications, disallow imprudent expenditures related to the line extension program, and reject the Company's proposal to increase the customer charge for new customers by more than 250 percent.
Case Details | Direct Testimony

Southern Connecticut Natural Gas Company and Connecticut Natural Gas Company 2024 Rate Case (DKT: 23-11-02) on Behalf of Sierra Club and Conservation Law Foundation
Direct and Rebuttal Testimony

Filed testimony examining the Companies capital investments plans and decarbonization programs.
Case Details | Direct Testimony | Rebuttal Testimony

Public Service Company of Colorado 2024-2028 Clean Heat Plan (DKT: 23A-0392EG) on Behalf Western Resource Advocates and Rewiring America (2024)
Testimony and Report

Filed a report and testimony examining the review the utility's capital investment plan, assessed the benefits of zonal electrification, assessed the capital and operation & maintenance (O&M) costs for blending hydrogen into the distribution system, and assessed the reasonableness of the Company's synthetic natural gas (SNG) assumptions.

PacifiCorp 2023 Washington General Rate Case (DKT: UE-230172) on Behalf of The Energy Project (2023)
Response Testimony
Filed testimony on the Company's proposed electric performance metrics. Proposed a more comprehensive portfolio of metrics that measures the utility's performance to provide affordable, clean, equitable, and reliable power.

Case Details | Direct Testimony

Northern Illinois Gas Company Proposed General Increase in Rates and Revisions to Other Terms and Conditions of Service (DKT: 23-0066) on Behalf of Environmental Law & Policy Center, Environmental Defense Fund, Natural Resources Defense Council, and Illinois State Public Interest Research Group, Inc (2023)
Direct and Rebuttal Testimony

Filed testimony on capital expenditures, line extension allowances, non-pipeline alternatives, gas system planning, performance metrics, and residential rate design.
Case Details | Direct Testimony | Rebuttal Testimony

The Peoples Gas Light and Coke Company 2023 Proposed General Increase in Rates and Revisions to Other Terms and Conditions of Service (DKT: 23-0068 and 23-0069) on Behalf of Environmental Law & Policy Center, Environmental Defense Fund, Natural Resources Defense Council, and Illinois State Public Interest Research Group, Inc. (2023)
Direct and Rebuttal testimony

Filed testimony on capital expenditures, line extension allowances, non-pipeline alternatives, gas system planning, performance metrics, and residential rate design.
Case Details | Direct Testimony | Rebuttal Testimony

Avista 2023 Oregon Gas General Rate Case (DKT: UG-461) on Behalf of Sierra Club and Climate Solutions (2023)
Direct Testimony

Filed testimony on Avista's compliance plan for meeting Climate Protection Program compliance, non- pipeline alternatives, and line extension policy. Through settlement, Avista agreed to initiate non- pipeline alternative analysis in its integrated resource plan, phase out its line extension allowance policy by 2027, and delay seeking recovery of Climate Investment Cost Recovery.
Case Details | Direct Testimony | Final Order

Puget Sound Energy 2022 Electric and Gas General Rate Case (DKT: UE-220066, UG-220067, and UG- 210918) On Behalf of The Energy Project (2022)
Response Testimony

Filed testimony on Gas and Electric Performance Metrics and Electric Time-of-Use Rate Pilot. Through settlement, PSE agreed to modify its Time of Use pilot and track performance metrics that closely aligned with The Energy Project's proposals
Case Details | Response Testimony | Settlement Testimony

Liberty Utilities RNG Program (DKT 22-32) On Behalf of Sierra Club (2022)
Direct Testimony

Filed testimony recommending the Massachusetts Department of Public Utilities reject Liberty's proposed Voluntary Renewable Natural Gas Program because it was costly, and the Company's proposal would have double counted the environmental attributes of the project. The Department of Public Utilities largely relied on Sierra Club's testimony when it rejected the Company's proposed RNG program.
Case Details | Direct

PacifiCorp 2022 General Rate Case (DKT UE 399) On Behalf of Vitesse LLC (2022)
Direct and Rebuttal Testimony

Filed testimony on behalf of Vitesse LLC, a wholly owned subsidiary of Meta, on the proposed design of PacifiCorp's voluntary green tariff program for large customers. The Oregon PUC approved a multi-party settlement that made several revisions to the program based on my testimony.
Case Details | Direct | Rebuttal

Consumers Energy 2022 Natural Gas General Rate Case (DKT U-21148) On Behalf of Michigan Environmental Council, NRDC, and Sierra Club (2022)
Direct Testimony
Direct testimony on Company's proposal to build and operate a RNG facility, and the Company's line extension allowance policy. Through settlement, the Company agreed not to seek recovery of the RNG facility and to update the utility's line extension allowance assumptions.
Case Details | Direct

Xcel Energy, Minnesota Energy Resources Corp, CenterPoint Energy (DKT: 21-138) On Behalf of Minnesota CUB (2021 – 2022)
Direct and Rebuttal Testimony
Filed direct and rebuttal testimony on the prudence of the three gas utilities extraordinary gas costs during Winter Storm Uri in 2021. The Minnesota PUC relied, in part, on Strategen's testimony to find nearly $60 million in imprudent costs for the gas utilities. The Commission also accepted Strategen's recommendation to initiate gas utility long-term planning.
Case Details | Direct

Puget Sound Energy Proposed Leasing Program (DKT: UE-151871/UG-151872) On Behalf of Washington UTC Staff (2016)
Filed direct testimony opposing the Company's proposed end-use appliance leasing program for not being in the public interest. The Commission agreed that the program was poorly structured and was unlikely to benefit participants and non-participants

Case Details | Direct

Avista 2015 General Rate Case (Dockets UE-150204/UG-150205) On Behalf of Washington UTC Staff (2015)
General Rate Case
Case Details | Direct

Avista 2014 General Rate Case (Dockets UE-140188/UG-140189) On Behalf of Washington UTC Staff (2014)
General Rate Case
Case Details | Direct

Selection of Relevant Experience

"Weighing the Risks: A Closer Look at Emerging Gas Technologies and Distribution Systems" A Policy Brief written for Southwest Energy Efficiency Project and GridLab (2024)
Policy Brief

Authored a policy brief for SWEEP and GridLab that examined the risks posed by Southwest Gas Company's long-term gas capital expenditure plan. SWEEP submitted the brief as part of its direct testimony in Southwest Gas's general rate case before the Arizona Corporation Commission (DKT: G-01551A-23-0341)
Case Details | Policy Brief

Washington Utilities and Transportation Commission Rulemaking for Integrated System Planning (DKT: U-240281) on Behalf of Climate Solutions and Renewable Northwest (2024)
Technical and Policy Support

Providing technical and policy assistance through written comments and participation in workshops to the client over the course of UTC's rulemaking.
Case Details

"Regulatory Approaches for a Cost-Effective Gas Transition: Ratemaking, Incentives, and Other Tools" A Report for Advanced Energy United (2024)
Report

Led the development of a report that examined utility incentives under the traditional regulatory framework and opportunities for modifying the regulatory framework to facilitate a cost-effective gas transition in the near-, intermediate-, and long-term.

Illinois Future of Gas Proceeding on Behalf of NRDC (2024)
Technical and Policy Support

Providing technical and policy assistance through written comments and participation in workshops to the client over the course of Illinois Commerce Commission's Future of Gas investigation

Puget Sound Energy 2025 Gas and Electric Integrated Resource Plans on Behalf of Climate Solutions, Renewable Northwest (2024).
Technical and Policy Support

Providing technical and policy assistance to the clients during their participation in the PSE IRP stakeholder work sessions.

Tennessee Valley Authority 2024 Integrated Resource Plan on Behalf of GridLab and The Nature Conservancy (2024)
Technical and Policy Support

Providing technical and policy assistance to The Nature Conservancy during its participation in the TVA IRP stakeholder work sessions.

Nevada Public Utilities Commission Natural Gas Utility Integrated Resource Planning Rulemaking on Behalf of Western Resource Advocates (2024)
Technical and Policy Support

Provided technical and policy assistance to Western Resource Advocates in its participation in the PUCN's rulemaking. Drafted proposed comprehensive rules and supporting arguments.

"A Regulator's Blueprint for 21st Century Gas Utility Planning," A Report for Advanced Energy United (2023)
Report

Lead author of a report that provides a blueprint for state public utility commissions interested in developing gas utility planning requirements to improve transparency into gas utility resource and capital investment plans.

New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation Initial Long-Term Gas System Plan on Behalf of Sierra Club and Earthjustice (2024)
A Review of the Initial Long-Term Plan

Developed a report that analyzed the Companies' alternative fuel assumptions, electrification costs, capital forecast, technological assumptions for electrification technologies, benefit-cost analysis, and implementation of non-pipeline alternatives ("NPAs").

Comments on CenterPoint Energy's Natural Gas Innovation Act (NGIA) Pilots in Minnesota on Behalf of Fresh Energy (2023)
Comments

Provided technical support and comments to client on components of CenterPoint's filing including its proposed hydrogen blending facility, an RFP for renewable natural gas, and residential and commercial gas heat pump pilots.

Minnesota Public Utilities Commission Investigation into Gas Utility Resource Planning on Behalf of the Citizen's Utility Board of Minnesota (2023)
Comments

Provided technical support to client on the Minnesota Commission's consideration of natural gas utility long-term planning.

Nonpipeline Alternative Analysis Framework for the Colorado Public Utilities Commission on Behalf of Lawrence Berkeley National Laboratory (2023)
Part 1 | Non-Pipeline Alternative to Natural Gas Utility Infrastructure Report
Part 2 | Non-Pipeline Alternatives: A Regulatory Framework and a Case Study of Colorado

Through a collaboration with Lawrence Berkeley National Laboratory and the Colorado Public Utilities Commission, led the development of two reports that first examined the existing regulatory approaches for non-pipeline alternatives, and then proposed a regulatory framework.

Comments to the Oregon Public Utilities Commission on Northwest Natural Gas Company's 2022 Integrated Resource Plan on Behalf of Coalition of Climate Advocates (2023)
Natural Gas IRP
Provided technical support to a coalition of climate-focused organizations, and frontline community organizations, on the gas utility's plans for meeting future customer demand while complying with Oregon and Washington emissions reductions requirements.

Consolidated Edison and Orange & Rockland's 2023 Initial Long-Term Gas System Plan on Behalf of Sierra Club and Earthjustice (2023)
A Review of the Initial Long-Term Plan

Provided a review of the gas utilities' initial Long-Term Plan with a focus on electrification assumptions, alignment of capital investment spending and load forecast, nonpipeline alternative analysis, and reasonableness of scenarios for meeting emissions reduction requirements.

National Fuel Gas Distribution Corporation 2023 Long-Term Gas System Plan on Behalf of Sierra Club and Earthjustice (2023)
Comments on Electrification Assumptions

Provided comments on NFG's technological and cost assumptions for various electrification technologies, cost basis for the crossover temperature for heat pumps, and electrification adoption curves. Strategen then proposed several recommendations for adjustments that NFG could make in this proceeding, or future LTPs, to better represent the technical capacity and emission reduction potential of electrified heating systems.

Consumers Energy Gas Bill Impact Analysis: A Case Study of the Effects of Planned Capital Expenditures and Electrification Trends on Behalf of Advanced Energy United (2023)
White Paper

Quantified the impact of gas utility capital improvement projects on customer rates Consumers Energy gas in Michigan. The paper found that Michigan residential customers with Consumers Energy can expect to see their gas bills steadily increase over the next decade – up to 49% over 2021 levels – due to projected utility capital expenditures and electrification trends.

White Paper on the Relationship of Gas and Electricity Prices in New England on Behalf of Sierra Club (2023)
White Paper

Co-authored a white paper that provides background and context on the implications of recent electricity price spikes in New England and the relationship between natural gas prices and electricity prices.

Nevada Gas Utility Decarbonization Planning 2022 Legislative Proposals on Behalf of GridLab and SWEEP (2023)
Technical and Policy Advice
Providing a coalition of climate-focused advocates with technical and policy guidance on legislation for gas planning requirements

Presentations to Western States on Planning for Decarbonizing Gas Utilities on Behalf of Advanced Energy United (2022-2023)
Presentations

Led Strategen's collaboration with AEU to develop a series of presentations for Western State Public Utilities Commission commissioners on gas utility planning during the energy transition.

Designing Building Electrification Incentives for Washington State on Behalf of Climate Solutions (2022)
Technical and Policy Advice

Developed funding scenarios that would allow Washington State to meet building decarbonization targets. Solutions focused on rebates for high-efficiency electric appliance retrofits and community- centered weatherization programs.

Washington Utilities and Transportation Commission Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making, (DKT: U-210590) On Behalf of The Energy Project (2022)
Policy Statement
Supported client, the low-income advocate in Washington, on comments on regulatory goals, outcomes, and performance metrics.
Case Details | Comments

Comments to the Minnesota Public Utilities Commission on Natural Gas Planning (DKT: 21-135) On Behalf of Citizens Utility Board of Minnesota (2022)
Comments
Provided technical and policy guidance to the Minnesota Commission on how gas planning, operational changes, and risk sharing can help protect customers from future natural gas price spikes like that occurred during February 2021.

Puget Sound Energy 2023 Natural Gas Integrated Resource Plan on Behalf of Climate Solutions (2023)
Natural Gas IRP
Supported client's review of the Company's development of the inputs and assumptions used in the IRP.

Michigan Public Service Commission, Renewable Natural Gas Study Workgroup (DKT: U-21170) On Behalf of Michigan Environmental Council, NRDC, and Sierra Club (2022)
Workgroup
Supported clients' review of the development of the study including submitting comments to the PSC.

Kentucky Utilities and Louisville Gas and Electric Company General Rate Case (DKT: 2020-00350) On Behalf of the Kentucky Public Service Commission (2021-2022)

General Rate Case
Supported the Kentucky PSC evaluate testimonies on PURPA rates and set new rates for the utilities.
Case Details | Final Order

Minnesota Power 2021 Integrated Resource Plan (DKT: 21-33) On Behalf of Citizen Utility Board of Minnesota (2022)
Electric IRP
Supported client's review of the Company's IRP.
Case Details | Comments

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSE TO WESTERN RESOURCE ADVOCATES' SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Second Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 2-1:
Has Bernhard Capital made any statements or commitments, either in public or in private to its investors, about the maximum number of years it will own and operate NMGC, or a target year for selling NMGC?

a. If yes, please also provide the original statement or commitment.

RESPONSE:
Jeffrey M. Baudier

No. As of the date hereof, Berhard Capital Management has not made any public or private commitments or statements to investors about the maximum number of years they will own and operate NMGC or a target year for selling NMGC. The Joint Applicants have proposed a regulatory commitment in the Joint Application whereby they "will not sell their interest in NMGC for at least five (5) years after closing of the Transaction."

Exhibit BTC-2

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Second Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 3rd day of March 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' CONFIDENTIAL RESPONSE TO WESTERN RESOURCE ADVOCATES' CONFIDENTIAL THIRD SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants' hereby respond to Western Resource Advocates' ("WRA") Confidential Third Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 3-1: [REFERS TO CONFIDENTIAL INFORMATION]

[redacted]

RESPONSE: [CONFIDENTIAL RESPONSE TO QUESTION REFERRING TO CONFIDENTIAL INFORMATION – RESPONSE PROVIDED ONLY TO SIGNATORIES OF CONFIDENTIALITY AGREEMENT]

Jeffrey M. Baudier

[redacted]

Exhibit BTC-3

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Third Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 5th day of March 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANT'S RESPONSE TO WESTERN RESOURCE ADVOCATES' FOURTH SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Fourth Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 4-16:
Please provide the following information:

a. Average estimated service life of distribution main by material type.

b. Average estimated service life of transmission main by material type.

RESPONSE:
Ryan A. Shell

a. NMGC does not normally make blanket estimates of service life since estimated service life varies depending on many factors such as year and method of installation. However, NMGC is able to provide reasonable estimated service life range for distribution pipe by material type as follows:

   i. PVC – 30 to 50 years

   ii. [Bare] Steel – 70 to 100 years

   iii. PE – 50 to 60 years

   iv. Steel – 70 to 100 years

b. NMGC only uses steel for transmission pipes. Steel transmission pipes installed with coating and cathodic protection are anticipated to achieve an estimated service life of more than 100 years.

Exhibit BTC-4

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fourth Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 28th day of March 2025.

/s/Ryan A. Shell
Ryan A. Shell

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSE TO WESTERN RESOURCE ADVOCATES' SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Second Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 2-10:
What operational cost reductions or efficiencies does Bernhard Capital expect to realize post-acquisition? If the Company has quantified these cost reductions, please provide all analysis in an Excel workbook with all formulas intact.

RESPONSE:
Jeffrey M. Baudier

The BCP Applicants have not quantified any operational cost reductions or efficiencies that may be realized post-acquisition. The BCP Applicants will work with NMGC management to identify appropriate cost reductions or efficiencies.

Exhibit BTC-5

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Second Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 3rd day of March 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

New Mexico GAS COMPANY

Project Saturn

Confidential Information Memorandum

March 2024

STRICTLY PRIVATE AND CONFIDENTIAL

Emera

J.P.Morgan

New Mexico GAS COMPANY

Disclaimer

This Confidential Information Memorandum, together with any information which has been or may be supplied in writing or orally in connection herewith (this "CIM"), has been prepared on behalf of Emera Inc. ("Emera") and New Mexico Gas Company, Inc. (together with their subsidiaries, the "Company") and is being furnished solely for informational purposes pursuant to the confidentiality agreement between the recipient of this CIM and Emera (the "Confidentiality Agreement"). This CIM is being made available to selected interested parties for the sole purpose of assisting the recipients in evaluating a possible negotiated transaction involving the Company (the "Potential Transaction").

This CIM is not intended to form the basis of any decision to enter into a Potential Transaction with the Company or any other investment decision and does not constitute an offer, recommendation or invitation for the sale or purchase of securities. Some or all of the information in this CIM (and any other information which may be provided to the recipient) or the fact that a Potential Transaction is contemplated or any of the terms or other facts relating to the Company or the Potential Transaction may be information which is not public or otherwise generally available and is of a kind such that a person who has that information would be prohibited or restricted from using it to deal in the securities of Emera or any of its affiliates (or any related financial instrument) under any applicable insider dealing, market abuse or similar law. The recipient shall not use any information in this CIM, while it is not public or generally available, to deal, or to encourage anyone else to deal, in any securities. The recipient shall not otherwise use or disclose any such information in a way that amounts to market abuse under any applicable insider dealing, market abuse or similar law.

You are reminded of the sensitive nature of this CIM and the information contained herein. By accepting this CIM, you acknowledge and agree that all of the information contained in this CIM (including the existence of this CIM and all discussions regarding the Potential Transaction) is "Confidential Information" (as such term is defined in the Confidentiality Agreement) and is therefore subject to the Confidentiality Agreement.

The information contained herein has been prepared solely to assist interested parties in making their own evaluation of the Potential Transaction and does not purport to contain all of the information that a prospective party may desire or require. In all cases, interested parties should consult their own professional advisors and conduct their own due diligence, investigation and analysis of the Company, the Potential Transaction and the information and data set forth in this CIM and satisfy themselves as to the accuracy, reliability and completeness of such information and data.

None of the Company, J.P. Morgan or any of their respective directors, officers, related bodies, corporate partners, affiliates, employees or advisors ("Associates") makes any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in this CIM or any other information made available, which may be transmitted orally, visually, electronically or by other means, to recipients of this CIM (the "Confidential Information"), and shall have no liability for any information contained in, or for any omissions from or errors in, such Confidential Information. In particular, no representation or warranty is made as to the achievement or reasonableness of any future projections, management estimates, pro forma results, prospects, returns or market data contained herein. None of the Company, J.P. Morgan or any of their respective Associates has verified, nor will verify, any part of this CIM or any other Confidential Information made available to recipients of this CIM. Each of the Company, J.P. Morgan and their respective Associates expressly disclaims and excludes all liability for any loss or damage (whether foreseeable or not) suffered by any person or entity acting on, or refraining from acting because of, anything contained in or omitted from this CIM or any other Confidential Information, or from the use of or reliance upon this CIM or any of the Confidential Information. Each recipient of this CIM agrees that it shall not seek to sue or hold the Company, J.P. Morgan or their respective Associates liable in any respect for the provision of this CIM or the inclusion or omission of any information in or from this CIM.

This CIM contains certain forward-looking statements, financial data, projections, forecasts and estimates that are based upon management's estimates, assumptions and subjective judgments regarding the future performance of the Company and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company. There will be differences between such projections, forecasts and estimates and actual results since events and circumstances frequently do not occur as expected, and such differences may be material. The estimated, forecasted, pro forma and projected financial results, if any, contained in this CIM have not been independently verified and should not be considered to be a presentation of actual results. Accordingly, there can be no assurance that any estimated, forecasted, pro forma or projected results are obtainable or will be realized, and no representations or warranties are made as to the accuracy or reasonableness of such assumptions or the estimates, projections, forecasts or any forward-looking statements based thereon.

Only those representations and warranties that may be made to a party in a final definitive agreement, when and if it is executed and subject to such limitations and restrictions as may be specified in the definitive agreement, shall have any legal effect.

The information contained in this CIM speaks as of the date hereof or as of the date at which such information is expressed to be stated, as applicable. Each of the Company, J.P. Morgan and their respective Associates reserves the right to amend or replace this CIM at any time, but none of the Company, J.P. Morgan, any of their respective Associates or any other person or entity assumes any responsibility to update or revise any information or to correct any inaccuracies contained in this CIM or to inform the recipient of any matters of which any of them becomes aware which may affect any matter referred to in this CIM or in any other information made available in respect of the Company or in connection with the Potential Transaction (including, but not limited to, circumstances, developments or events occurring after the date hereof or any error or omission herein which may become apparent after this CIM has been prepared). This CIM shall not be deemed an indication of the state of the Company or its business nor shall it constitute an indication that there has been no change in the business or affairs of the Company since the date of this CIM or since the date at which any information contained herein is expressed to be stated. If further information in connection with the Potential Transaction is provided by the Company, J.P. Morgan, their respective Associates or any other person or entity, recipients of this CIM acknowledge receipt of such information as though it formed a part of this CIM and acknowledge such information is subject to this disclaimer.

All communications, inquiries, and requests for information relating to these materials should be addressed to the J.P. Morgan persons identified in this CIM, as representatives of the Company. None of the Company, its Associates or any of its shareholders, partners, financiers, co-venturers, counterparties, regulators, customers, or suppliers should be contacted directly or indirectly under any circumstances, unless such contact is unrelated to the Potential Transaction or the Potential Transaction process.

The Company reserves the right to (x) terminate, at any time, solicitation of indications of interest for the Potential Transaction or future participation in the investigation and proposal process by any party, (y) negotiate with one or more prospective counterparties at any time and to enter into a definitive agreement for the Potential Transaction, without prior notice to you or other prospective counterparties, and (z) modify, at any time, any procedures relating to the process for the Potential Transaction, or to terminate or extend that process, without assigning any reason therefor, and to reject or decline any proposals at its sole discretion.

New Mexico GAS COMPANY

Introduction

Emera is pursuing the 100% sale of its regulated New Mexico natural gas local distribution utility, New Mexico Gas Company, Inc. (the "Transaction")

- Emera Inc. ("Emera") is a publicly listed company (TSX: EMA), headquartered in Halifax, Nova Scotia, Canada, with a market capitalization of approximately USD$10.2bn[1] and a regulated asset base of USD$20.2bn[2]
- Through Emera's proven strategy and portfolio of high quality, regulated utilities throughout Canada, the U.S., and the Caribbean, the company continues to drive long-term value for shareholders while delivering cleaner, reliable energy in a cost-effective way to its approximately 2.6mm customers
- Emera is pursuing the sale of New Mexico Gas Company, Inc. ("NMGC" or the "Company") to provide flexibility to its capital funding plan
- NMGC is the largest natural gas local distribution company (LDC) in New Mexico and provides an essential service in the state, serving ~546,000 metered customers (~60% of the state population) with ~$836mm rate base (as of 2023)[3]
- NMGC is optimally located within two natural gas basins: the Permian (one of the largest in the U.S.) and the San Juan, which enables access to abundant gas supply
  - When combined with the Company's resilient infrastructure network, NMGC's advantaged location consistently ensures low-cost energy for customers
  - The oil & gas industry is a key contributor to New Mexico's economy (~35% of 2024 state budget), supporting the long-term outlook for natural gas in the state
- NMGC has a reliability-focused ~$637mm capex plan through 2028, which results in projected rate base growth of ~6.5%[4]
- NMGC has constructive relationships with regulators and benefits from balanced cost recovery mechanisms
- J.P. Morgan has been engaged as the exclusive financial advisor and has prepared this Confidential Information Memorandum with the support of Emera and NMGC for the purpose of providing information to a select group of parties

[1] FactSet as of 3/4/2024; [2] As of year-end 2023; [3] Reflects 2023 average rate base; [4] CAGR based on projected average rate base

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1 Executive Summary

New Mexico GAS COMPANY

J.P.Morgan

New Mexico GAS COMPANY

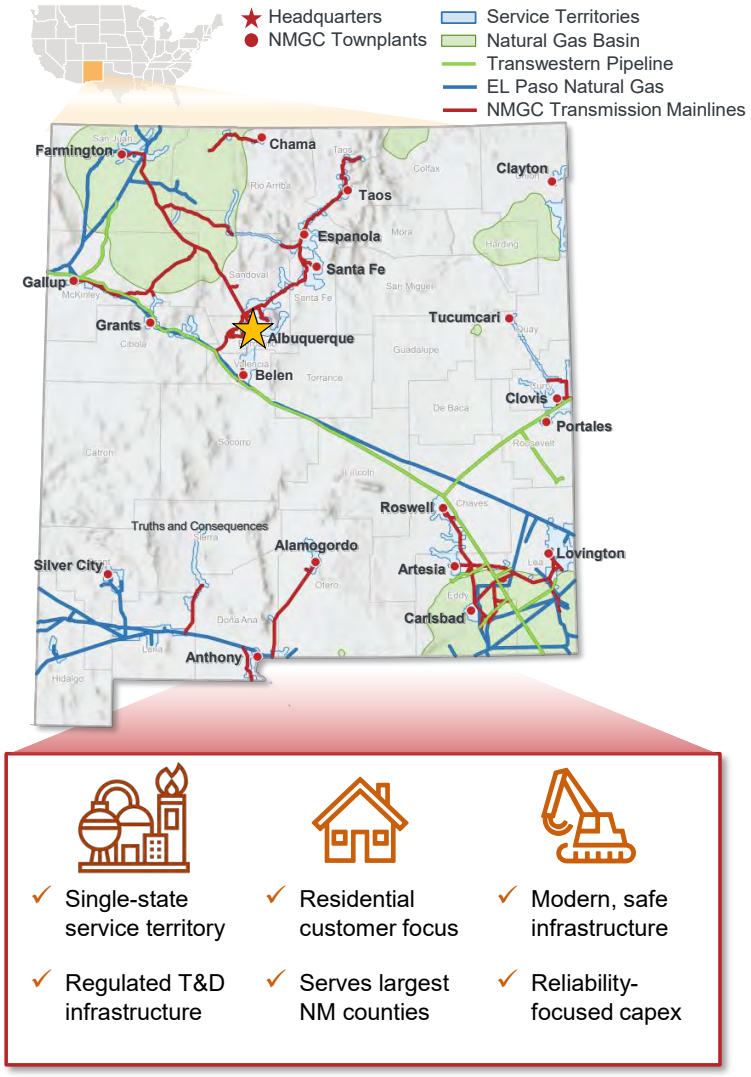
Investment opportunity: New Mexico Gas Company

NMGC is the largest gas utility in New Mexico and provides an essential service to the state

Company overview

- NMGC is a **single state, 100% regulated** gas local distribution company
- Largest natural gas utility in New Mexico with **~$836mm[1] of rate base**, serving ~60% of the population
  - Serves ~546,000 metered customers across New Mexico
  - Over **90% of customers are residential**
  - ~95 Bcf of annual throughput driven, in part, by **essential winter residential heating load** (temperatures in parts of New Mexico similar to Denver & Salt Lake City)
  - ~1,500 miles of transmission pipelines and ~11,000 miles of gas distribution main lines
- ~$637mm reliability-focused capital plan from 2024E-2028E projected to grow rate base at a ~6.5%[2] CAGR in the near-term

Service territory



NMGC by the numbers

~$836mm[1] 2023A Avg. Rate Base	**~6.5%[2]** Rate Base CAGR ('24-'28)	**~$48mm** 2023A Net Income
~$637mm 2024E-2028E Capex	**~546,000** Customers	**9.375% / 52%** Authorized ROE / Equity Layer
BBB+ Fitch Credit Rating	**~730** Local Employees	**20+ years** Average tenure of senior team in utility industry

J.P.Morgan

[1] Reflects average rate base as of 12/31/2023; [2] CAGR based on projected average rate base

New Mexico GAS COMPANY

Key investment highlights

1 Scarce opportunity to acquire a single-state, fully regulated gas LDC platform that provides essential service

- Largest gas LDC in New Mexico serving ~60% of the state's population throughout 23 of New Mexico's 33 counties
- Predominantly residential base drives consistently stable gas load due to essential need for heating (weather in parts of New Mexico comparable to Denver & Salt Lake City)

2 Proximity to Permian and San Juan basins supports affordability, driving strong customer preference for gas

- Optimal location between and within two large natural gas basins (Permian and San Juan) provides access to abundant local natural gas
- Extensive transmission and distribution (T&D) infrastructure enables reliable and low-cost transportation of gas to customers, supporting lower energy bills and driving strong customer preference for gas over electric for heating purposes

3 Economic importance of gas and stakeholder alignment underpin longevity

- Oil & natural gas are critical to New Mexico's economy, contributing ~$6bn in revenues to the state's proposed 2024 operating budget (~35%), employing 130,000+ New Mexicans, and powering 40,000+ businesses
- Business community provides support for a balanced approach to energy transition, with a strong role for gas

4 Balanced regulatory outcomes supported by attractive ratemaking construct

- History of balanced outcomes under the regulatory oversight of the New Mexico Public Regulation Commission ("PRC")
- Regulatory construct includes future test-year rate cases and balanced regulatory mechanisms that reduce regulatory lag; also includes sharing of non-tariff revenues with customers, lowering customers' bills

5 Compelling line-of-sight growth driven by reliability-focused capex program that balances customer affordability

- ~$637mm reliability-focused and safety-driven investment plan ('24E-'28E) is based on a risk-based approach to capital portfolio development and prioritization
- Opportunity to capitalize on longer-term, energy transition / decarbonization development opportunities including hydrogen and RNG

6 Experienced local management team with excellent track record

- Independently operated by a New Mexico-based senior executive team with an average tenure of 20+ years in the utility industry focused on operational excellence and safety
- Localized presence with long-standing key stakeholder relationships resulting in a balanced regulatory policy and system planning environment

New Mexico GAS COMPANY

Transaction overview

Emera is pursuing a 100% sale of New Mexico Gas Company

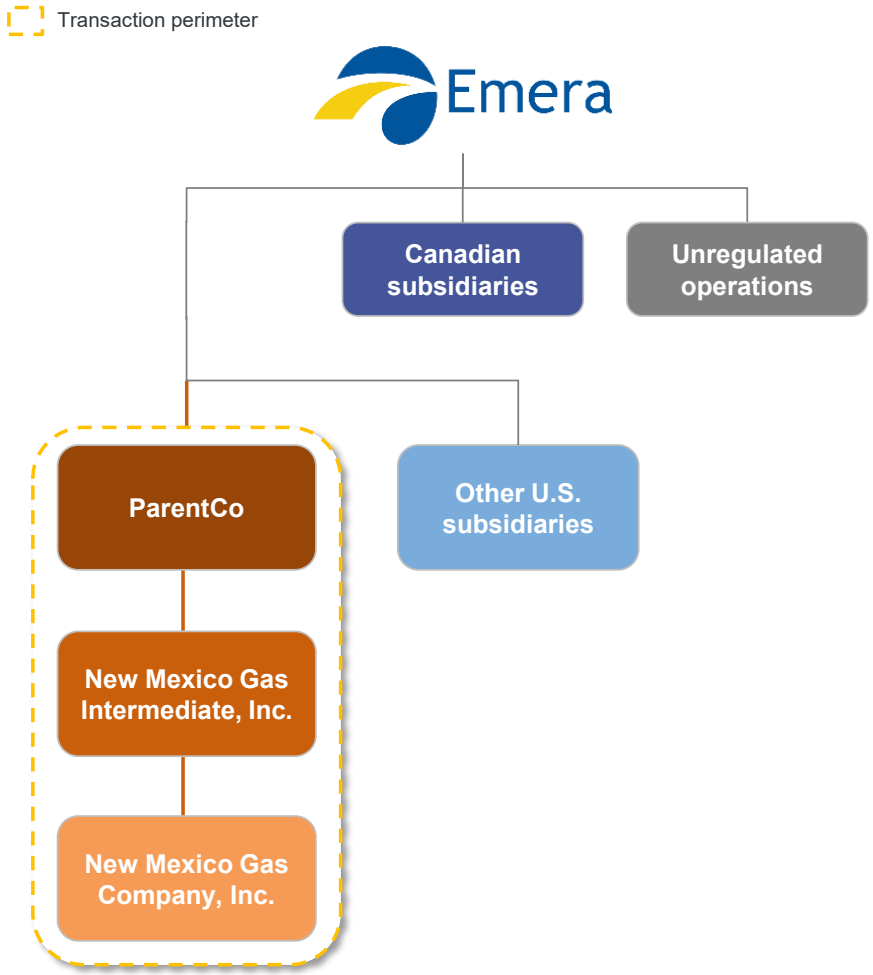
Summary transaction details

- NMGC assets are currently owned by a holding company ("ParentCo"), a wholly-owned subsidiary of Emera
- Buyer will purchase NMGC at the ParentCo level
- Transaction will include distribution and transmission systems, employees, owned or leased real property, personal property and other assets associated with the business
- Buyer should assume that the Transaction will be structured as a stock sale

Expected approvals and other considerations

- Based on Emera's initial diligence & legal review, completion of the Transaction is expected to be subject to the following regulatory approvals:
  - New Mexico Public Regulation Commission
  - Hart-Scott-Rodino
  - Committee on Foreign Investment in the United States ("CFIUS", if applicable)

Proposed transaction structure (simplified)



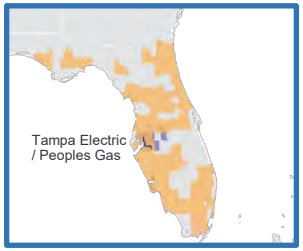
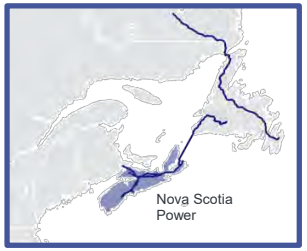
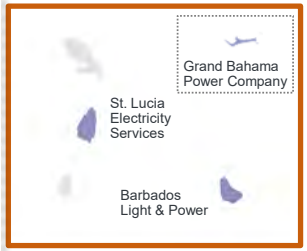
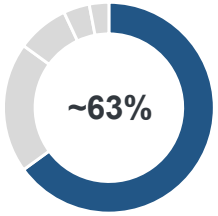
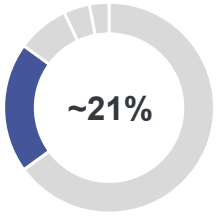
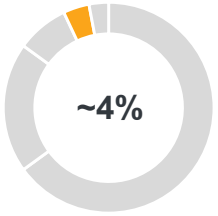
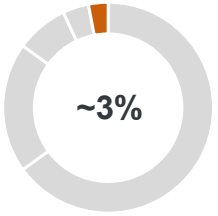
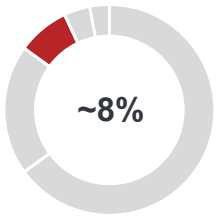
New Mexico GAS COMPANY

Overview of Emera

Premier North American regulated utility company serving Canada, the U.S., and the Caribbean

[All figures in USD]

6	~2.6mm	~$30bn	~$7bn	~$860mm
Regulated utilities	**Customers** *2023A*	**Total assets** *2023A*	**Capital plan** *2024E - 2026E*	**Net income[1]** *2023A*

	Florida	Eastern Canada	New Mexico	Caribbean	Pipelines & Other
Service Territories					• Emera Energy • Bear Swamp Hydro • Emera New Brunswick Pipeline • Maritimes & Northeast Pipeline • Seacoast Pipeline
Net Income Contribution (~$860mm; 2023A)					
Business Description	**Vertically integrated electric and gas utilities**	**Vertically integrated electric utility and transmission**	**Regulated gas distribution utility**	**Vertically integrated electric utilities**	**Energy marketing, hydro JV, and pipelines**

J.P.Morgan

Source: Company filings
Note: All values in USD; figures may not sum to 100% due to rounding; [1] Reflects adjusted net income (a non-GAAP measure), excluding corporate net loss of $264mm

New Mexico GAS COMPANY

Transaction rationale

Emera's decision to consider a sale of NMGC is driven by a desire to provide flexibility to its funding plan in a higher cost of capital environment

Overview and management commentary

- On November 10, 2023, Emera announced that **asset sales are now included as part of its funding plan** to support robust investment across the portfolio and accelerate the deleveraging of its balance sheet
- Raising equity through asset sales is a prudent and practical approach to **provide flexibility to Emera's funding plan** and support the company's credit profile given the high cost of capital environment
- NMGC is a high-quality company in a constructive jurisdiction; Emera's decision to pursue a potential sale of the Company is also driven by **geographic considerations**

*"Our priority was strengthening the financial position of the company . . . Based on the **increase in the cost of capital** we've seen over the last year, the continued **deleveraging and strengthening our balance sheet** is even more important. This is why you will see that **select asset sales** now form part of our capital investment funding plan."*

Emera

Scott Balfour | President & CEO
November 10, 2023

Flexibility for funding needs

Strengthen balance sheet

Geographic alignment

New Mexico GAS COMPANY

Process overview

Transaction process and administration

Round I	▪ Potential buyers will be given an opportunity to review confidential information including this Information Memorandum, a financial model and a market due diligence report (collectively, "Round I Due Diligence Materials") ▪ Based on Round I Due Diligence Materials, potential buyers will be asked to submit a preliminary, non-binding indication of interest ("Indication") for acquisition of 100% interest in NMGC ▪ Further information regarding timing and form of the Indication will be provided in a separate communication ▪ Emera will invite a select group of potential buyers to participate in Round II
Round II	▪ Potential buyers will be given the opportunity to conduct a detailed review of the Company, including access to a comprehensive data room and detailed Q&A, management presentation, and site visit ▪ Potential buyers that participate in Round II will be invited to make a Round II binding proposal ("Round II Bid") ▪ Buyers will be provided a draft Purchase and Sale Agreement ("PSA") and Transition Services Agreement ("TSA") for mark-up as part of submission of their binding bid ▪ Further information regarding the timing and form of the Round II Bid will be provided in a separate communication

All inquiries and requests should be submitted or directed to one of the process-coordinating advisors indicated below

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New Mexico
GAS COMPANY
2
Key Investment Highlights
J.P.Morgan

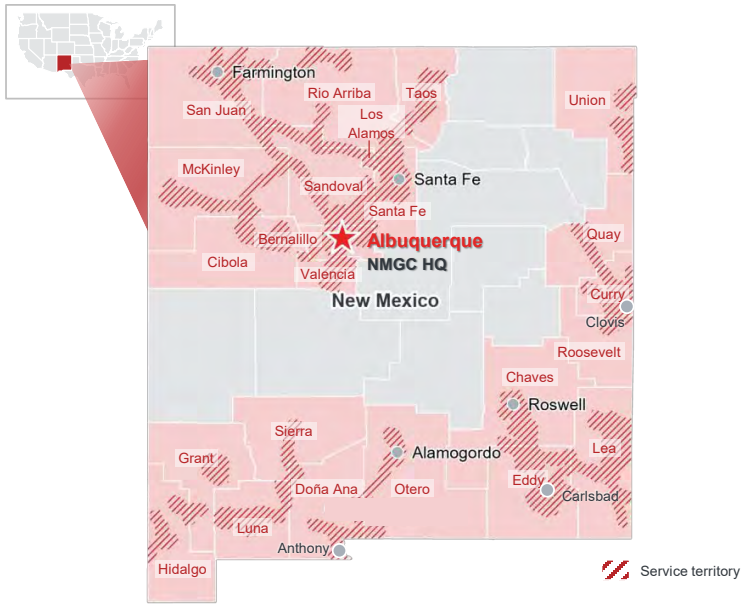
Key investment highlights

1. **Scarce opportunity to acquire essential, single-state, fully regulated gas LDC platform**
2. **Proximity to Permian and San Juan basins supports affordability, driving strong customer preference for gas**
3. **Economic importance of gas and stakeholder alignment underpin longevity**
4. **Balanced regulatory outcomes supported by attractive ratemaking construct**
5. **Compelling line-of-sight growth driven by reliability-focused capex program**
6. **Experienced local management team with excellent track record**

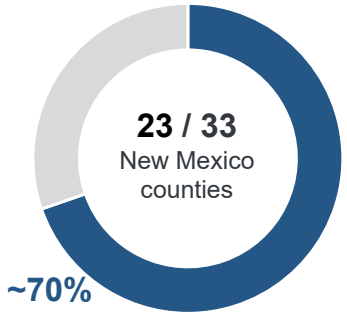
New Mexico GAS COMPANY

1 Premier, single-state, 100% regulated gas LDC platform with significant scale

Single-state utility serving ~60% of state population

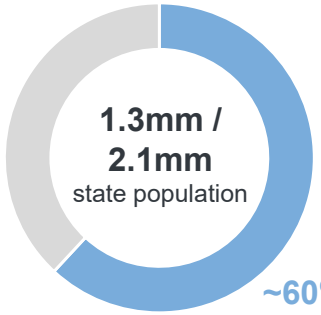


State counties served



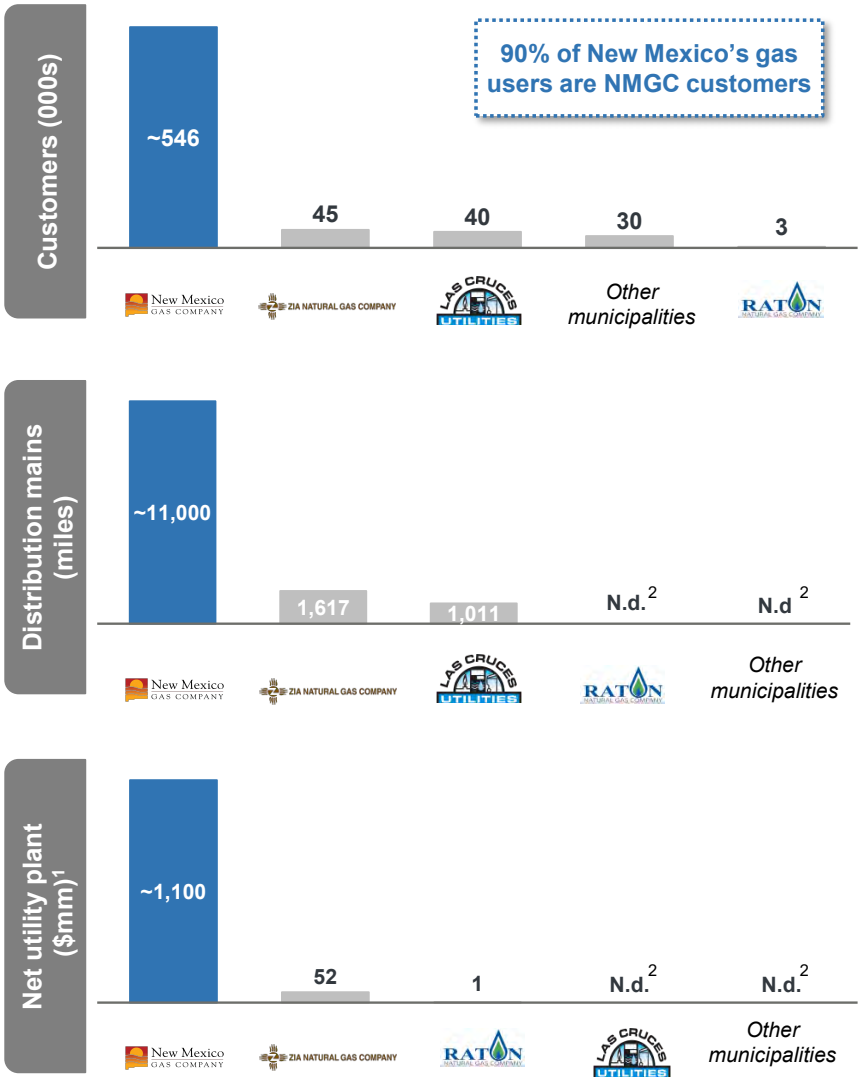
~70% of NM counties

State population served



~60% of total NM population

Significant in-state leadership among gas LDC peers



Source: Company regulatory filings, S&P Capital IQ
[1] Net utility plant figures as of 2022; [2] Figures not publicly disclosed

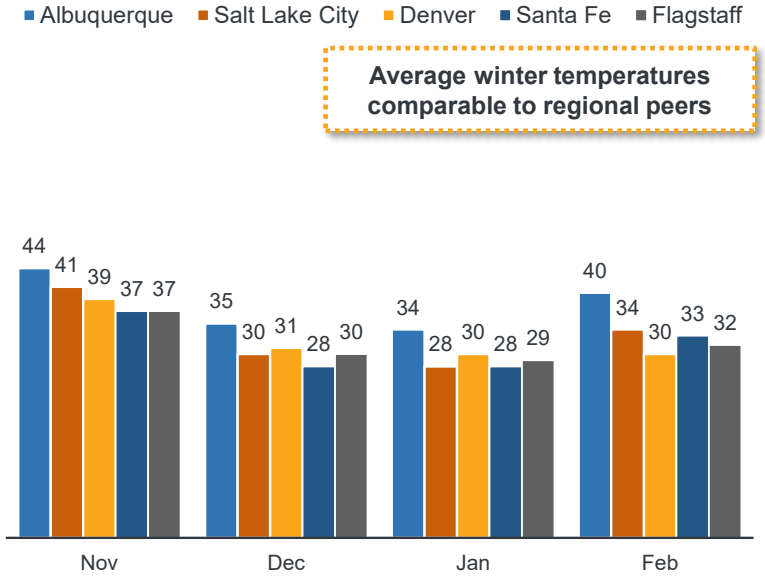
New Mexico GAS COMPANY

1 Essential utility serving consistently high gas demand driven, in part, by significant heating needs in New Mexico

Demand overview

- Natural gas is an important low-cost energy choice for most New Mexicans, with cold winters requiring consistent, reliable heating
- High elevation and high desert climate across New Mexico contributes to weather that is consistent with or colder than select regional peers
- Current electric utilities' integrated resource plans do not contemplate taking on the load needed to meet winter heating requirements

Average winter temperature (degrees Fahrenheit)



Regional comparison

Gas demand[1] and heating degree days (HDD)[2] comparable to other neighboring western states

Utah
- Annual natural gas consumption: ~275 Bcf
- Average annual HDD: 7,123
- Salt Lake City HDD: 5,607

Colorado
- Annual natural gas consumption: ~500 Bcf
- Average annual HDD: 7,135
- Denver HDD: 6,058

Arizona
- Annual natural gas consumption: ~450 Bcf
- Average annual HDD: 3,408
- Flagstaff HDD: 6,943

New Mexico
- Annual natural gas consumption: ~290 Bcf
- Average annual HDD: 4,568
- Albuquerque HDD: 4,179
- Santa Fe HDD: 5,677[3]

Source: U.S. Energy Information Administration (EIA), U.S. Environmental Protection Agency (EPA), Golden Gate Weather Services
[1] Total gas volumes delivered (vehicle fuel included); [2] Heating degree days reflect annual averages from 1981-2020; [3] Annual averages from 1972-2006

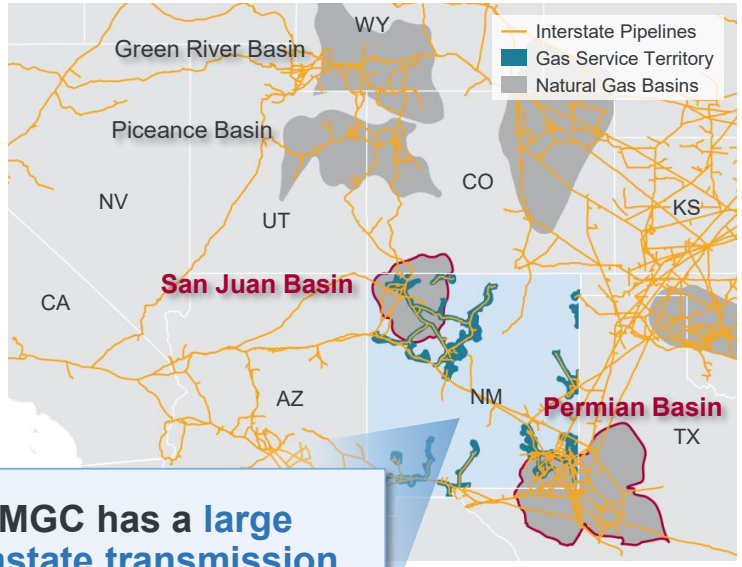
New Mexico GAS COMPANY

2 Optimal location coupled with NMGC's intrastate transmission system enables access to abundant gas supply

Overview

- NMGC's service territories are located between and within two large natural gas basins (Permian and San Juan)
  - NMGC sources 60-70% of gas from the San Juan Basin and 30-40% from the Permian Basin
  - The Company also has convenient access to supplies in the Green River and Piceance Basins
- Close proximity to basins combined with low-cost, NMGC-owned intrastate transmission reduces the overall cost of gas for customers

Geographic proximity to top-tier gas basins



NMGC has a large intrastate transmission network which allows it to bypass interstate pipelines for a portion of its natural gas purchases

NMGC's optimal location and transmission capabilities enable significant flexibility in supply, which contributes to lower energy bills for customers

New Mexico GAS COMPANY

2 Affordability drives strong customer preference for gas and support for the industry long-term

Natural gas is by far the most affordable energy option for New Mexicans today…

$40 per month

Estimated savings for New Mexico residential customers by using natural gas for space heating and water heating (vs. electricity)

$35/MMBtu

Gas cost required for energy costs to breakeven with full electrification[1]

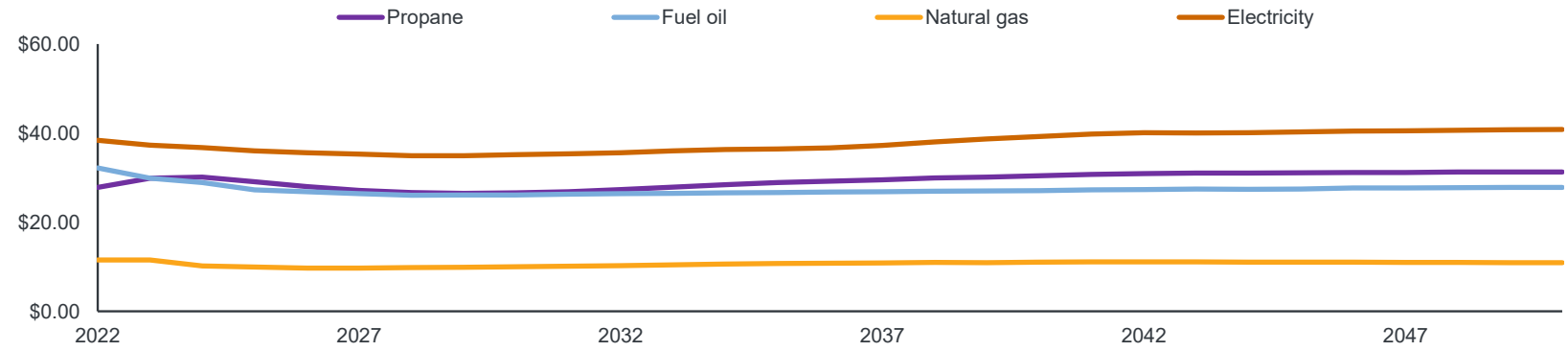
~70%

Percent of New Mexicans who believe **natural gas is good value**

Only **~5%**

Percent of New Mexico gas users **planning to switch** from gas to electric

…and gas prices are projected to remain more affordable than energy alternatives for the long-term[2]



Natural gas is expected to continue to be the energy source of choice for heating given economic needs of the state

Source: FTI Consulting, Research & Polling, Inc.
[1] NMGC energy wallet analysis as of 2022; [2] Residential prices from the EIA Annual Energy Outlook 2023 (Reference Case, Mountain Region)

New Mexico GAS COMPANY

3 The oil & gas industry is a significant contributor to the New Mexico economy, supporting the long-term viability of gas

#2 / #6
New Mexico's national ranking in oil / gas production (2022)

~500,000+
Homes reliant on natural gas from NMGC (out of ~950k housing units[1]) statewide

~$14bn
State revenues generated in 2023 from oil and natural gas industry

~63%
Homes in New Mexico using natural gas as their primary heating fuel (U.S. average of 46%[2])

~35%
Contribution to state operating budget from oil and natural gas economic activity

~40,000+
Businesses powered by natural gas from NMGC (out of ~170k businesses)

~134,000
Employed as a result of oil and natural gas production (out of a labor force of ~960k[1])

~$1.4bn
Funding provided to education by the oil and natural gas industry

NMGC and the oil & gas sector overall provide critical infrastructure to the state and support economic growth and development

Source: U.S. Census Bureau, U.S. Energy Information Administration (EIA), New Mexico Office of the Governor, New Mexico Oil & Gas Association; PA Consulting
[1] As of 2022; [2] As of October 2023

New Mexico GAS COMPANY

4 Balanced regulatory construct and regulatory mechanisms contribute to stable, predictable financial results

Highlights

- **NMGC benefits from constructive regulatory mechanisms** that reduce regulatory lag
- NMGC has **positive relationships with PRC Staff and stakeholders** and has experienced relatively balanced regulatory outcomes
  - All rate cases for the past 15 years have been settled, with support from stakeholders involved
  - Full recovery of extraordinary fuel costs from Winter Storm Uri and approval of an updated, expanded 3-year energy efficiency program
- In 2023, the PRC transitioned from a 5-member **elected body** to a 3-member **appointed body**

Key regulatory mechanisms

Future Test Year	Purchased Gas Adjustment Clause	Weather Normalization Adjustment	Energy efficiency program
General ratemaking based on estimated future cost of service, reducing regulatory lag	Allows for near real-time recovery of costs related to gas, hedging program, and third-party storage and transportation services	Mitigates the effect of weather-related volatility on sales margin and customer bills	Provides incentives for the achievement of targeted metrics

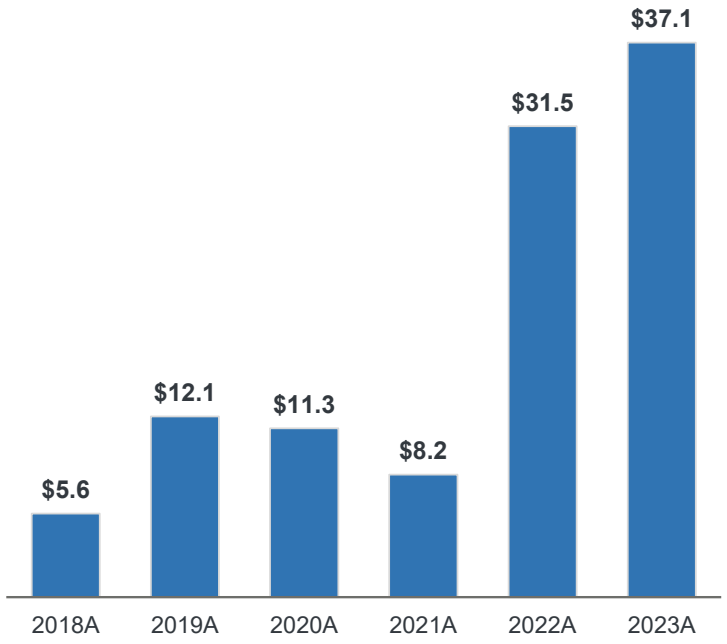
New Mexico GAS COMPANY

4 Regulatory construct strikes a balance between the needs of customers and company

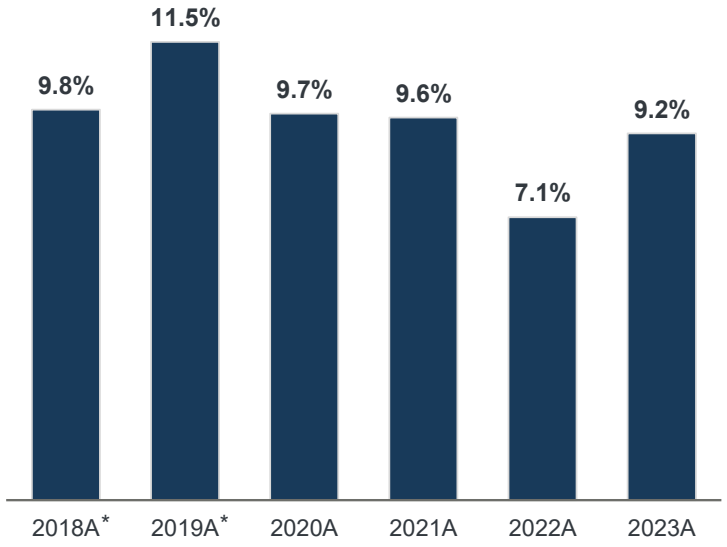
Customers benefit from non-tariff revenue sharing

- NMGC is allowed to generate incremental revenues from non-tariff sources, including Asset Management Agreements ("AMAs"), creating significant value for customers through revenue sharing
  - AMAs are contracts that allow NMGC to capture value from excess interstate pipeline capacity, while still ensuring overall supply reliability

Non-tariff revenue credited to customers ($mm)



Regulatory return on equity



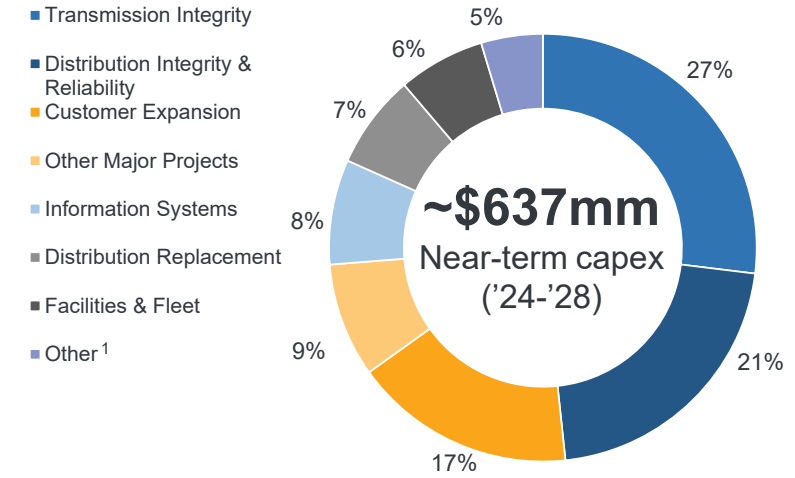
Source: Company forecasts, S&P CapIQ; * Excludes one-time impact of federal tax reform

New Mexico GAS COMPANY

5 Compelling line-of-sight growth driven by reliability-focused capex program

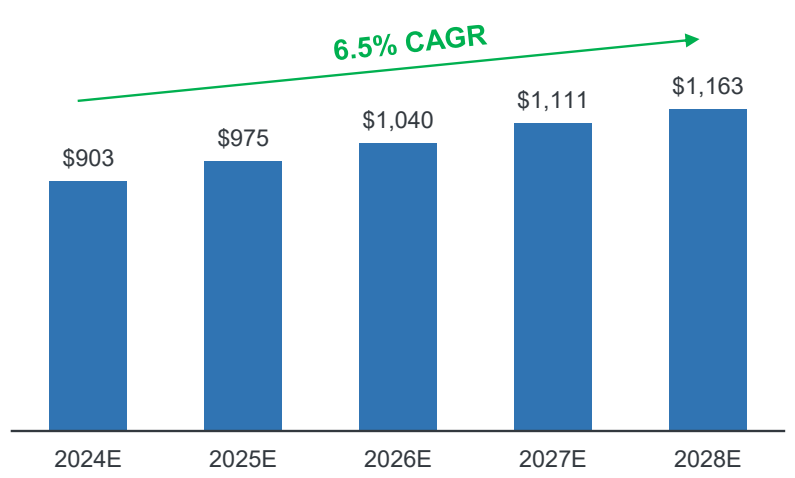
~$637mm reliability-focused capital plan…

Planned capital investment through 2028

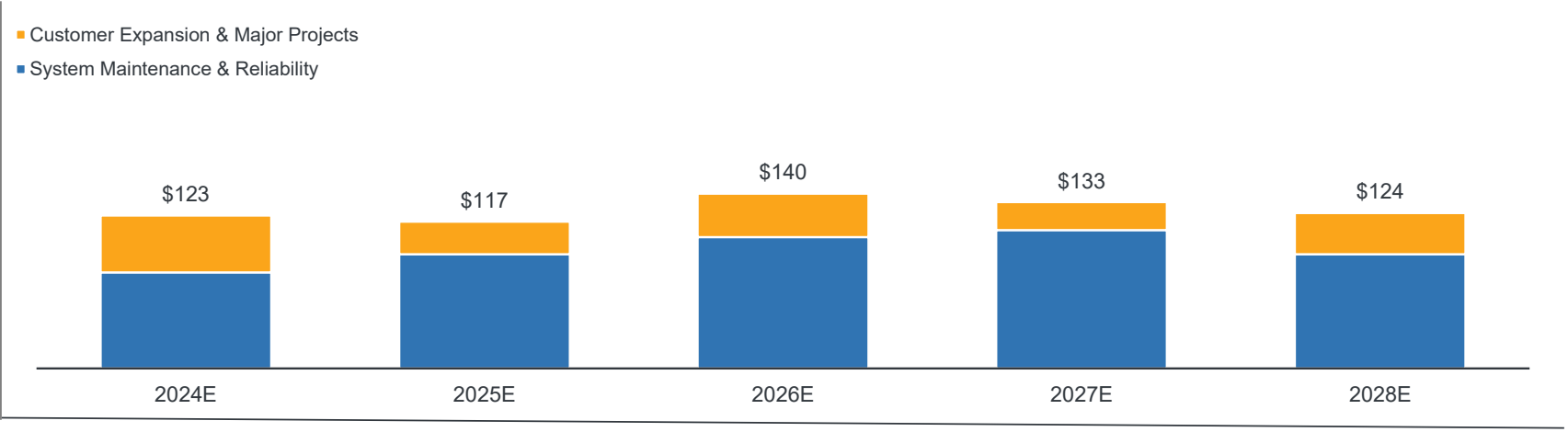


…contributing to 6.5% rate base growth for the next 5 years[2]

Average forecasted rate base



Annual capex forecast



[1] "Other" includes "Security", "General Plant", "Compression Programs"; [2] Rate base reflects 13-month historical average; CAGR based on projected average rate base growth from 2024-2028

New Mexico GAS COMPANY

5 Longer-term, energy-transition-focused development and investment opportunities

Hydrogen Blending

- NMGC has been investigating the **use of hydrogen** as an **emissions reduction solution**
- Based on final results of blending testing, NMGC may pursue **blending on a portion of its customer distribution system**
  - This would require authorization in advance by the PRC
- **Blending tests** on pipelines, fittings and appliances have continued to enhance NMGC's understanding of hydrogen blending

2021
Small-scale blending tests begin at NMGC's testing and training facility in Albuquerque

2023 onward
Testing with blends of 10% and 15% in 2023, **20% in early 2024** and additional pipeline assessment by GTI Energy

2021 → 2022 → 2023+

March 2022
Successful testing of a 5% hydrogen blend on pipeline segments and appliances supported by an independent third-party (GTI Energy) with performance results highly similar to regular natural gas

Renewable Natural Gas ("RNG")

- NMGC has considered **RNG / biogas development opportunities** due to state emissions reduction objectives
- NMGC is exploring paths to development of RNG facilities in applicable industries:
  - **Dairy farms** – New Mexico ranks 9th in the U.S. in milk production
  - **Landfills** with on-site biogas production
  - **Food waste aggregation facilities** from nearby production or large institutions, mainly in the Albuquerque area
  - **Wastewater treatment plants**
- Development and ownership would require PRC approval – likely a Certificate of Public Convenience and Necessity ("CCN") – or legislative direction
- An internal RNG project developer has been hired and is working on options
- Outside of ownership, **NMGC will transport RNG produced from two dairy projects by Dominion / Vanguard Renewables in New Mexico** (each project expecting to output 1,000 – 1,200 MMBtu/day of RNG)
  - The RNG would be transported by NMGC to **interstate pipelines for sale to Vanguard customers in California**
  - Each facility would require 300 MMBtu/day of natural gas from NMGC to power boilers and compressors at the RNG production facilities

New Mexico GAS COMPANY

6 Experienced local management team with deep commitment to New Mexico

Dedicated team of industry veterans leading NMGC, based locally in Albuquerque

Ryan Shell
President
26 years of industry experience

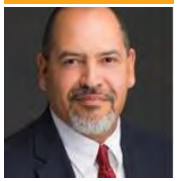
Denise Wilcox
VP, Human Resources and Corporate Security
15 years of industry experience

Erik Buchanan
VP, Finance
15 years of industry experience

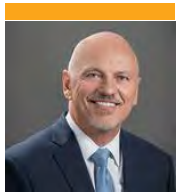
Gerald Weseen
VP, Regulatory, Strategy and External Affairs
18 years of industry experience

Jimmie Blotter
VP, Safety & Business Support
15 years of industry experience

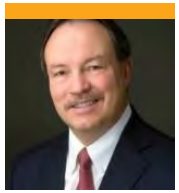
Nicole Strauser
VP, Compliance & General Counsel
18 years of industry experience



Ray Sanchez
VP, Operations
28 years of industry experience



Tom Bullard
VP, Engineering, Gas Management, and Technical Services
30 years of industry experience



Tommy Sanders
VP, Customer Service & Information Technology
42 years of industry experience

More than 20 years of average utility industry experience

World-class execution

Delivers for customers

- Safe and reliable service
- Investment in local economies
- Consistent focus on affordability

Drives value creation

- Risk-based approach to capital portfolio development and prioritization
- Efficient operators
- Track record of effectively executing on large and complex projects

Strong governance

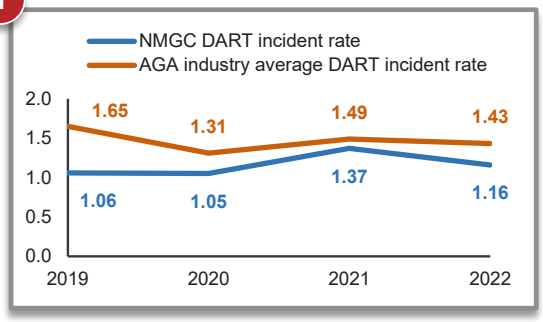
- Local board with **7 out of 9 Directors based locally** in New Mexico
- **6 out of 9 Directors** are independent
- Strong Board diversity across gender and ethnicities

New Mexico GAS COMPANY

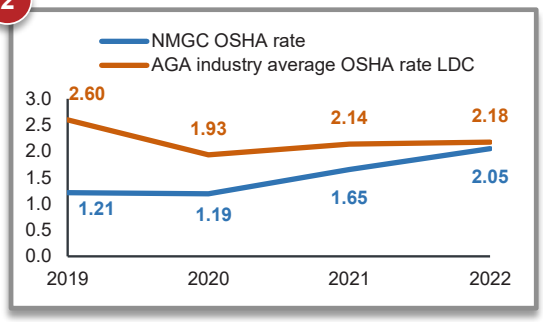
6 Strong track record of operational excellence, commitment to safety, and customer focus

Recent highlights

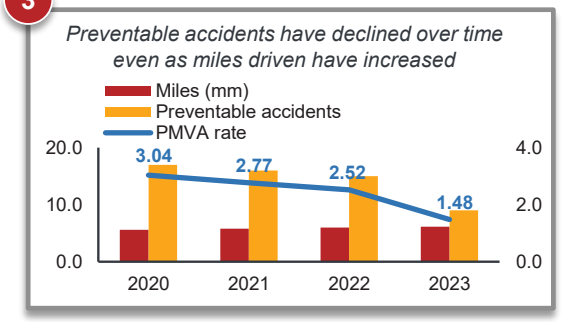
1 DART[1] incident rate comparison against LDC industry average



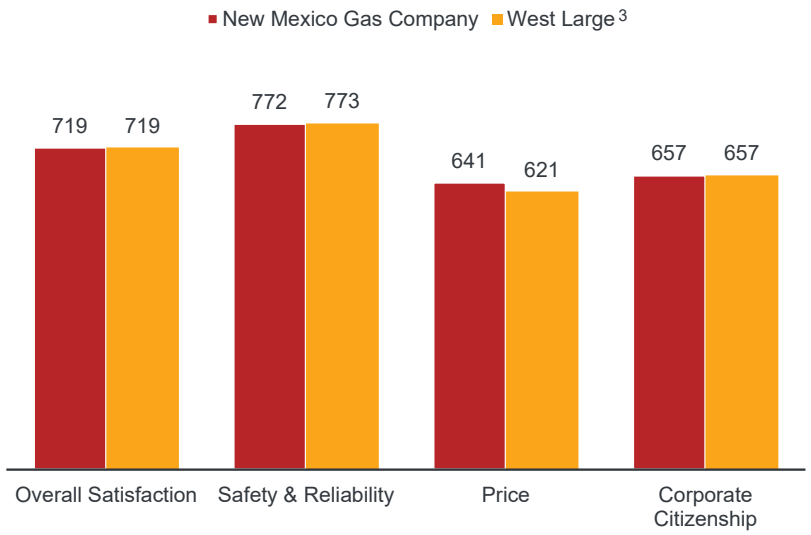
2 OSHA injury rate comparison against LDC industry average



3 Declining Preventable Motor Vehicle Accident (PMVA) rate



2023 JD Power customer satisfaction survey results[2]



Awards and operational highlights

2020-2023 AGA Award
for Leading Indicator Safety

2022 AGA Award
for Best Practices in Leak Detection

82%
satisfied or very satisfied NMGC customers

99%
billing accuracy

100%
response rate to emergencies state-wide within an average of 60 minutes

Electronic Field Data Capture
key digitalization program launched in 2021

Source: Company presentations, JD Power, Research & Polling Inc.
[1] Days Away, Restricted, or Transferred; [2] June JD Power results out of a 1,000 point scale; [3] West Large includes SRP, SMUD, Rocky Mountain Power, APS, PGE, Pacific Power, Puget Sound Energy, LADWP, NV Energy, SCE, Xcel Energy, SDGE, PG&E

New Mexico
GAS COMPANY
3
Company Overview
J.P.Morgan

New Mexico Gas Company history & track record of success

NMGC's vision: A natural choice in our communities for reliable and affordable energy solutions delivered with a passion for exceptional customer service, environmental responsibility, and world class safety

Overview

- The gas business owned by NMGC has an **over 100-year history of reliably providing essential service to New Mexicans**, with consistent growth and modernization
- Ongoing investments continue to position NMGC with a **high-quality, safe and modern system**
- NMGC is deeply committed to New Mexico, with offices throughout the state, and with approximately **80% of Board members based locally**
- NMGC has corporate headquarters in Albuquerque, with 4 service centers, 5 walk-in payment centers and 17 combined service-payment centers situated throughout the state

Timeline & Key Milestones

1900

1917 — Albuquerque Gas and Electric Company founded

1946 — Albuquerque Gas and Electric, Las Vegas Power and Light, and Deming Ice and Electric merge to become Public Service Company of New Mexico (PNM)

1950

1949 — Southern Union purchases the Albuquerque gas operations from PNM

1975

1976 — Southern Union forms Gas Company of New Mexico (with separate gathering, processing, transmission and distribution operations)

1985 — PNM reacquires gas business by purchasing Gas Company of New Mexico from Southern Union

2000

2009 — Continental Energy purchases gas operations from PNM and establishes **New Mexico Gas Company, Inc.**

2015

2014 — TECO acquires New Mexico Gas Company, Inc.

2016 — Emera Inc. acquires TECO and New Mexico Gas Company, Inc.

2020 and beyond

2019 — PRC approves a 5-year pilot program for the WNA, significantly mitigating weather-related volatility in earnings and customer bills

2020-2023 — Completion of numerous projects including Rio Puerco and Santa Fe Mainline looping projects

System overview

Service territory

System highlights

- ✓ Pipeline infrastructure is composed of **~43% coated steel and ~57% plastic pipes**[1]
- ✓ All steel lines are **cathodically protected**
- ✓ **Cast-iron pipe never existed** in the system
- ✓ Plan to **eliminate all bare steel main** and all PVC pipe **by EOY 2024**

Key statistics

~546,000
metered customers

~60%
of New Mexico's population served

10,971
miles of gas distribution main

1,496
miles of transmission

~75%
of distribution gas mains installed after 1970

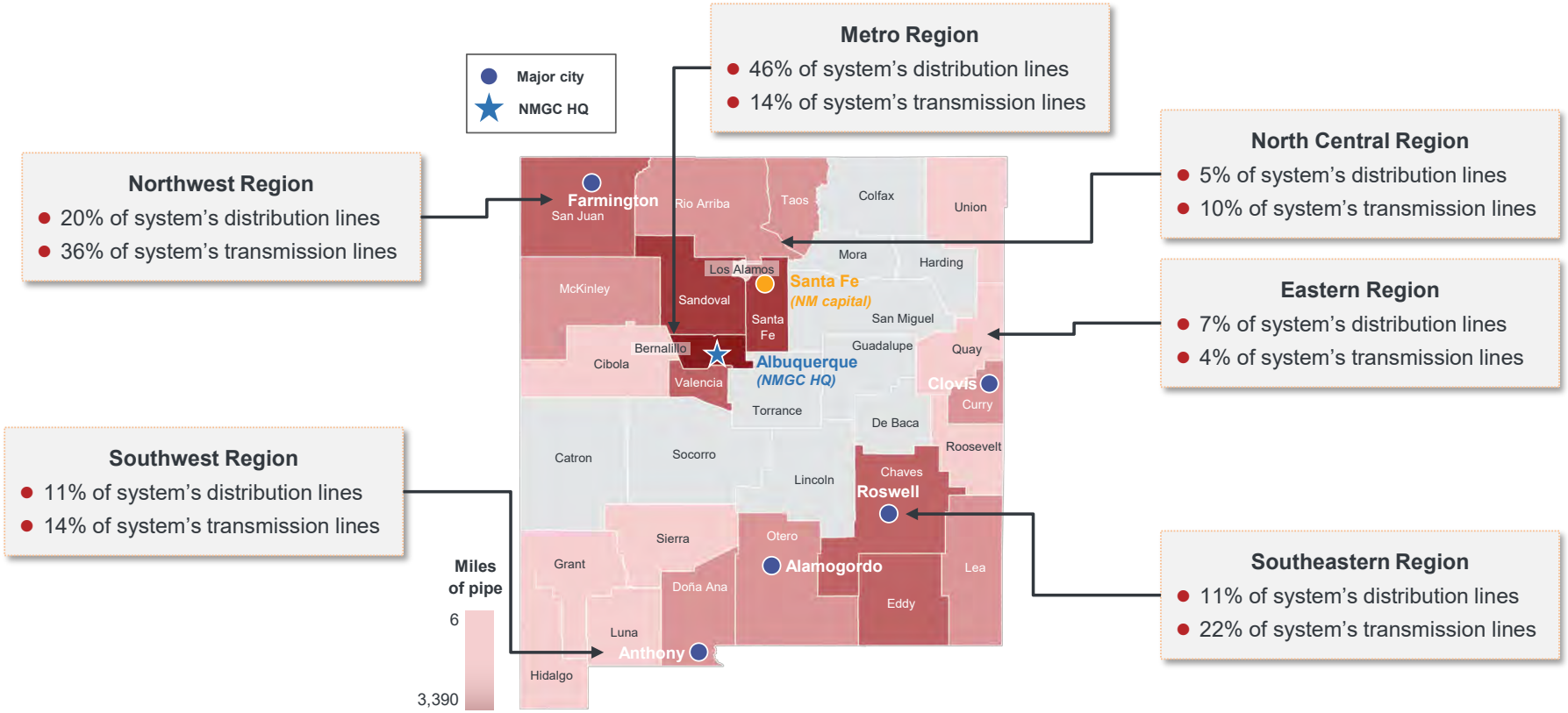
<1%
of total T&D pipe composed of bare steel

[1] As of December 31, 2022

Transmission & distribution system

Highlights

- **Serves 23 of the state's 33 Counties**, including the Albuquerque – Santa Fe region; operates facilities in 27 counties
- Operates facilities on 18 of the state's 23 Pueblos, Tribes, and Nations
- NMGC's service territory is divided **into six operating districts**: Metro, Northwest, Southwest, North Central, Eastern, and Southeastern

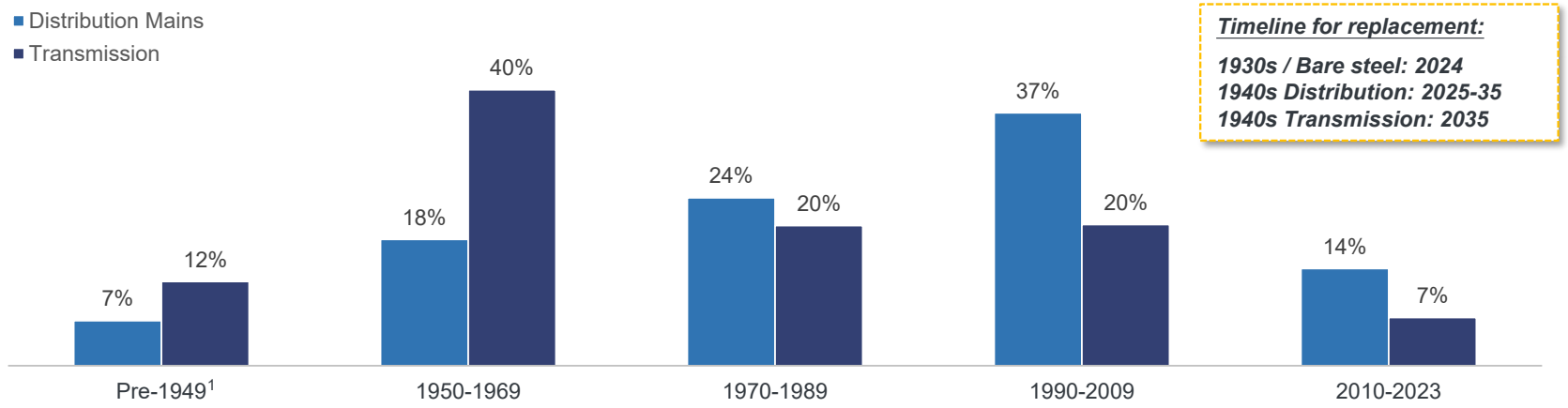


Note: Figures may not sum to 100% due to rounding; System composition data as of Dec. 2023

System composition

Well-developed, high-quality reliable system with majority of pipe installed after 1970

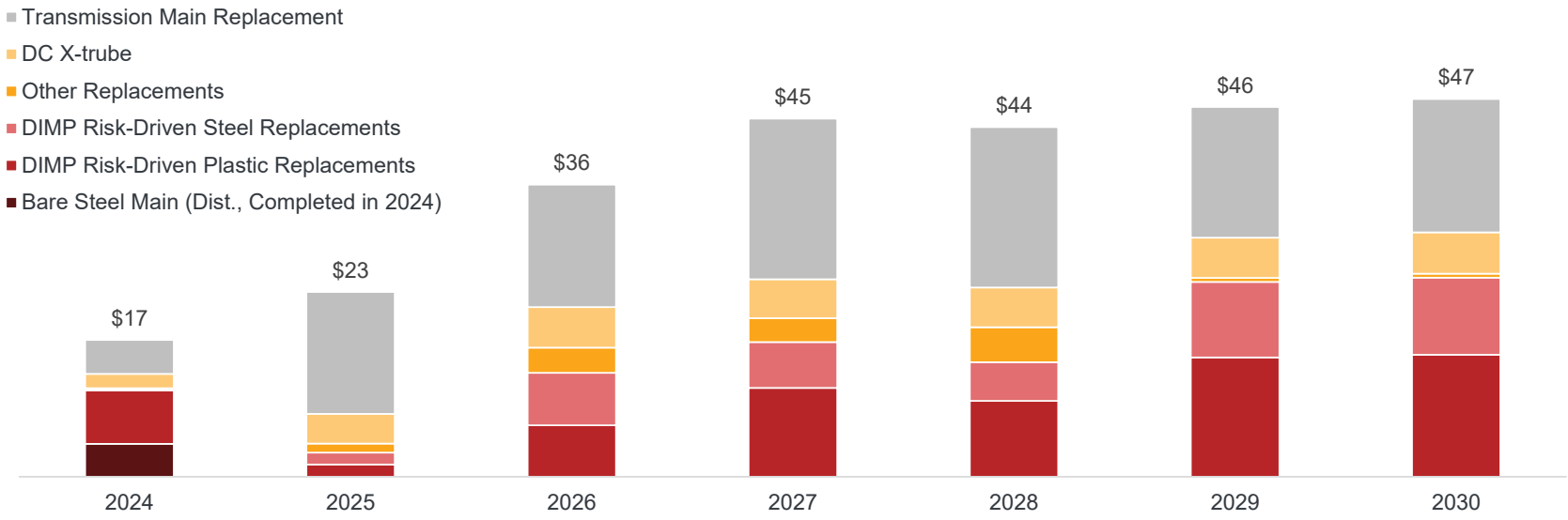
Pipeline system by installation year



Timeline for replacement:

1930s / Bare steel: 2024
1940s Distribution: 2025-35
1940s Transmission: 2035

Annual transmission and distribution pipeline replacement plan by type ($mm)



J.P.Morgan

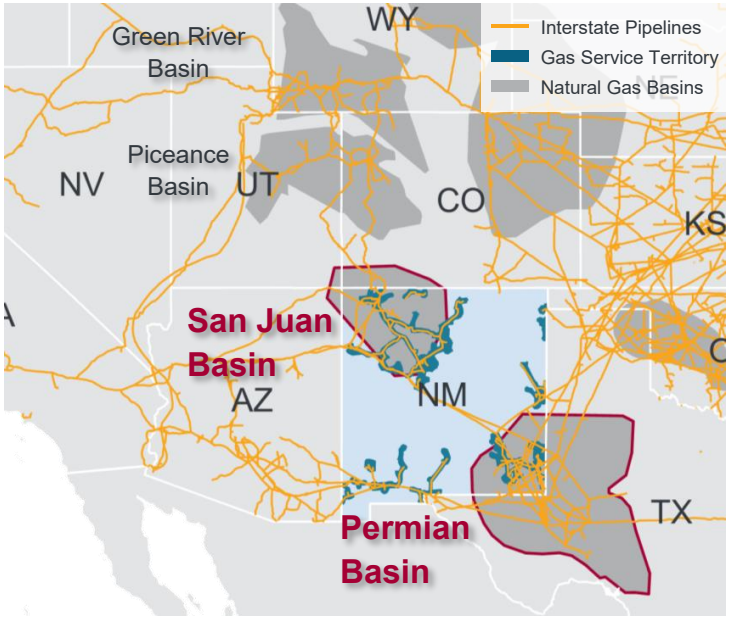
Source: Company forecasts
[1] Includes unknown

Gas supply strategy and transportation network

NMGC's advantaged geographical positioning, intrastate transmission pipelines, and access to network of interstate pipelines ensure reliable, low-cost gas supply for customers

Gas supply strategy overview

- NMGC's service territories are located between and within two natural gas basins:
  - San Juan Basin (producing ~2 Bcf/d)
  - Permian Basin (producing ~21 Bcf/d)
- NMGC typical supply:
  - 60 – 70% from the San Juan Basin
  - 30 – 40% from the Permian Basin
  - Access to supplies in the Green River and Piceance Basins
- Utilizes **AMAs** to capture value from excess interstate pipeline capacity, while still ensuring overall supply reliability
- Contracts with **four interstate pipeline operators** provide for transport of a portion of NMGC gas supply



Transportation

- NMGC's network of intrastate transmission lines allows it to move gas from the San Juan Basin **without the need for interstate transportation**

Hedging

- A hedging plan to help protect customers from price volatility is developed and executed annually; transparency with PRC on approach and outcomes
- Historical hedging strategy utilized financial call options for all hedging
- Additional hedging tools are being piloted for the 2023/2024 heating season

Storage

- **2.7 Bcf of gas storage services** under contract in a salt cavern facility in West Texas, owned by Kinder Morgan
- Some of this storage capacity has been sub-leased to optimize its use
- Storage facility enables NMGC to mitigate exposure to shortages in gas supply and provides for daily gas supply balancing
- NMGC currently pays a total of $6.8 million/year for this capacity and associated rights, which is collected from customers (through PGAC, net of 70% of subleased storage)

NMGC gas hedging overview

PRC-allowed financial hedging activities help protect NMGC customers from price volatility

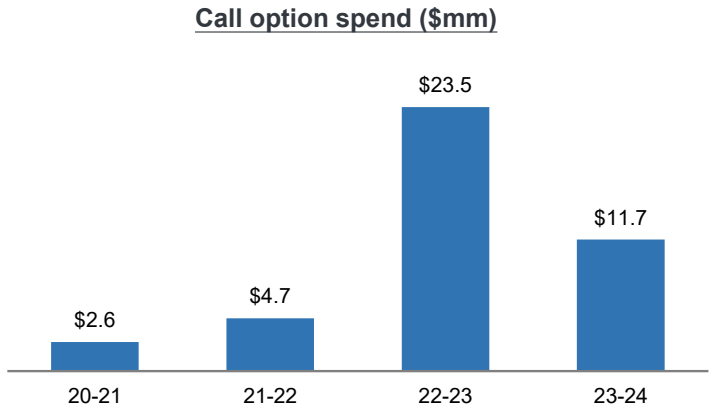
Overview

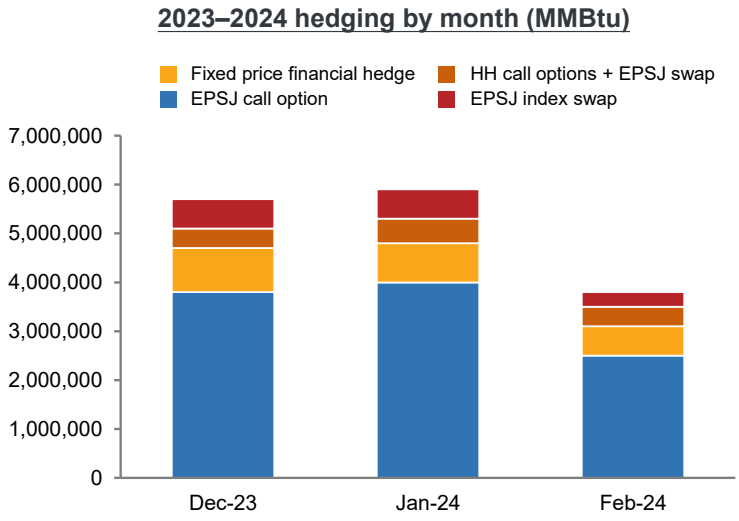
- NMGC hedges baseload gas for December, January, and February (DJF)
  - Approximately 65% - 70% of average sales throughput for DJF
  - Under this plan, NMGC hedges approximately 15 Bcf (15,000,000 MMBtu)
- Due to high cost and volume uncertainty, the Company does not hedge daily gas ("swing gas")
  - Customers remain at risk for daily price volatility
- The PRC has determined that the Company is allowed, but not required, to engage in reasonable financial hedging transactions and approved recovery of the costs associated with hedging transactions through the PGAC mechanism

Hedging strategy

- Hedging transactions are executed April through September using a trigger model and scheduled purchases to prevent speculation, to be in place for the following DJF
- Historical hedging strategy has utilized financial call options for all hedging
- Additional financial hedging mechanisms are being piloted for 2023/2024 heating season due to significant increases in call option premiums

Financial impacts





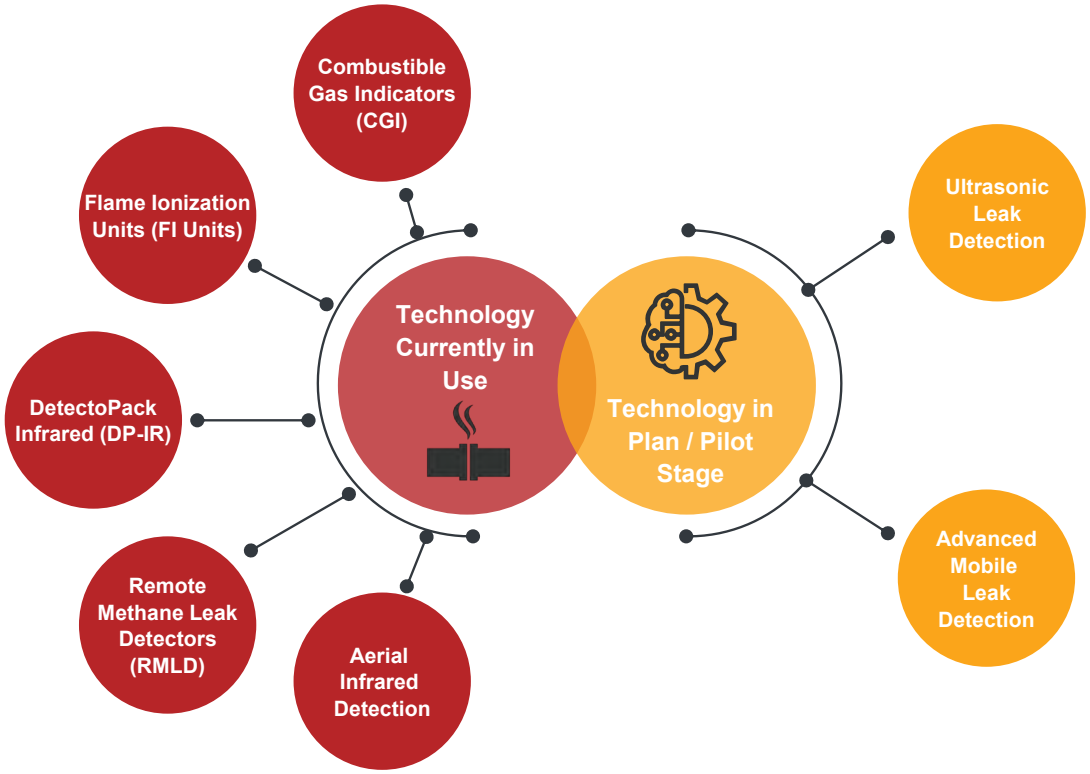
System safety & reliability initiatives

System Integrity

- NMGC has implemented a Transmission Integrity Management Program to maintain the reliability of its network and to comply with regulations
- NMGC continues with ongoing updates to its distribution networks as part of its comprehensive Distribution Integrity Management Program
- Recent / ongoing projects include:
  - Dresser X-Trube replacements
  - Pecos Valley mainline replacement project
  - Clovis mainline replacement project
  - Lea County compressor cooler installation
  - Sewer camera inspections

Leak Detection

NMGC uses the best available monitoring methods, including a pilot program using **advanced mobile leak detection technology** that is **more sensitive** than traditional technologies



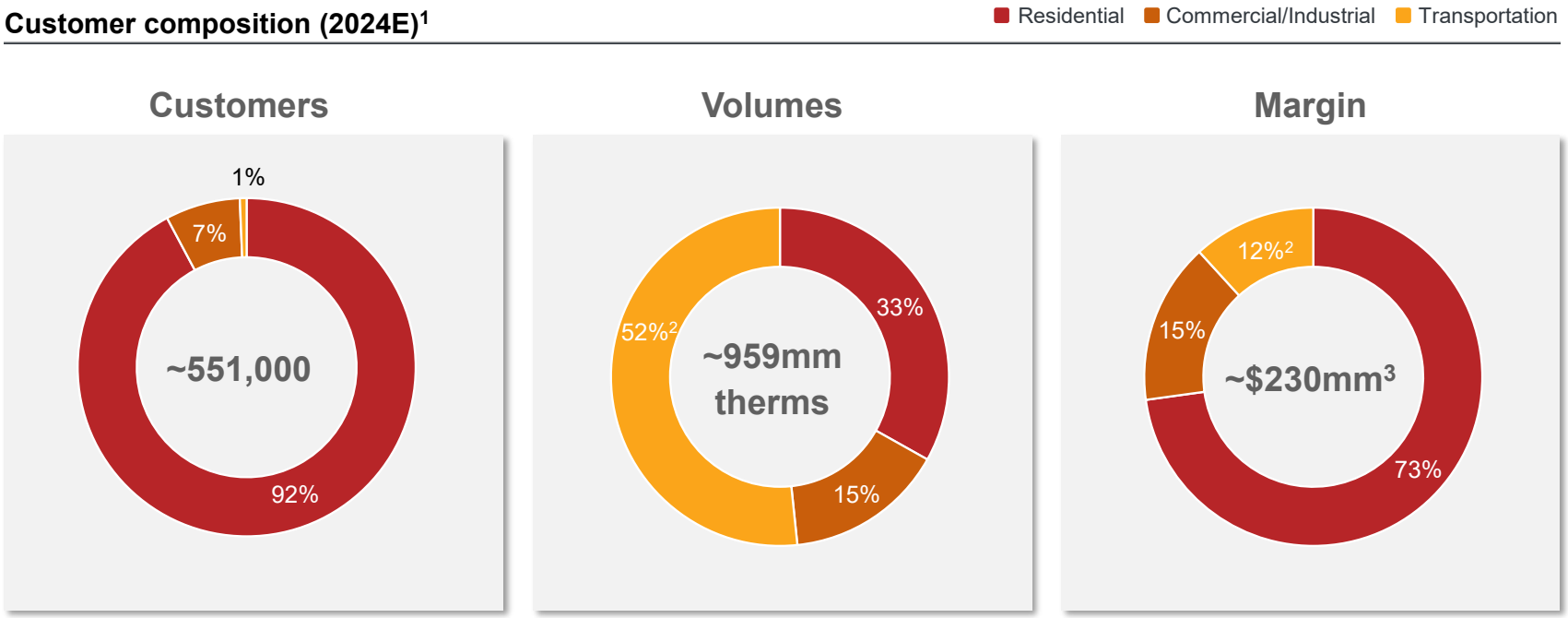
NMGC customer base overview

NMGC's large residential customer base contributes to stable financial results

Overview

- NMGC's customer base is primarily residential with stable energy consumption that is minimally impacted by economic conditions
  - Approximately 27% of total margin comes from sources other than residential customers
  - No single customer accounts for more than 6% of the non-residential gas sales margin
- Combined margins of the top 15 commercial & industrial customers account for 18% of non-residential and transportation margin

Customer composition (2024E)[1]



[1] Based on Company Management forecast and analysis; [2] Includes all classes of customers that do not use NMGC to procure gas; [3] Represents ratemaking revenues only; excludes non-tariff revenues and other revenues (e.g. miscellaneous services, late payments)

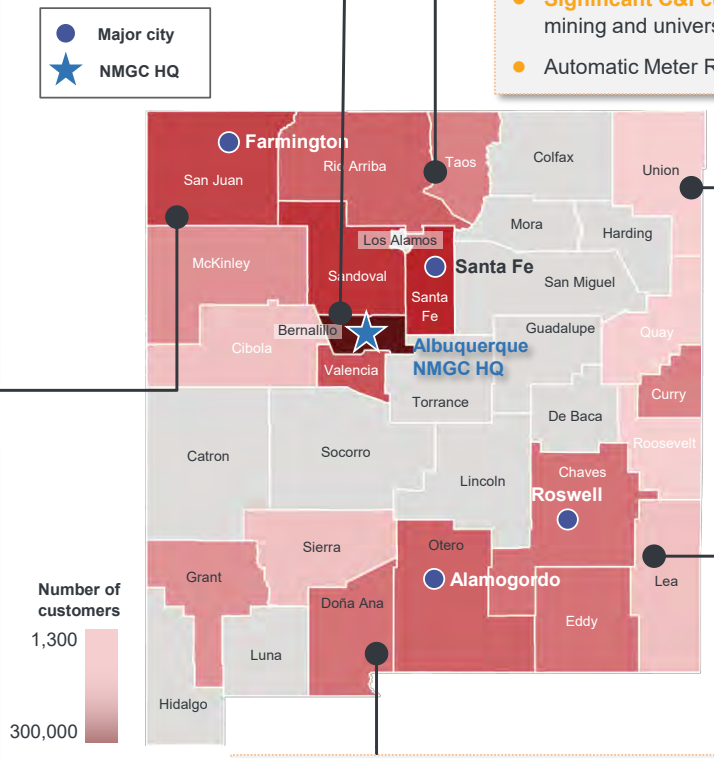
Customer geographic snapshot

Metro Region

- **Major cities:** Albuquerque (Corporate HQ), Rio Rancho, Los Lunas, Belen
- **Customers:** ~328,000
- **Employees:** 480 (includes corporate personnel)
- **Significant C&I customers:** Computer chipmaker, electric generation plants, military installation, national research facility, wallboard manufacturing, and many others
- Automatic Meter Reading (AMR) deployed throughout the region

North Central Region

- **Major cities:** Santa Fe (Regional HQ), Espanola, Taos
- **Customers:** ~80,000
- **Employees:** 64
- **Significant C&I customers:** National research facility, hospital, casino, mining and university
- Automatic Meter Reading (AMR) deployed throughout the city of Santa Fe



Eastern Region

- **Major cities:** Clovis (Regional HQ), Tucumcari, Clayton, Portales
- **Customers:** ~15,000
- **Employees:** 27
- **Significant C&I customers:** Military installation, food processing facilities, medical and dairy industries

Northwest Region

- **Major cities:** Farmington (Regional HQ), Aztec, Bloomfield, Gallup, Grants, Chama
- **Customers:** ~49,000
- **Employees:** 53
- **Significant C&I customers:** Power generation, refineries, agricultural and medical
- The Farmington area has an oil and gas focus and is situated near the San Juan oil and gas basin
- AMR deployed throughout the region

Southeastern Region

- **Major cities:** Carlsbad (Regional HQ), Roswell, Artesia, Lovington
- **Customers:** ~32,000
- **Employees:** 58
- **Significant C&I customers:** Refining and potash mining facilities
- Situated in the Permian oil and gas basin

Southwest Region

- **Major cities:** Anthony (Regional HQ), Alamogordo, Silver City, Truth or Consequences
- **Customers:** ~42,000
- **Employees:** 48
- **Significant C&I customers:** Food processing, military installations and packaging materials

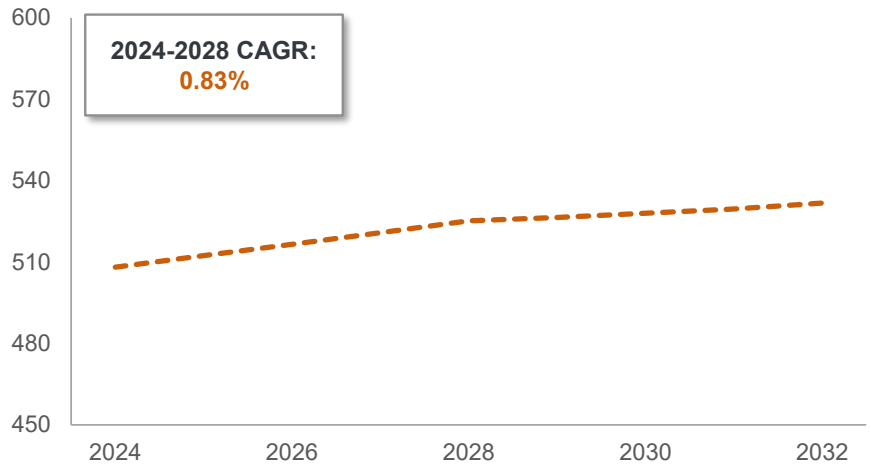
Note: Customer counts and employee figures as of year-end 2023

Residential customer overview

Overview

- Residential is the **largest customer class**, comprising **~92% of NMGC's customer base** as well as **~73% of gross margin**[1]
- The residential class has **stable energy consumption** that is **less impacted by economic conditions**
- New Mexico customers **support and rely on affordable natural gas service**, especially during the winter heating season
- New Mexico customers' average personal income grew at an annual rate of 7.1% in the first quarter of 2023, the **10th highest growth rate in the U.S.**, demonstrating the continued economic growth that supports the New Mexico population base

Customer count forecast ('000s)



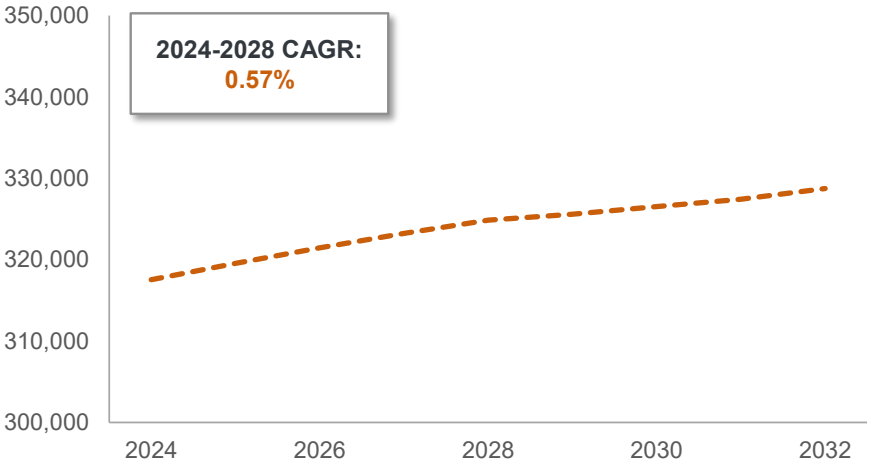
Primary residential gas usage

Space heating

Water heating

Cooking

Volumes forecast (Dth)



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Source: Company filings and presentations; PA Consulting
[1] As of 2023

Commercial & Industrial customer overview

Commercial customer overview

- Commercial customers are the second-largest customer class for NMGC, consisting primarily of small volume general service businesses (e.g. restaurants, retail)
- Customers in this class are **highly diversified** with **no one customer contributing significantly** to NMGC's gross margin
- NMGC's commercial customers are local and provide stable, predictable demand

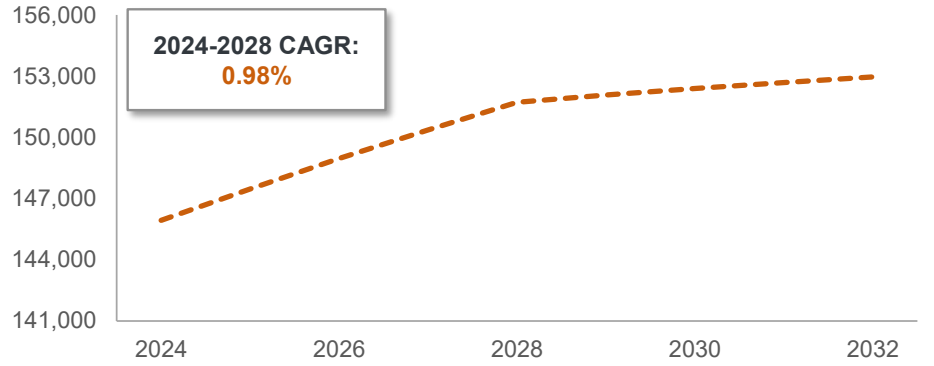
Industrial customer overview

- NMGC's industrial sales customers include numerous industries that contribute significantly to the economy of New Mexico

Industry	2022 Usage (Bcf)	%[1]
Mining	1.1	58%
Military	0.4	21%
Agriculture	0.1	6%
Cement	0.1	4%
Other medium volume	0.1	4%
Asphalt	0.1	3%
Health care	0.1	3%

NMGC's C&I customers include small businesses, industrial companies, and larger, critical state and government institutions

Volumes forecast (Dth)



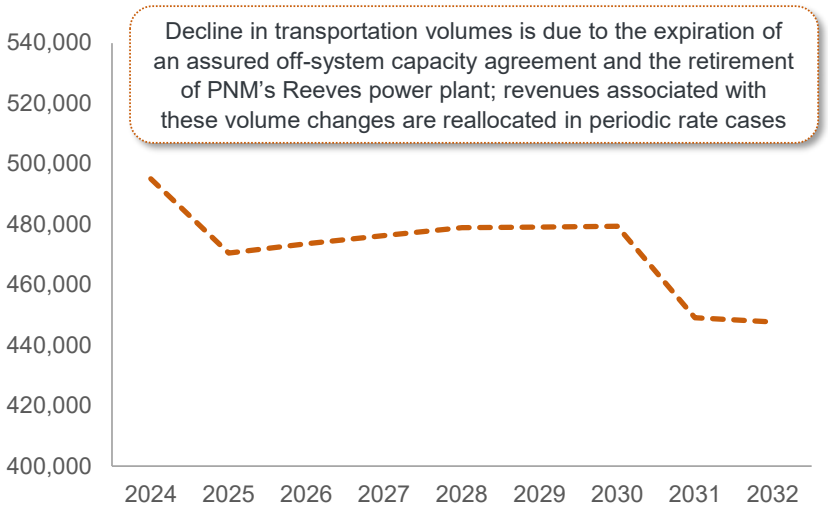
Source: Company filings and presentations; PA Consulting
[1] Figures may not sum to 100% due to rounding

Transportation customer overview

Overview

- Transportation is the **smallest customer class**, representing **only ~1% of the customer mix**
- Although the transportation segment comprises **~52% of throughput**, it only contributes **~12% of margin**
  - Transportation segment declines as a percent of NMGC volumes and margin over the forecast period
- There are potential growth opportunities in the segment, as the State is focused on bringing large-scale manufacturing facilities to New Mexico
  - NMGC works with the State to support the efforts

Volumes forecast (Dth)



Industry composition

Industry of top 10 transportation customers	2022 Usage (Bcf)
Electric generation	11.9
Off-system transportation	9.8
Refining	9.1
National research and defense facilities	2.3
Paper mill	1.1
CHP - institution	0.8

Source: Company filings and presentations; PA Consulting

New Mexico GAS COMPANY

4 Regulatory Construct

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Overview of New Mexico regulatory environment

Highlights

Balanced regulatory environment, including purchased gas and weather normalization mechanisms

Future test year reduces regulatory lag

Weather normalization adjustment (WNA) mechanism stabilizes revenues and customer bills

Purchase gas adjustment clause (PGAC) allows for near-real time recovery of costs for gas, hedging program, and third party storage and transportation services

Energy Efficiency Rider provides an annual incentive related to the achievement of targeted metrics

Regulatory Commission	NEW MEXICO PUBLIC REGULATION COMMISSION
Test Year	Future Test Year
Authorized Equity Ratio	52.0%
Authorized ROE	9.375%
Purchased Gas Adjustment	✓
Weather Normalization	✓
Energy Efficiency	✓

Recent and ongoing NMGC utility rate cases

Filing Date	Req. ROE	Auth. ROE	Req. Equity Layer	Auth. Equity Layer	Req. Rate Increase	Auth. Rate Increase
9/14/2023	10.50%	-- [2]	53.00%	-- [2]	$48.4mm	-- [2]
12/13/2021	10.10%	9.375%	53.00%	52.00%	$40.7mm	$19.3mm
12/23/2019	10.20%	9.375%	54.00%	52.00%	$13.2mm	$4.5mm
02/26/2018	10.20%	9.100%	54.00%	52.00%	$8.0mm	$2.5mm

[1] For the year ended December 31st, 2022; [2] A unanimous settlement has been reached with intervening parties that includes a 9.375% ROE, 52% equity layer and $30mm rate increase; the settlement has not yet been approved

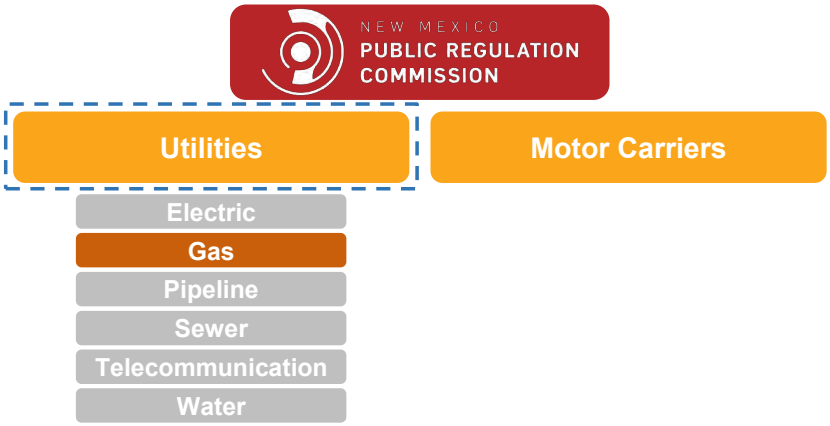
New Mexico Public Regulation Commission ("PRC")

Overview

- Regulates the utilities, telecommunications and motor carrier industries to ensure fair and reasonable rates and ensure reasonable and adequate services to the public as required by law
- Promotes public safety through the offices of the Pipeline Safety Bureau and Transportation Division
- Recent transition from elected to appointed commissioners

Number of Commissioners	3
Method of Selection	▪ **Commissioners:** Gubernatorial appointment, Senate confirmation ▪ **Chairperson:** Elected by fellow Commissioners
Term of Office	▪ **Commissioners:** 6 years ▪ **Chairperson:** 1 year
Commission Chairperson	Patrick O'Connell
Size of Staff	155

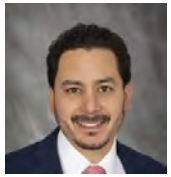
Structure



Commissioners

Patrick O'Connell, Chairman (D)
- Ex-Clean Energy Program Interim Director at Western Resource Advocates
- Native and current resident of New Mexico
- Holds a BS from the University of New Mexico

James Ellison, Commissioner (I)
- Principal grid analyst for the Grid Modernization Group at Sandia National Laboratories
- Lived in New Mexico since 2005
- Holds a BA from Clemson University and Master's degrees from MIT and Stanford University



Gabriel Aguilera, Commissioner (D)
- Ex-Senior Policy Advisor for the Commission's office of Energy Market Regulation (FERC)
- Grew up in southern New Mexico
- Holds a BBA from New Mexico State University and an MBA from the University of Maryland

 Source: S&P CapIQ, PRC website

Current regulatory construct

General Rate Cases ("GRCs")	▪ **Base rates, authorized capital structure and ROEs** are set in periodic GRCs ▪ NMGC's **most recent GRC was filed in 2023** requesting an increase in non-fuel revenues of $48 million, recovery of regulatory assets related to rate case costs, COVID-19 pandemic costs, and certain costs to upgrade NMGC's information system (among other items), and that the pilot WNA mechanism be shifted from a pilot to a normal tariff[1]
Future Test Period	▪ Utilities are allowed to file GRCs utilizing a future test period to set base rates ▪ Utilities using future test period rate cases must file no later than 150 days after the end of a calendar quarter, and future test period GRCs are required to contain a base period, linkage periods, and a future test year period (see next page)
Purchased Gas Adjustment Clause ("PGAC")	▪ Recovers NMGC's **actual costs for purchased gas, gas storage services, hedging, interstate pipeline capacity** and **related costs** from gas sales customer on a near-real-time basis ▪ NMGC **must file a PGAC Continuation Filing with the PRC every four years** to establish that continued use of the PGAC is reasonable and necessary
Energy Efficiency Rider	▪ Mechanism for **recovery of costs associated with energy efficiency programs** approved by the PRC ▪ Program costs of up to 5% of total annual revenues can be recovered ▪ Company allowed to recover incentive if targeted reductions in therm usage are met
Weather Normalization Adjustment ("WNA") Mechanism	▪ Designed to **remove weather variability** from Company financial results and the cost-of-service portion of customer bills during the winter heating seasons ▪ Allows Company revenue to be more predictable by partially removing the impact of warmer or colder than normal weather
NMGC Winter Event Gas Cost Recovery	▪ In February 2021, the central and southern U.S. experienced an extreme cold weather event that resulted in an incremental ~$107 million for gas costs above what NMGC would normally have paid during this period ▪ On June 15, 2021, the PRC **approved the recovery over a period of 30 months beginning July 1, 2021** ▪ Substantially recovered by EOY 2023; small unrecovered balance was rolled into the PGAC

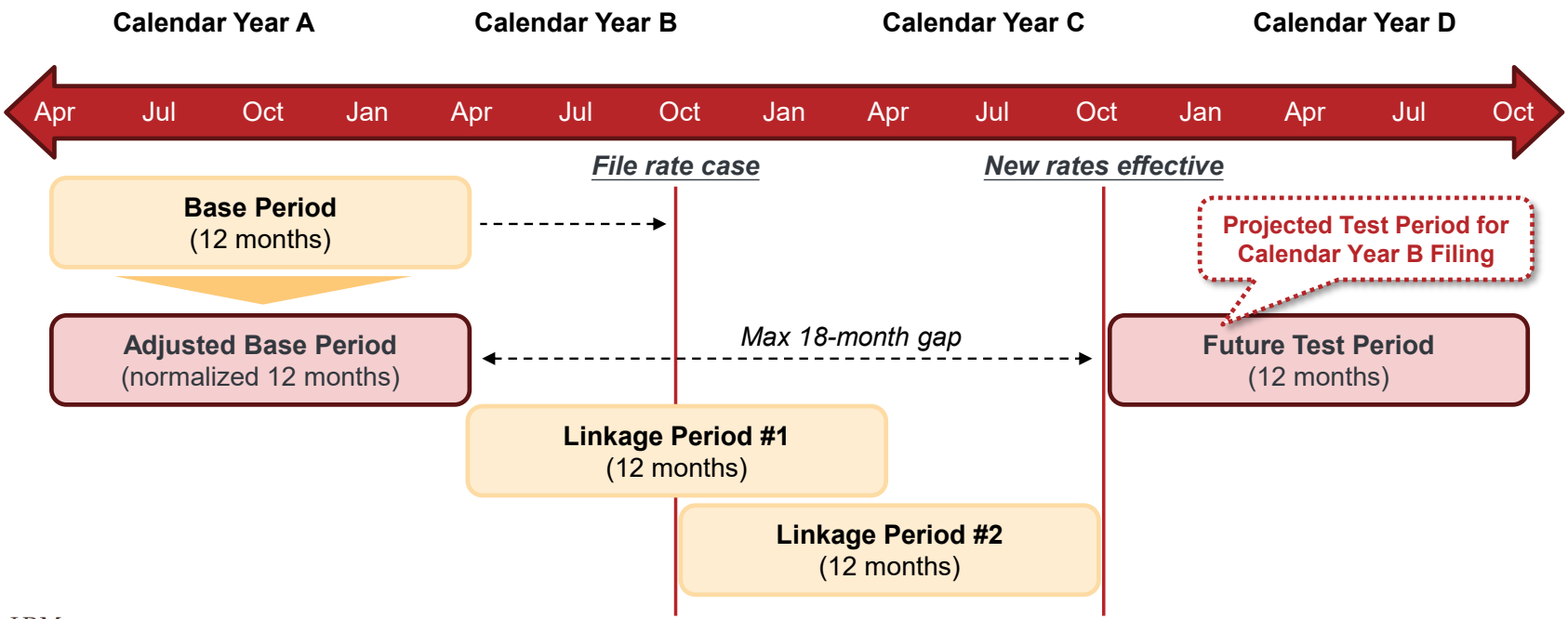
[1] A unanimous settlement has been reached with intervening parties that includes a 9.375% ROE, 52% equity layer and $30mm rate increase; the settlement has not yet been approved

General ratemaking construct overview

General rate case structure

- NMGC expects to file general rate cases approximately every 2 years (timing will depend on business circumstances)
- Regulatory construct in New Mexico allows general rate cases based on a future test year, reducing regulatory lag
- Utilities using a future test period must file no later than 150 days after the end of a calendar quarter, and the future test period is required to contain:
  - A 12-month base period ending on a calendar quarter
  - A 12-month linkage period #1 that is comparable to the base period
  - A 12-month linkage period #2 that is comparable to the future test period
  - A 12-month future test period commencing no later than 18 months after the end of the base period

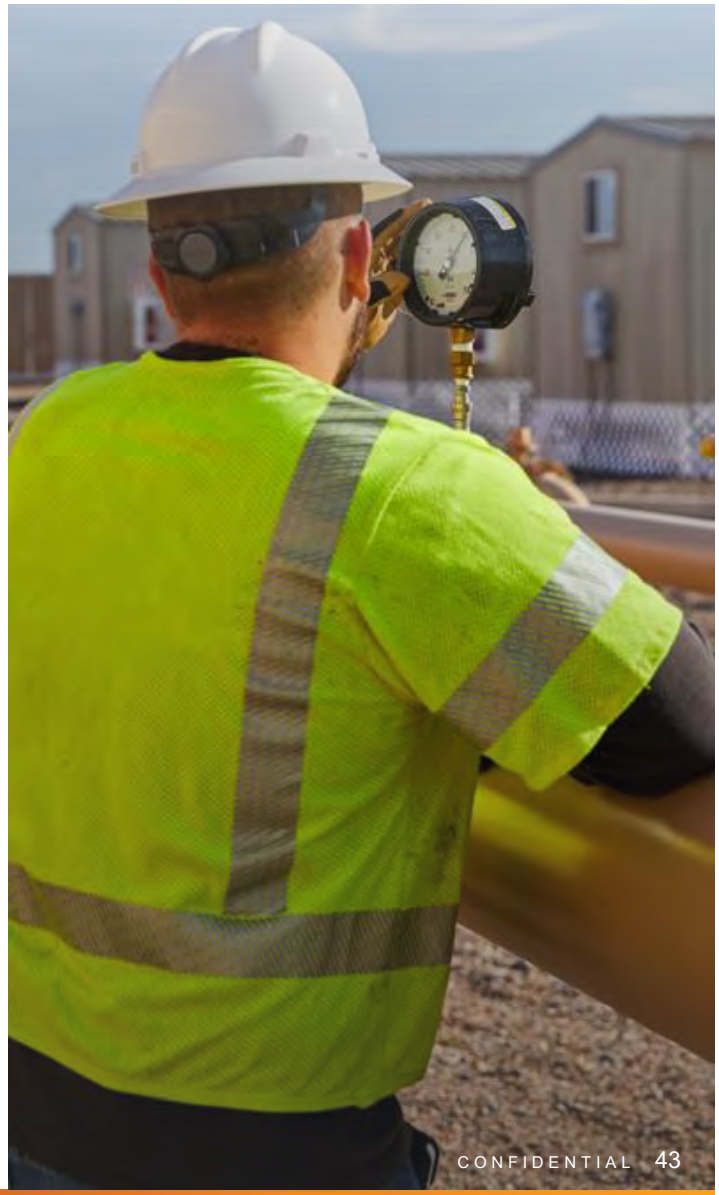
Illustrative regulatory timeline



Purchased Gas Adjustment Clause

Overview

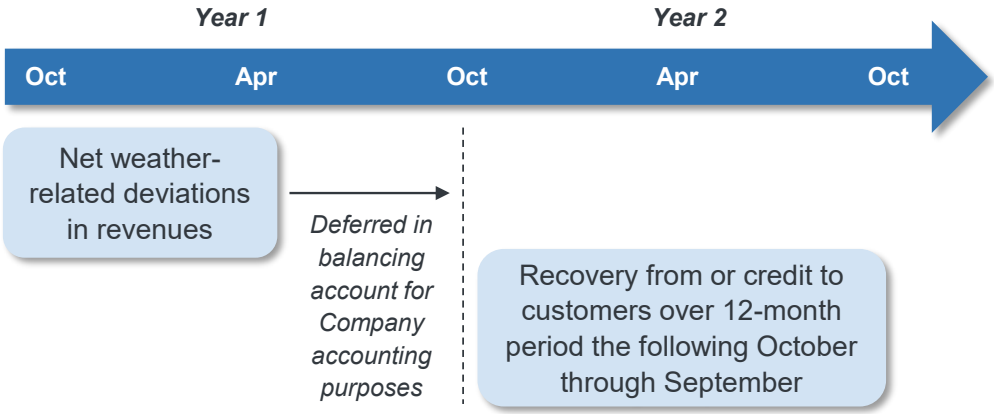
- Provides for **near real-time recovery** of fuel and related costs from customers
- Mechanism allows NMGC to establish the prices charged to customers for each upcoming month
  - Anticipated prices for the upcoming month must be filed mid-month for the upcoming month
  - Can be adjusted near month end, if necessary
  - Become effective in the first billing cycle of the upcoming calendar month
- Seeks to recover fuel and related costs as they are incurred including:
  - Forecasted base load
  - Swing fuel prices and volumes
  - Impact of base load hedging transactions, including recovery of option premiums
  - Transportation costs
  - Storage costs
  - Lost gas / line losses
  - New Mexico PRC fees
- Prices are also adjusted for any prior month over/under recovery
- Requirement to limit over/under recovered balances at the end of each PGAC year to +/-5% of its annual fuel costs (PGAC year ending August 31st)



Weather Normalization Adjustment Mechanism

Overview

- Designed to normalize weather impacts on residential and small commercial customer volumes (majority of NMGC revenues)
- 5-year pilot approved in 2019 by the PRC (specific to NMGC)[1]
- Mitigates the impact of weather-related volatility on sales margin and customer bills, improving the predictability of financial results
- For accounting purposes, the net weather impact for an October through December heating season is deferred and then collected from or credited to customers in the subsequent October through December period



[1] Proposed general rate case settlement would make WNA mechanism a normal tariff instead of a pilot, if approved

Recent and ongoing general rate case activity

Filing Date	September 2023 (Ongoing)[1]	December 2021
Filing	2023 Rate Case	2021 Rate Case
Test Year	Future: Oct. 2024 – Sep. 2025	Future: Jan. 2023 – Dec. 2023
Projected Rate Base	$968 million	$809 million
Requested Revenue Change	+$48 million	+$41 million
Authorized Revenue Change	– [1]	+$19 million
% of Request	– [1]	47%
Authorized ROE	– [1]	9.375%
Rates Effective	October 2024	January 2023
Commentary	▪ Recovery of regulatory assets (related to rate case costs, COVID-19 pandemic costs, and certain costs to upgrade customer information system) ▪ Request for the WNA mechanism pilot program to be shifted from a pilot to a normal tariff ▪ Based on the terms of the proposed settlement, an average monthly bill for a residential customer would increase by ~7.2%[2]	▪ Unopposed Settlement approved and new rates began January 1, 2023 ▪ Included changes to rate design to include a new rate for customers operating compressor facilities, a modification to Rate No. 39 and increases in access fees for certain rate classes

[1] A unanimous settlement has been reached with intervening parties that includes a 9.375% ROE, 52% equity layer and $30mm rate increase; the settlement has not yet been approved; [2] Assuming the cost of gas portion of the bill does not change

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5 Capital Plan
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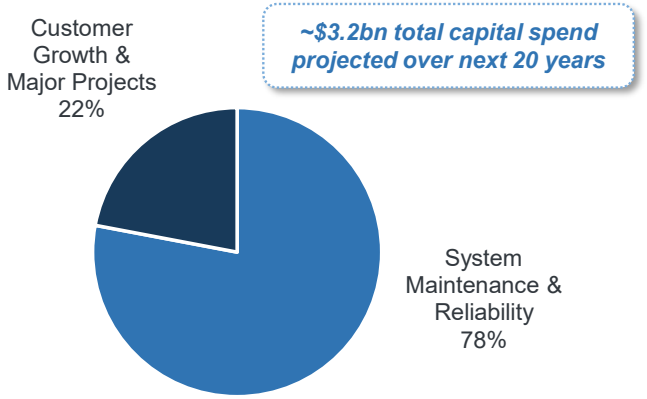
Capital spending plan overview

Overview

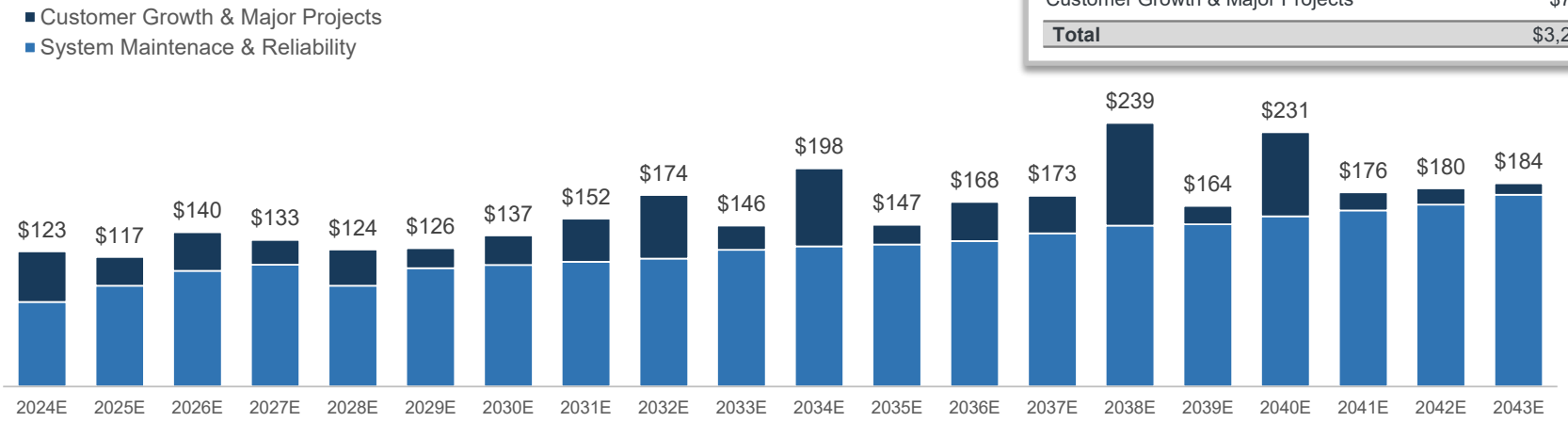
- Capex prudency review is through the PRC's general rate case process
- The capex forecast for 2024 to 2043 includes:
  - **Distribution facilities** (new and replacement / maintenance)
  - **Distribution integrity & reliability** (risk-based replacements of pipe, integrity management plan)
  - **Transmission integrity** (pipe replacement, erosion, corrosion)
  - **General plant** (tools and equipment)
  - **Facilities & fleet** (facilities maintenance, fleet vehicles, fleet operating equipment)
  - **Security** (facilities and pipeline security)
  - **Information systems** (business support services / technology operations for infrastructure)
  - **Compression & other transmission** (compression projects, other transmission)
  - **Other major projects** (customer information system upgrade, potential decarbonization projects, other upgrades)

Capital expenditure breakdown ('24E-'43E)



Category ($mm)	Total (2024E–2043E)
System Maintenance & Reliability	$2,521
Customer Growth & Major Projects	$712
Total	$3,233

Capital expenditure forecast



Note: Please see disclaimer with respect to projections and estimates

System maintenance and reliability capex

Distribution Integrity and Reliability

Percent of forecast: **28%**

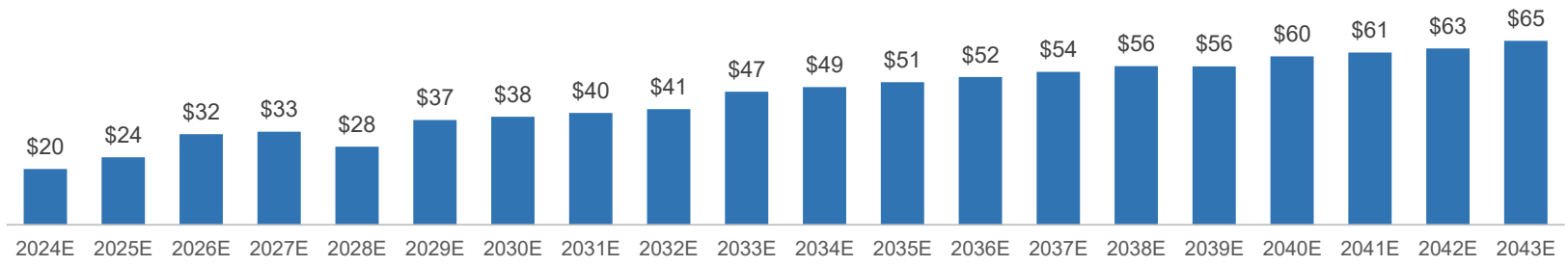
NMGC maintains a key focus on the integrity of its distribution, placing safe and reliable service at the forefront of its business planning

Targeted Pipeline Replacement

- Targeted replacement of asset types that present potential risks to the safe operation of the physical system
- Prioritization of replacement targets will be driven by NMGC's Distribution Integrity Management Program (DIMP) plan required by PHMSA, including:
  - **Bare steel:** Company expects to complete retirement of all bare steel mains by the end of 2024
  - **Legacy pipe:** Near-term focus on retiring PVC and other legacy plastic and steel pipelines over time
  - **X-trube lines:** Significant replacement expected of mechanically coupled steel tubing service lines installed in the 1960s and 1970s, rather than being welded

Sewer Camera Inspection Project

- Identifies areas in which installation of gas facilities over time may have unintentionally come in contact with customer sewer laterals (a "cross-bore")
- Issue is not common in NMGC's system, although multiple cross-bores have been identified and it is an ongoing issue the U.S. gas industry is addressing
- By inserting a camera inside the sewer system, cross-bores can be identified and repaired before any damage to gas piping occurs



System maintenance and reliability capex (cont'd)

Transmission Integrity

Percent of forecast: **25%**

The Transmission Integrity category consists of several safety, reliability, and compliance investments

Maximum Allowable Operating Pressure (MAOP) Reconfirmation

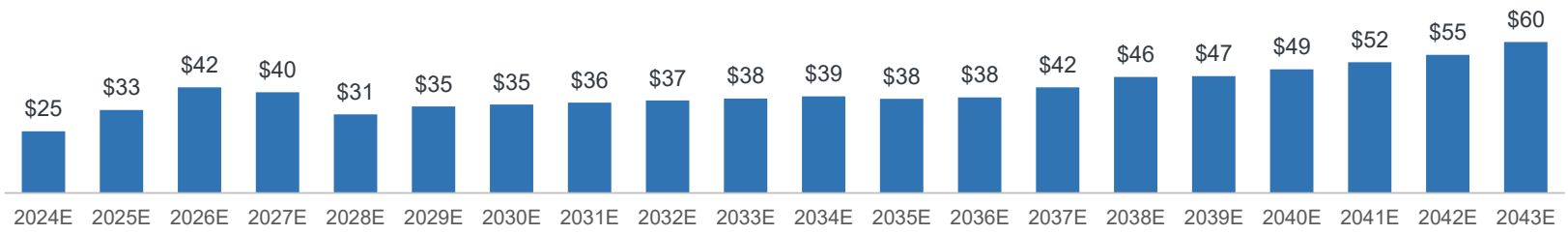
- Replacement, re-testing and materials verification of segments of the transmission system to comply with PHMSA's MAOP Reconfirmation requirements
- PHMSA recently discontinued the former practice of establishing the MAOP of a pipeline segment based on its actual operating pressure during a defined period of time
- Gas operators across the country are addressing these requirements which include a completion deadline of mid-2035 (with 50% of the required work to be completed by mid-2028)
- Approximately 38% (568 miles) of the Company's transmission mains currently in service do not have the required records

Retrofitting of pipelines

- Prior to 1994, there was no requirement that transmission lines be designed and constructed to accommodate the passage of internal inspection devices
- Process requires replacement of fittings, valves and pipe segments that will not accommodate the inspection device
- Approximately two-thirds of NMGC's existing transmission system was installed prior to 1994
- While some of these pipe segments will be subject to replacement, where the required records exist, the Company plans to complete these retrofits

Remote shut-off valves

- PHMSA also requires the installation of remote shut-off valves (RSVs)
- RSVs minimize the consequence of unintended releases of gas, enhance public safety and reduce emissions impacts on the environment
- The Company's long-term plan is to modify or replace over 400 existing valves with RSVs



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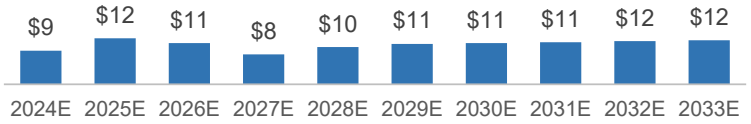
System maintenance and reliability capex (cont'd)

Information Technology

Percent of forecast: 7%

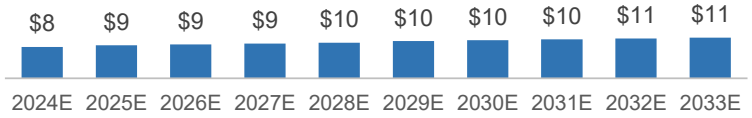
- The forecast includes Information Technology investments that are made directly by the Company
- Also includes a portion of corporate investments allocated to the Company by its parent
- Inclusive of both hardware and software investments (excluding major system investments identified in Major Projects)



Replacement Distribution Facilities

Percent of forecast: 7%

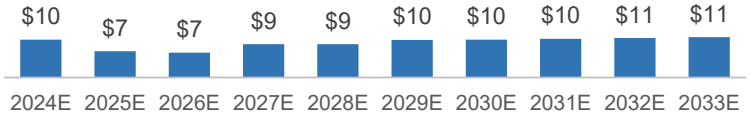
- The forecast includes representative reinvestment in the distribution system; for example, unplanned replacement of mains, service lines, valves, and regulators
- Primarily consists of emergent issues which must be addressed through the course of normal operations



Facilities and Fleet

Percent of forecast: 7%

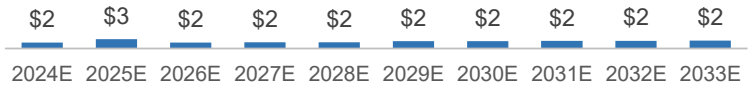
- The Facilities and Fleet category includes recurring investments to maintain Company offices and other facilities, as well as new and replacement vehicles and power-operated construction equipment
- Forecast also includes major investments in new operations centers in Espanola and Farmington; these investments are included in the Company's pending rate case



General Plant

Percent of forecast: 1%

- The General Plant category includes new and replacement tools and equipment required to support construction and maintenance of the gas delivery system
- Typically a relatively small component of a gas utility's total investment needs

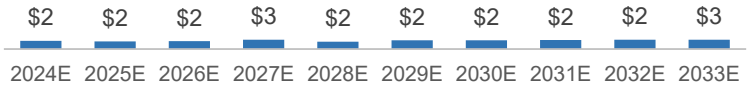


System maintenance and reliability capex (cont'd)

Security

Percent of forecast: 2%

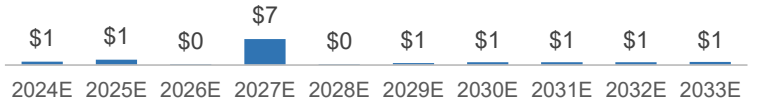
- The Company takes a proactive, comprehensive approach, in alignment with Transportation Security Administration requirements, to the security of its physical facilities, including offices, pipelines and other critical infrastructure
- Through deployment of an integrated security solution, the Company is able to identify continuing needs to reinforce the security of its assets to protect employees, customers and the public in general



Compression programs

Percent of forecast: 1%

- The single largest near-term driver of the Compression and Other Transmission category is the replacement of an existing compressor at Lea County Compressor Station to reduce emissions consistent with new EPA rules
- Also included in this investment category are dollars to address emergent needs that may surface to maintain the Compressor Stations

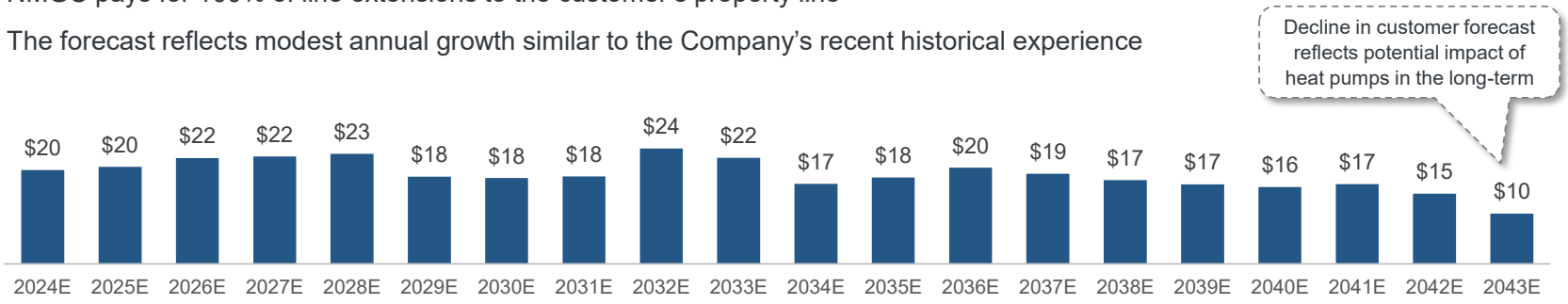


Customer growth capex

New Distribution Facilities

Percent of forecast: **12%**

- New Distribution Facilities include the addition of mains, service lines and other infrastructure required to serve new customers
- NMGC pays for 100% of line extensions to the customer's property line
- The forecast reflects modest annual growth similar to the Company's recent historical experience



Future incremental growth opportunities

Incremental growth opportunities are **not currently reflected** in the forecast

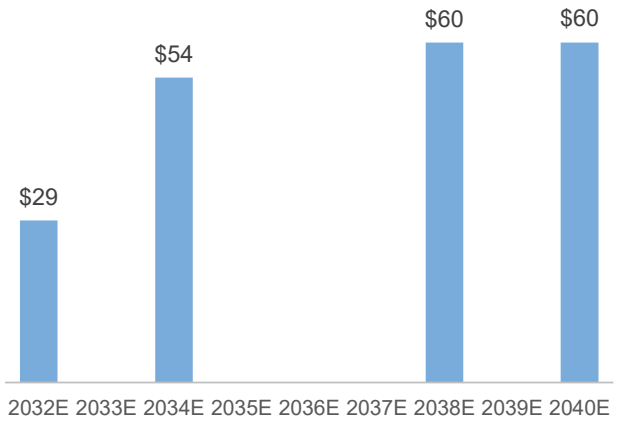
- NMGC actively collaborates with a number of economic development organizations and is continuously evaluating new customer addition opportunities
  - Potential opportunities include supplying large industrial parks, such as the Santa Teresa Logistics Park (located in the Borderplex region and is potentially undergoing expansion), the La Plata Industrial Park (located in the Farmington area) and the McKinley County Industrial Park
- Other potential new and expanding customers include:
  - Manna Capital aluminum can rolling and recycling mill (approximately 11,500 mcf/d new load)
  - Data center near Albuquerque Sunport (7,000 mcf/d)
  - McKinley Paper (2,500 mcf/d)
  - Clean energy manufacturers including two RNG facilities, a wind tower manufacturer, and two solar PV manufacturers
- NMGC also works closely with regional economic development groups, such as the Albuquerque Regional Economic Alliance, the Border Industrial Association and New Mexico's Economic Development Department ("EDD")

Other major projects

Decarbonization Investments

Percent of forecast: 6%

- As NMGC continues to pursue sustainability and emissions reduction programs, the Company anticipates future investments in RNG production facilities, hydrogen blending in pipelines, and other decarbonization opportunities
- NMGC is considering the legislative and regulatory requirements necessary to build, own, and operate RNG production facilities which would capture methane and convert it to beneficial use by NMGC customers
- RNG would initially be used as a green fuel option where customers electing the service will pay a premium; assumes demand under the green tariff will be five percent of the delivered volumes to non-residential customers including transportation volumes
- In the longer term the Company advocates for blending into the gas supply for all customers as part a comprehensive strategy to reduce end-user emissions



Other Projects

Percent of forecast: 4%

Includes significant, non-recurring projects:

- Automated Meter Reading ("AMR")
- An upgrade of the Company's customer information system, slated for completion in 2024
- Asset management software
- Brazos Backfeed & Secondary Supply

Automated Meter Reading

- The forecast includes approximately $18.5 million to complete the installation of AMR facilities across the service territory
- Currently AMR is in place across approximately 80% of the Company's meters
- Replacement of AMR Encoder Receiver Transmitters ("ERTs") statewide is targeted for 2036-2038

Investment in LNG could be an opportunity to enhance system reliability and help mitigate natural gas price volatility

Investment rationale

- In February 2021, Winter Storm Uri caused well-head freeze-offs and disruption to pipeline gas supply across the region
- The storm resulted in extraordinarily high market prices and a declaration of force majeure by the underground gas storage facility where NMGC contracts for storage service
  - In a one-week period, NMGC paid an incremental ~$107 million for fuel costs – equivalent to the entirety of 2020 fuel costs
- **NMGC was subsequently asked by the NM PRC to evaluate alternative fuel storage and transmission opportunities**, including on-system storage; decision to apply for regulatory approval to build an LNG storage facility resulted from that evaluation
- NMGC identified a potential site for an on-system LNG liquefaction, vaporization, and storage facility in Rio Rancho, New Mexico; the location was favorable to provide numerous benefits to customers
- On Feb. 21, 2024, a PRC hearing examiner recommended that the commission not approve NMGC's application to build the proposed LNG storage facility; a final order is pending

Customer benefits

Location	Control	System-wide benefit	Price stability	Speed & Reliability	Affordability
On-system connection to NMGC not dependent on interstate pipelines or current West Texas leased storage facility	Directly operated by NMGC, eliminating reliance on third-parties	Ability to direct stored gas to anywhere in NMGC's central and northern system	Potential for reduction in customers' exposure to price volatility, especially during storms	NMGC able to receive natural gas from the facility within one hour	Facility costs expected to be offset by elimination of West Texas leased storage and gas cost savings over the life of the facility

New Mexico
GAS COMPANY
6
Financial Highlights
J.P.Morgan

Historical financial performance

Income statement

Income statement

($mm)	2020A	2021A	2022A	2023A
Revenue	**$302.6**	**$427.5**	**$577.9**	**$489.7**
(-) Cost of Gas	($99.9)	($220.2)	($356.3)	($244.2)
Gross Margin	**$202.7**	**$207.4**	**$221.7**	**$245.5**
(-) Non-fuel O&M	($95.8)	($97.3)	($101.9)	($109.8)
EBITDA	**$106.9**	**$110.1**	**$119.7**	**$135.7**
(-) D&A	($35.6)	($39.2)	($41.1)	($42.6)
(-) Taxes other than income	($12.8)	($13.1)	($17.2)	($18.1)
Operating income	**$58.4**	**$57.8**	**$61.4**	**$75.0**
Other income	$2.7	$4.2	$4.2	$4.7
Interest expense	($15.4)	($12.7)	($13.8)	($16.9)
Pre-tax income	**$45.7**	**$49.3**	**$51.8**	**$62.8**
Income taxes	($11.5)	($12.0)	($12.6)	($15.3)
Net income	**$34.2**	**$37.3**	**$39.2**	**$47.5**

Historical financial performance

Customers and volumes

Customers & volumes

	2020A	2021A	2022A	2023E
Residential	494,179	499,003	500,307	504,032
Commercial	38,629	38,951	39,035	39,209
Transport	4,031	3,835	3,762	3,660
Customer count	536,839	541,789	543,103	546,900
Residential	315	314	314	312
Commercial and Other[1]	139	138	143	142
Transport	385	377	433	557
Volumes (mm Therms, weather-normalized)	839	829	890	1,012

[1] Other volumes include gas used for activities such as irrigation and compression

Historical financial performance

Rate base and regulatory ROE

Historical earnings

($mm)	2018A	2019A	2020A	2021A	2022A	2023A
Average rate base	**557.8**	**601.1**	**$640.3**	**$696.5**	**$770.7**	**$836.1**
Equity component of rate base	52%	52%	52%	52%	52%	52%
Authorized equity capitalization	$290.1	$312.6	$333.0	$362.2	$400.8	$434.8
Regulatory net income	**28.4**	**35.9**	**$32.3**	**$34.8**	**$28.3**	**$40.1**
Regulatory ROE[1]	*9.8%*	*11.5%*	*9.7%*	*9.6%*	*7.1%*	*9.2%*

[1] Customer rates set by the NM PRC using the following authorized ROEs: 10.0% for 2018, 9.10% for 2019-2020, and 9.375% for 2021-2023

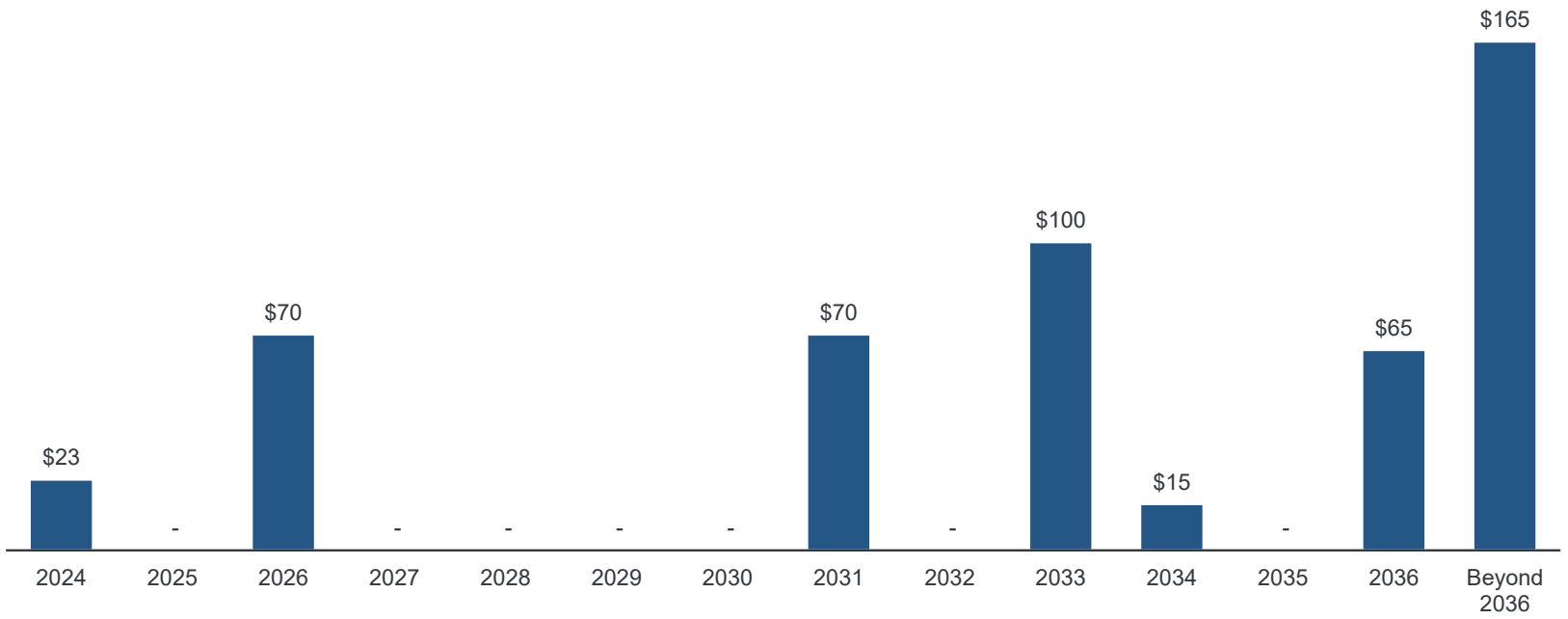
Capitalization

Overview

- NMGC raises capital directly at the New Mexico Gas Company, Inc. legal entity level
- The Company has seven outstanding bonds with a weighted average interest rate of 3.84%
- NMGC also has a term loan with an outstanding balance of $23mm that carries interest at SOFR + 70 bps
- All NMGC debt is expected to remain in place at NMGC as part of the transaction

Maturity schedule

Coupon:													
5.94%	**-**	**3.54%**	**-**	**-**	**-**	**-**	**2.26%**	**-**	**6.36%**	**3.24%**	**-**	**2.51%**	**3.52%**



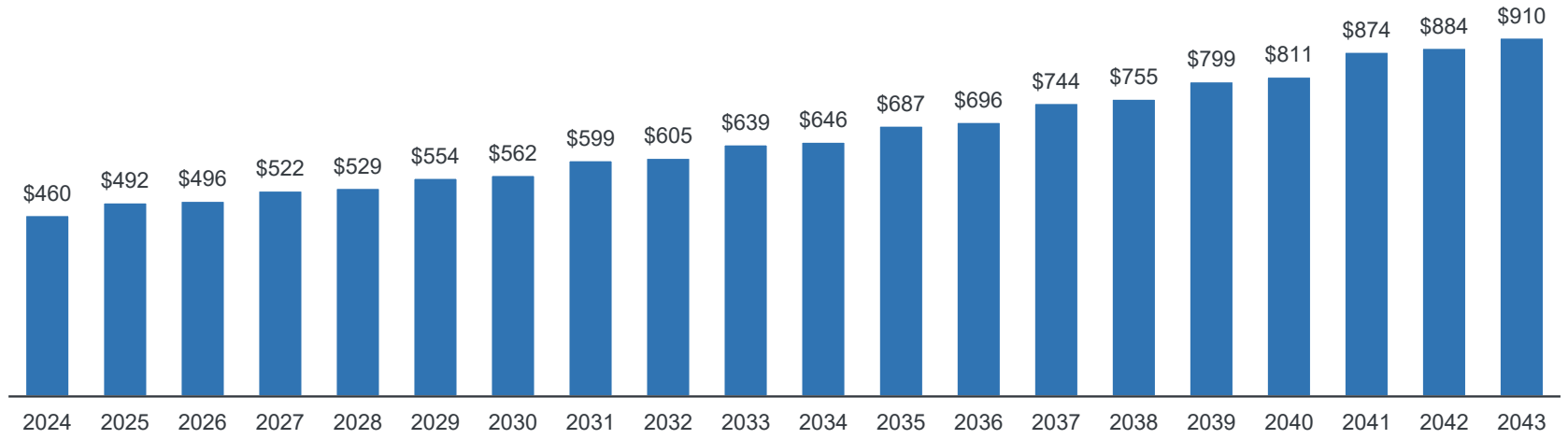
Forecast assumptions

Development methodology	▪ All assumptions jointly developed and vetted by both the NMGC management team and PA Consulting Group Ltd. ("PA")
Regulatory construct	▪ Assumes 9.375% authorized ROE and 52.0% authorized equity layer from January 2024 through December 2026[1] ▪ Assumes a 9.60% authorized ROE and 54.0% authorized equity layer (and corresponding equity injection to recapitalize the Company for rate setting purposes) starting in January 2027 ▪ Assumes rate cases are conducted approximately every 2 years to align earnings with authorized levels, depending on business circumstances
O&M	▪ O&M costs of ~$108mm / year in 2024E escalating to ~$205mm/year in 2043E
D&A	▪ D&A expense of ~$46mm / year in 2024E ▪ D&A typically increase by ~$4 - $6mm / year depending on the capital spending profile
Capital expenditures	▪ Projected capital expenditure primarily driven by management's five-year forecast from 2024 to 2028 ▪ Capital expenditure from 2028 through 2043 based on PA projections ▪ Capital spending of ~$125mm / year[2], excluding large / one-time projects
Load growth	▪ Load & customer growth of ~0.5% / year
Financing	▪ Assumes future financing in-line with regulated capital structure

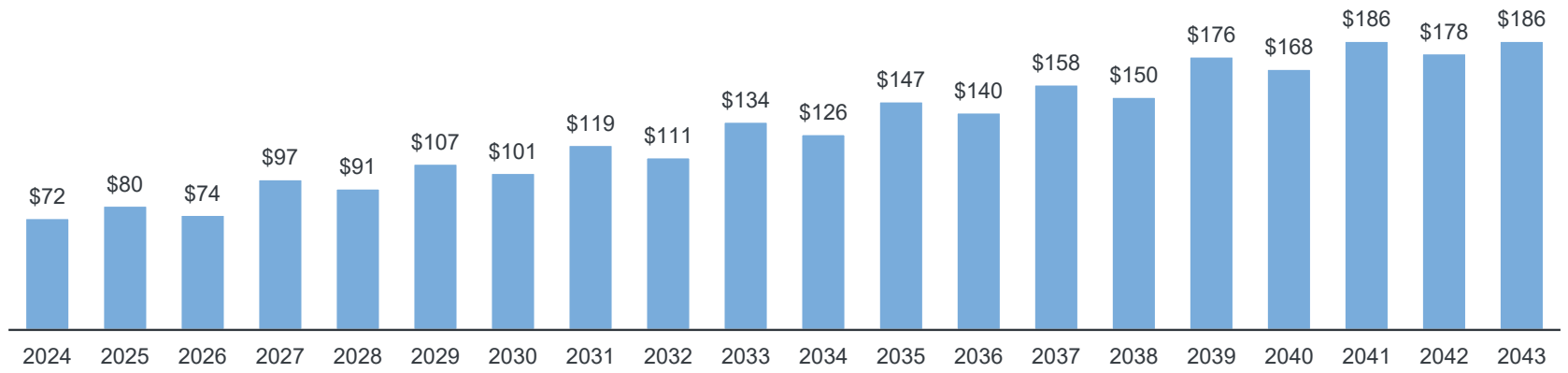
[1] Forecast reflect the unanimous settlement reached in NMGC's ongoing rate case with intervening parties that includes a 9.375% ROE, 52% equity layer and $30mm rate increase effective October 2024; the settlement has not yet been approved; [2] Annual capex assumption reflects 2023$

Summary financial forecast

Operating revenues ($MM)

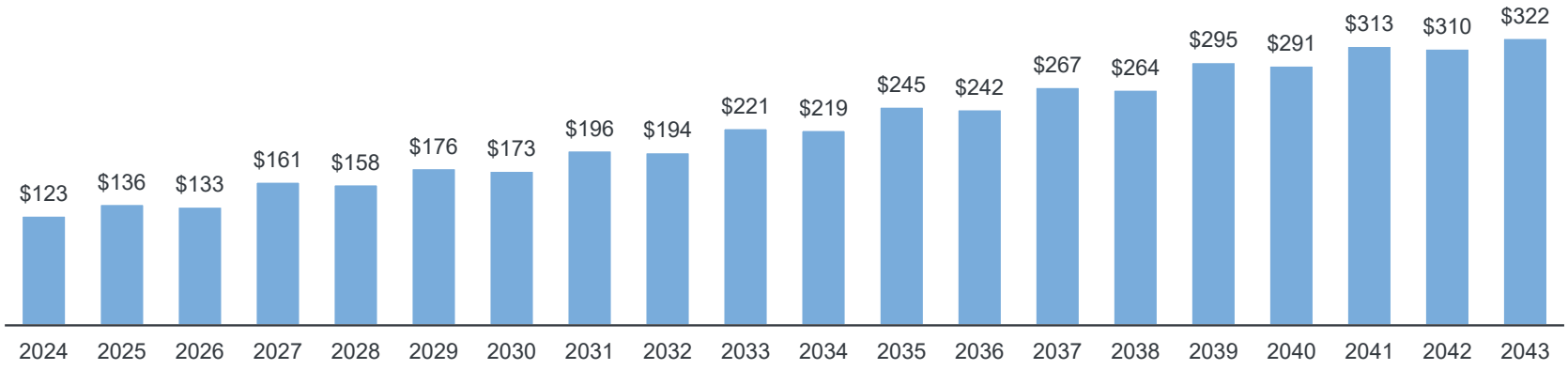


Operating income ($MM)

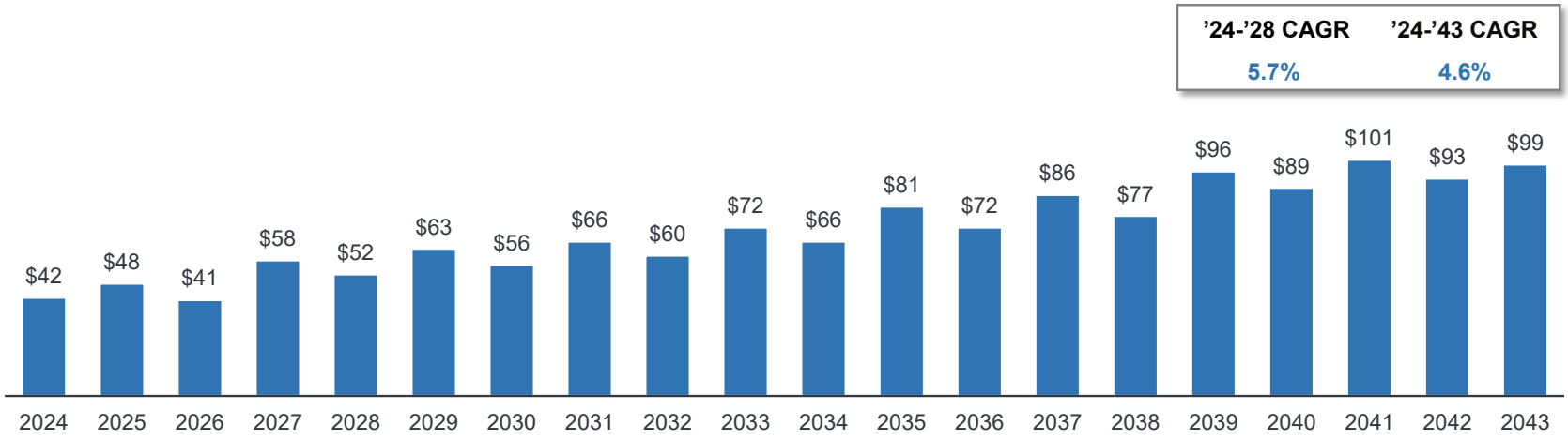


Summary financial forecast

EBITDA ($MM)

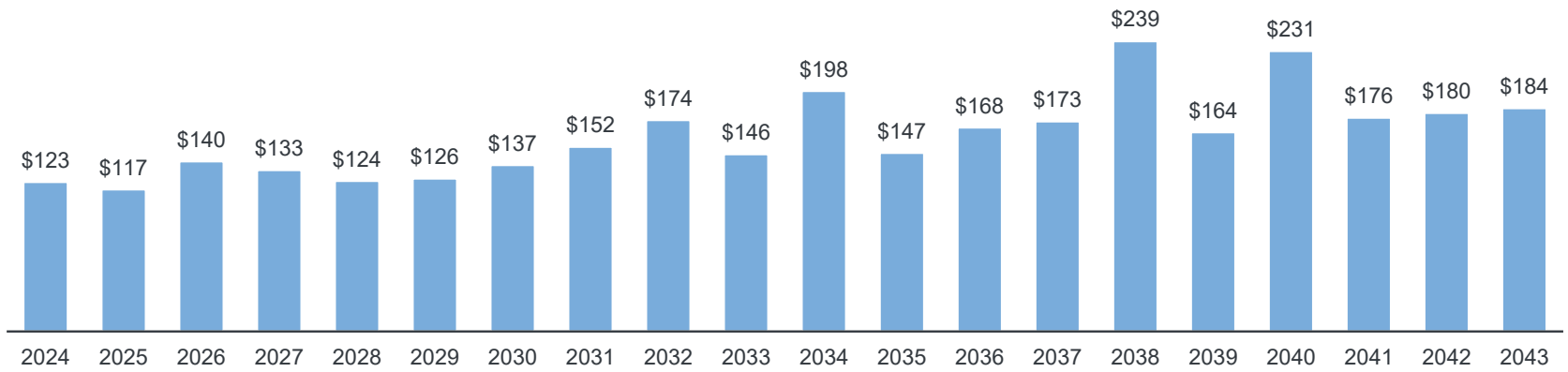


Net income ($MM)

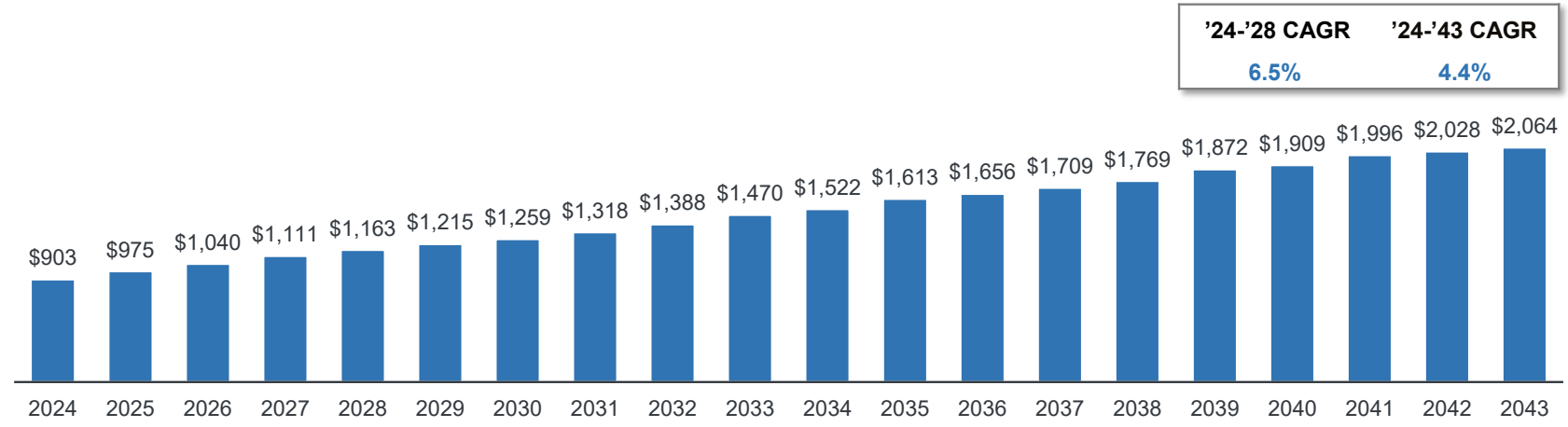


Summary financial forecast

Annual capex[1] ($MM)



Rate base ($MM, 13-month average)



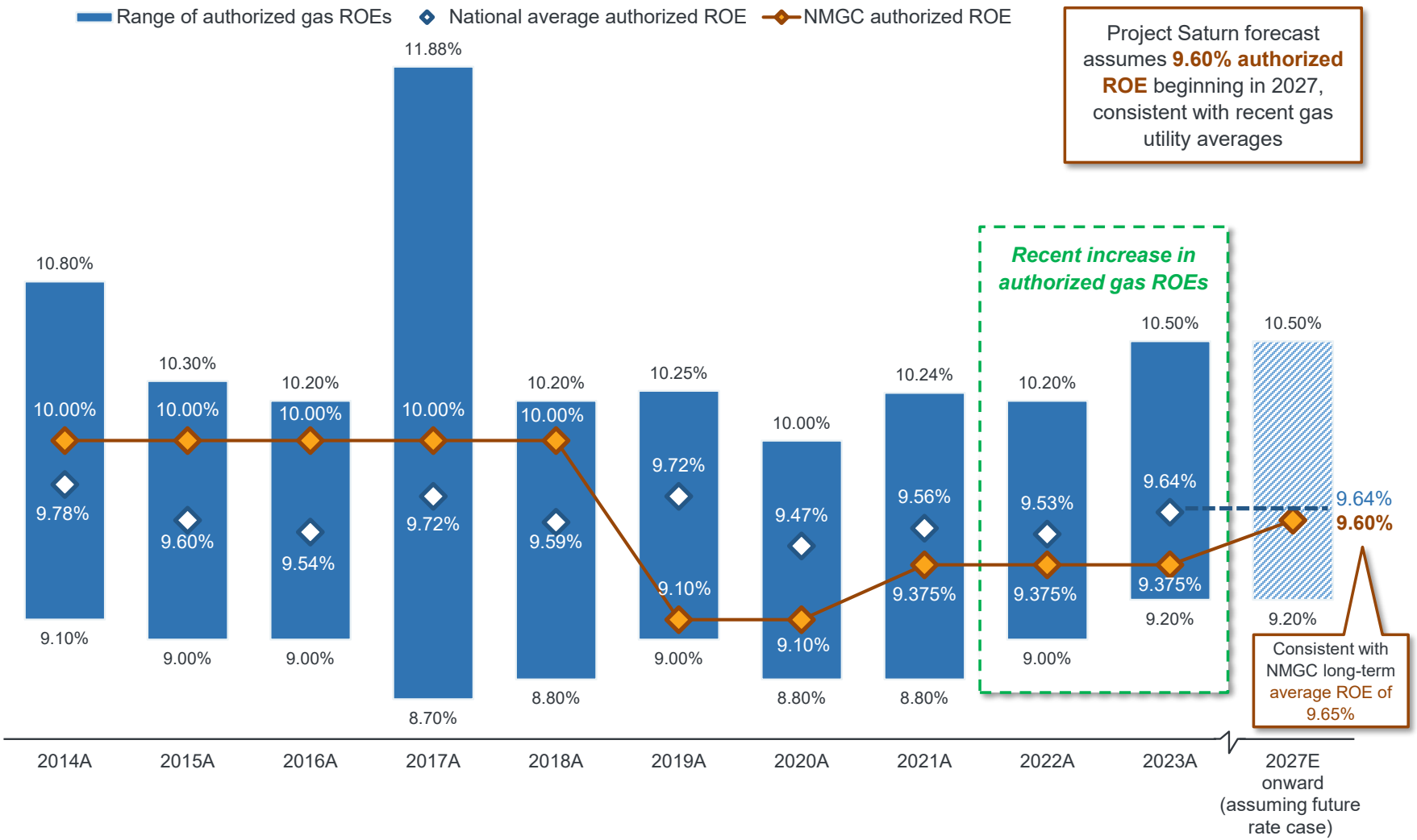
[1] Figures reflect capex spending excluding AFUDC

Exhibit BTC-6

Long-term forecast – Regulated capital structure

Historical New Mexico outcomes and recent national trends support higher regulated ROEs and equity capitalization assumptions in the long-term

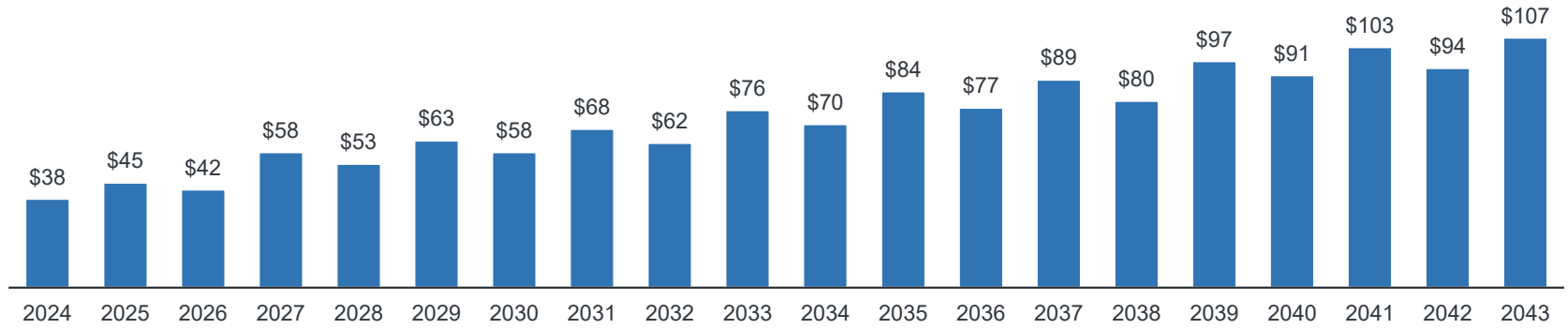
U.S. gas utility ROE authorizations over time



Source: S&P Capital IQ as of February 2024

Summary financial forecast

Regulatory net income ($MM)



Regulatory return on equity

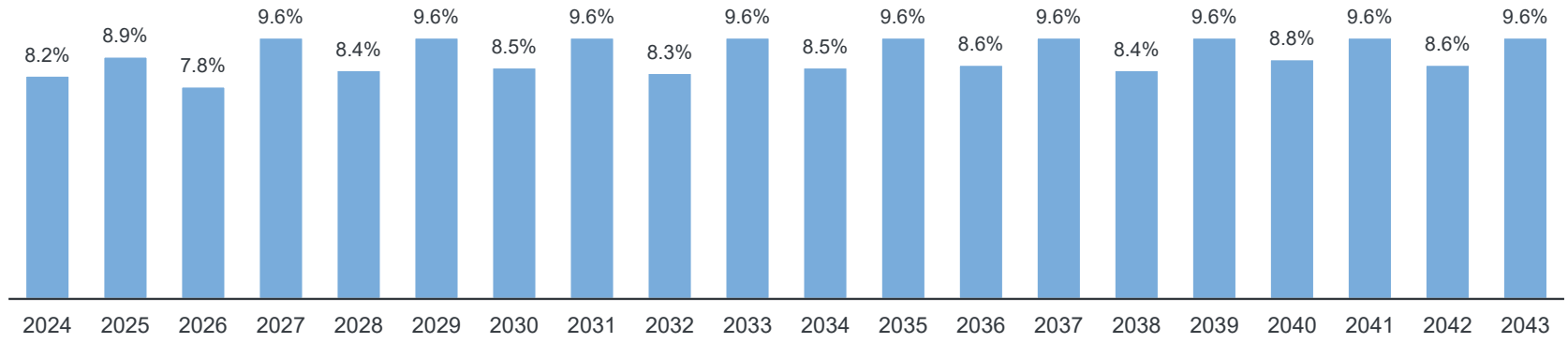
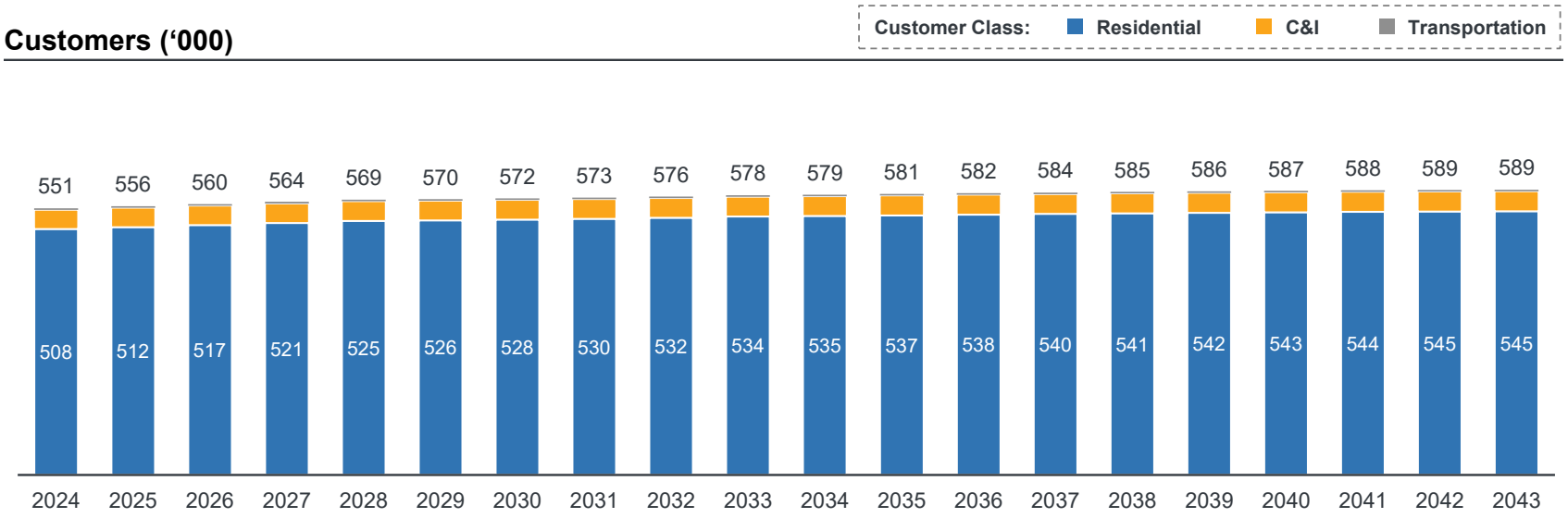


Exhibit BTC-6

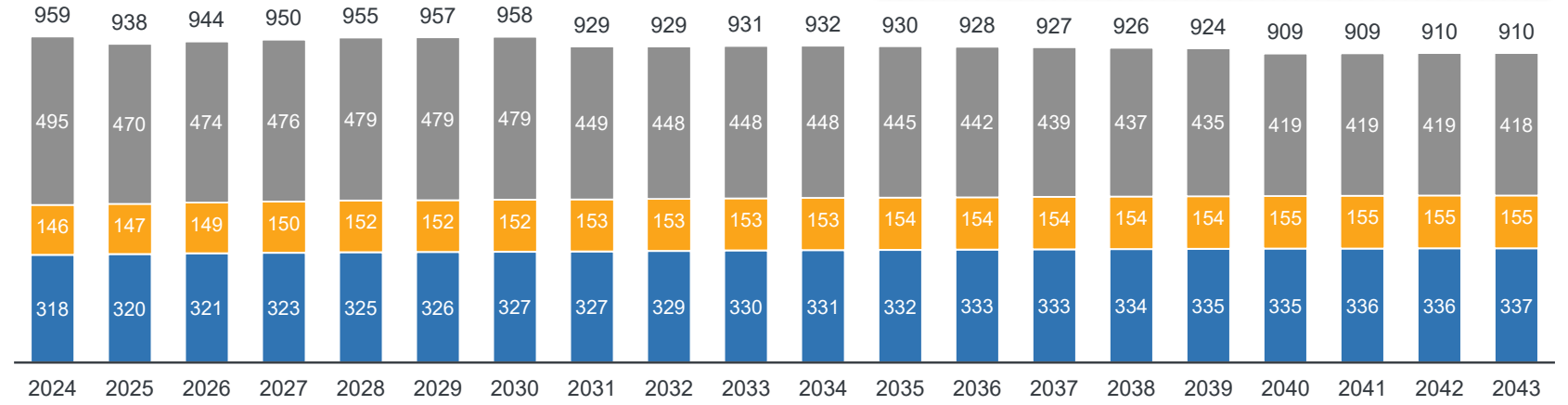
Summary financial forecast

Customers ('000)



Volumes (mm therms)

Continued increase in Residential and C&I volumes; declines in Transportation volumes due to generating plant retirements / production declines and expiration of off-system assured capacity agreement



Summary financial forecast

Income statement – Key line items

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	// 2035E	// 2040E	// 2043E
Revenue	**$460**	**$492**	**$496**	**$522**	**$529**	**$554**	**$562**	**$687**	**$811**	**$910**
y-o-y growth		*7%*	*1%*	*5%*	*1%*	*5%*	*1%*	*6%*	*1%*	*3%*
EBITDA	**$123**	**$136**	**$133**	**$161**	**$158**	**$176**	**$173**	**$245**	**$291**	**$322**
EBITDA margin	*27%*	*28%*	*27%*	*31%*	*30%*	*32%*	*31%*	*36%*	*36%*	*35%*
Net income	**$42**	**$48**	**$41**	**$58**	**$52**	**$63**	**$56**	**$81**	**$89**	**$99**
New rates implemented	✓	-	-	✓	-	✓	-	✓	-	✓
Regulatory ROE (%)	8.16%[1]	8.90%	7.77%	9.60%	8.40%	9.60%	8.50%	9.60%	*8.81%*	9.60%

Cash flow statement – Key line items

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	// 2035E	// 2040E	// 2043E
Cash from Operations	**$95**	**$108**	**$110**	**$140**	**$128**	**$140**	**$140**	**$188**	**$226**	**$243**
Cash flow from Investing	**($124)**	**($118)**	**($141)**	**($134)**	**($126)**	**($127)**	**($138)**	**($148)**	**($234)**	**($186)**
Cash flow from Financing	**$29**	**$10**	**$31**	**($6)**	**($2)**	**($13)**	**($2)**	**($23)**	**($14)**	**($33)**
Net debt issuance	($42)	$15	-	-	$55	$43	$60	$50	($0)	$63
Equity issuance	$108	$45	$77	$42	-	-	-	-	$80	$0
Dividends	($37)	($49)	($45)	($48)	($57)	($56)	($61)	($72)	($94)	($96)

Balance sheet – Key line items

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	// 2035E	// 2040E	// 2043E
PP&E	$1,282	$1,350	$1,436	$1,511	$1,573	$1,636	$1,706	$2,113	$2,552	$2,713
Book equity	$918	$961	$1,034	$1,086	$1,082	$1,089	$1,084	$1,254	$1,488	$1,505
Total debt (ST and LT)	$519	$534	$534	$534	$589	$633	$692	$896	$1,009	$1,127

[1] Reflects new rates effective Oct 1, 2024

Asset Management Agreements – Forecast methodology

Overview

- Asset management agreements provide value to customers and the company where 70% of revenue is credited to customers via the PGAC
- Revenue is generated based on a combination of price differences at specified delivery points and interstate pipeline capacity made available to the counterparty
- Interstate pipeline capacity released to the counterparty is recallable to ensure NMGC customers are served
- Typically, asset optimization revenue is generated primarily using day ahead and intra day prices
- Forecasted asset optimization revenue is calculated by month using price differences and historical capacity usage

7 Other Corporate Information

J.P.Morgan

New Mexico GAS COMPANY

Preparing for a business carve-out

Overview

- NMGC operates largely on a standalone basis, with local leadership and the majority of core functions managed by an in-house team (including gas control, gas management, and customer call center)
- Since TECO's acquisition of NMGC in 2014, NMGC has also been part of a larger corporate group that utilizes a shared services model for many back-office functions
- NMGC receives access to certain software systems (e.g. SAP) through shared services and there are certain functions that are received entirely via shared services such as accounts payable, payroll, many of its IT functions and the majority of its insurance policy negotiations
- NMGC also provides support functions to some affiliates, including:
  - Gas control, engineering, and accounting services for Emera Brunswick Pipeline ("EBP")
  - Information technology and telecommunications ("IT&T") desktop services to TECO affiliates in Florida
  - Backup call center services to TECO during natural disasters
- Emera is working to position the business for standalone operations in advance of the closing of a potential Transaction

Approach to transition services

Senior Leadership

- Senior leadership at the Company will remain with the business

Utility Operations

- All operational employees currently employed directly by the business will remain with the business
- Additional support functions can be provided through a transition services agreement for a transitional period to afford the buyer reasonable time to transition the business to its own platform or fully independent operational status, with minimal disruption to customers, service, and personnel
- Scope of the services to be provided and the duration of the arrangements will depend on the buyer and its requirements
- Cost of the potential transition services agreement will be based on the approximate cost to Emera

New Mexico GAS COMPANY

Operations overview

Workforce overview

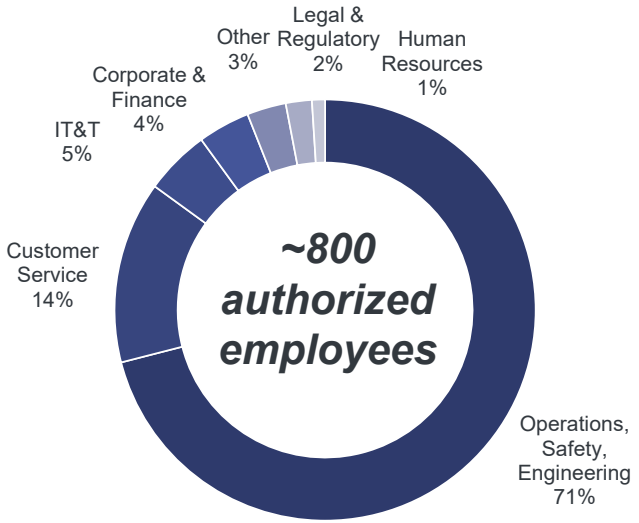
- NMGC consists of approximately 800 authorized positions as part of their workforce
  - Amounts shown assumes full staffing of the approximate 800 employees and do not include FTEs provided under affiliate services agreements
- NMGC does not have a union representing any of its workforce

Key services not travelling

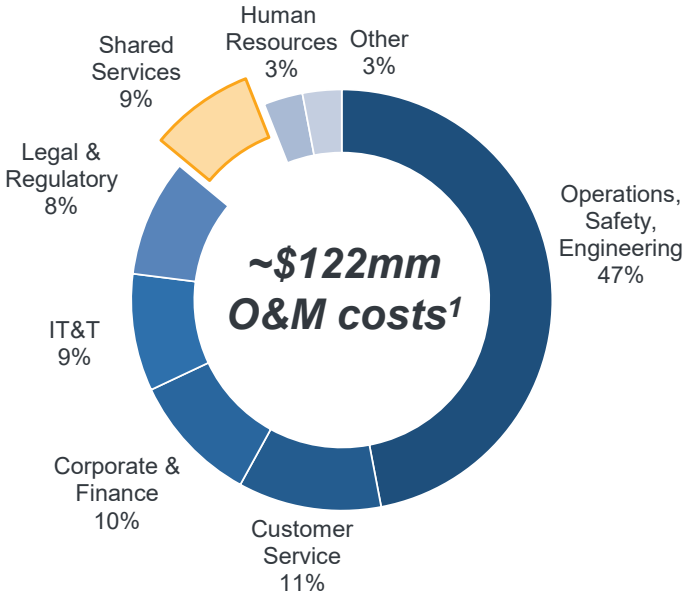
- Shared services provided by Emera and its affiliates include elements of IT, HR, Finance, and other functions (~9% of total G&A costs)
- IT&T services are the key functions provided by Emera
  - Comprise ~60% of total shared service costs and ~5% of total G&A costs
  - ~60% of NMGC's IT&T costs are incurred in-house
- Accounts payable and payroll are also provided through shared services

Employee breakdown by function

(% of total headcount)



O&M cost overview



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Source: Company materials
[1] Reflects 2024E figures based on the ; excludes ~$13mm of offsetting capital loads

New Mexico GAS COMPANY

Summary of Emera services not traveling with the business

Service	Description	Total Costs[1]
IT&T and Security Services	Desktop computer support and performance management, employee service support (on-site and off-site), IT&T infrastructure maintenance and support, IT&T asset management, information and cyber security, telecommunications, the support/maintenance of the SAP Enterprise Resources Program and other applications, and the asset usage fee, which is a fee for use of shared IT assets	~$7.1mm
Finance and Related Services	Accounts payable, credit risk, treasury (including cash management), corporate tax, internal audit, investor relations, and general assistance with financial matters	~$2.5mm
Corporate and Related Services	Corporate support services from Emera include certain IT functions: cyber security, enterprise-wide safety, certain HR and finance-related functions, certain strategy development functions, and a portion of executive compensation	~$1.7mm
Human Resources and Related Services	Healthcare and benefits-related administration, payroll, compensation, human resources policy administration, and the technology solutions that support recruitment, performance management, and development	~$0.4mm
Legal and Related Services	Risk management, enterprise-wide compliance, assistance with federal affairs, related administrative support and related technology	~$0.6mm
Total charges from affiliates[1]		**~$11.8mm**

[1] Figures as filed in the Oct. 2023 rate case for the Oct. 2024 – Sep. 2025 forward test year

New Mexico
GAS COMPANY
8
Market Overview &
the Future of Gas
J.P.Morgan

New Mexico Key Highlights

State highlights

- New Mexico has a strong and growing economy supported by traditional energy industries, growing tourism, and an expanding information technology presence
- New Mexico has experienced strong job growth and was ranked in the top 10 states for inbound residential movers in 2023[1]
  - New Mexico's unemployment rate is ~3.7% as of November 2023
- The state has numerous policies and incentives to support businesses and households, including recent tax cuts
- Many businesses have recently announced investments, new facilities, or relocations to New Mexico, including:
  - Maxeon Solar (solar cell and panel manufacturing)
  - Star Scientific (green hydrogen research and manufacturing)
  - Coast Aluminum (metals manufacturing and supply)
  - Monti Inc. (manufacturing and distribution)
  - Netflix & NBC Universal
- As the #2 national producer of oil and #6 producer of natural gas, New Mexico is reliant on the industry and remains supportive of the long-term future of natural gas

[1] Source: United Van Lines National Movers Study

Overview of New Mexico

Overview

- New Mexico is located in the southwestern U.S. and is known for a wide range of geography and abundant energy resources
- New Mexico has a stable, dry climate with low risk of natural disasters
- Economy historically has been driven by industries such as oil and gas, federal government research and military facilities, agriculture and tourism
- State has pursued expansive economic development initiatives targeting key high-growth industries[1], including:

Aerospace: New Mexico already has three national research laboratories, three US Air Force Bases, and an internationally recognized Spaceport

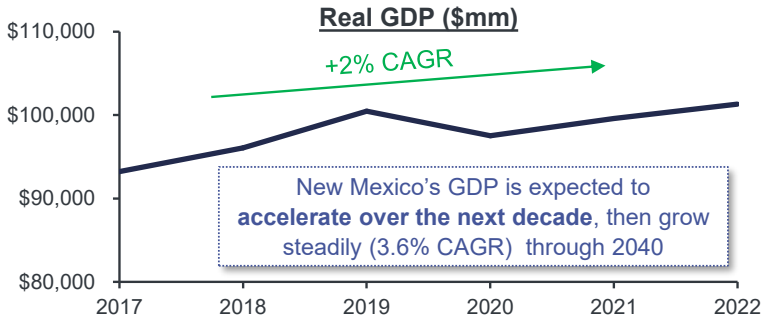
Film & Television: Rapidly accelerating media hub with one of the largest crew bases in the country and a large refundable tax credit

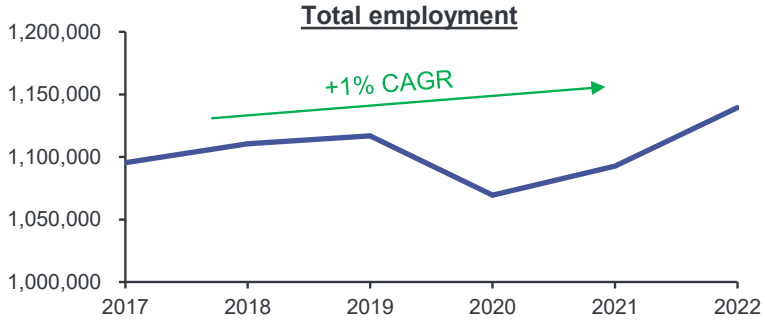
Intelligent Manufacturing: Customized incentives that have supported large local companies and tech industry leaders including Intel

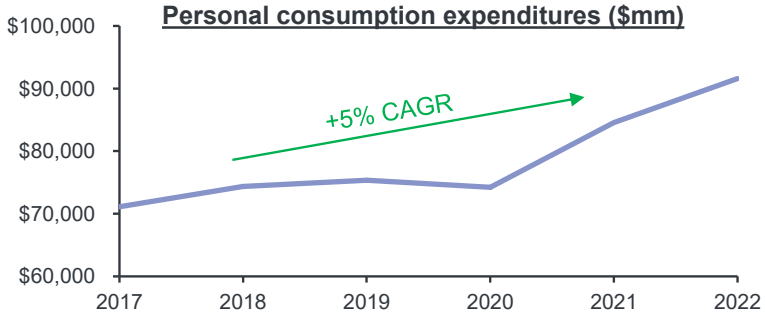
Bioscience and Health: Strong pipeline from the state's three major research institutions and significant R&D

Sustainable and Value-Added Agriculture: New Mexico is a leading cattle ranching, dairy production, and farming hub with a fast-growing farm to table and organic produce industry

New Mexico at a glance







Source: U.S. Bureau of Economic Analysis; New Mexico Economic Development Department; Moody's Analytics

[1] Governor Lujan Grisham has designated nine target industries in total, including Outdoor Recreation, Sustainable and Green Energy, Cybersecurity, and Global Trade in addition to the industries described above

New Mexico natural gas supply overview

New Mexico is the **only top oil producing state to have recovered above pre-pandemic** production levels

Supply dynamics

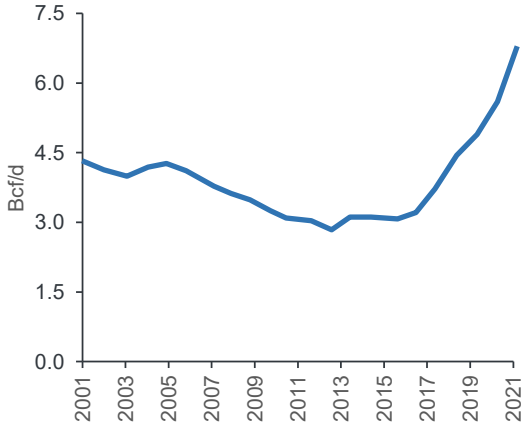
- New Mexico is home to substantial natural gas production (#2 oil and gas producing state), primarily coming from the Permian basin (the second most prolific in the U.S.) and the San Juan basin
  - The "shale boom" and its associated advanced drilling techniques unlocked substantial reserves and production potential from the Permian and San Juan basins, leading to a sharp increase in production in New Mexico
  - The Permian basin is expected to see substantial production growth through the 2030s
- Extensive interstate pipeline infrastructure across New Mexico connects the state with other key systems, including providing access to the large Green River and Piceance basins in Wyoming and Colorado
  - NMGC is primarily supplied by the high-capacity, Transwestern and El Paso interstate pipeline systems
  - Company also holds transportation rights on the Transcolorado and OkTex systems
- NMGC also has an extensive intrastate pipeline system, reducing costs by enabling some gas to be transported without interstate pipelines

Key statistics

900 MMcf
NMGC target design day deliverability

1 Bcf
Contracted peak day supply

New Mexico Natural Gas Production



New Mexico natural gas demand overview

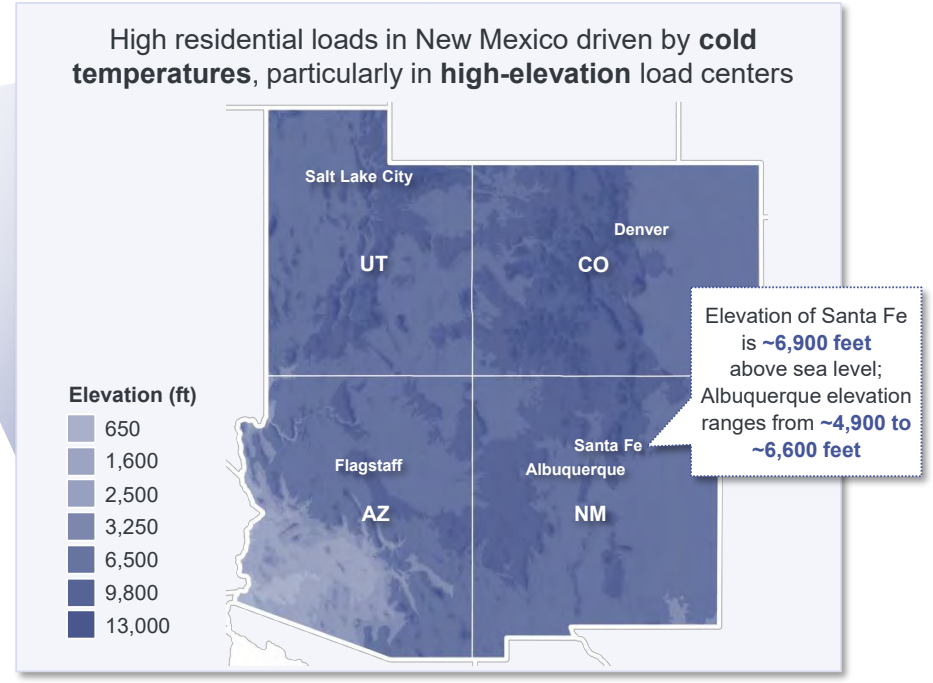
U.S. natural gas demand trends

- The long-term outlook for the natural gas industry in New Mexico is boosted by supportive trends in the gas space more broadly, including:
  - **Industrial demand:** Natural gas is expected to continue to be a key component in the production of petrochemicals, fertilizer, hydrogen, and other compounds; use in manufacturing and mining sectors also expected to continue to grow
  - **International demand:** Pipeline capacity across the U.S.-Mexico border is high, supporting consistent demand from Mexico
  - **LNG demand:** LNG exports from the U.S. have significantly ramped in recent years, supporting domestic gas prices and incentivizing continued expansion of gas infrastructure and production

New Mexico natural gas demand

- Natural gas is relied on extensively in New Mexico for a variety of uses:
  - Home space heating, water heating and cooking
  - Heating and cooling of commercial buildings
  - Power generation fuel
  - Industrial applications
- Large residential base supports stable, consistently high demand for natural gas during the winter months
- New Mexico is the state with the 4th highest average elevation in the country, driving cold temperatures
- Demand for natural gas in New Mexico is expected to grow through the early part of the next decade and remain stable in the following years
- Significant economic development efforts in New Mexico support further C&I growth in the state

High residential loads in New Mexico driven by **cold temperatures**, particularly in **high-elevation** load centers



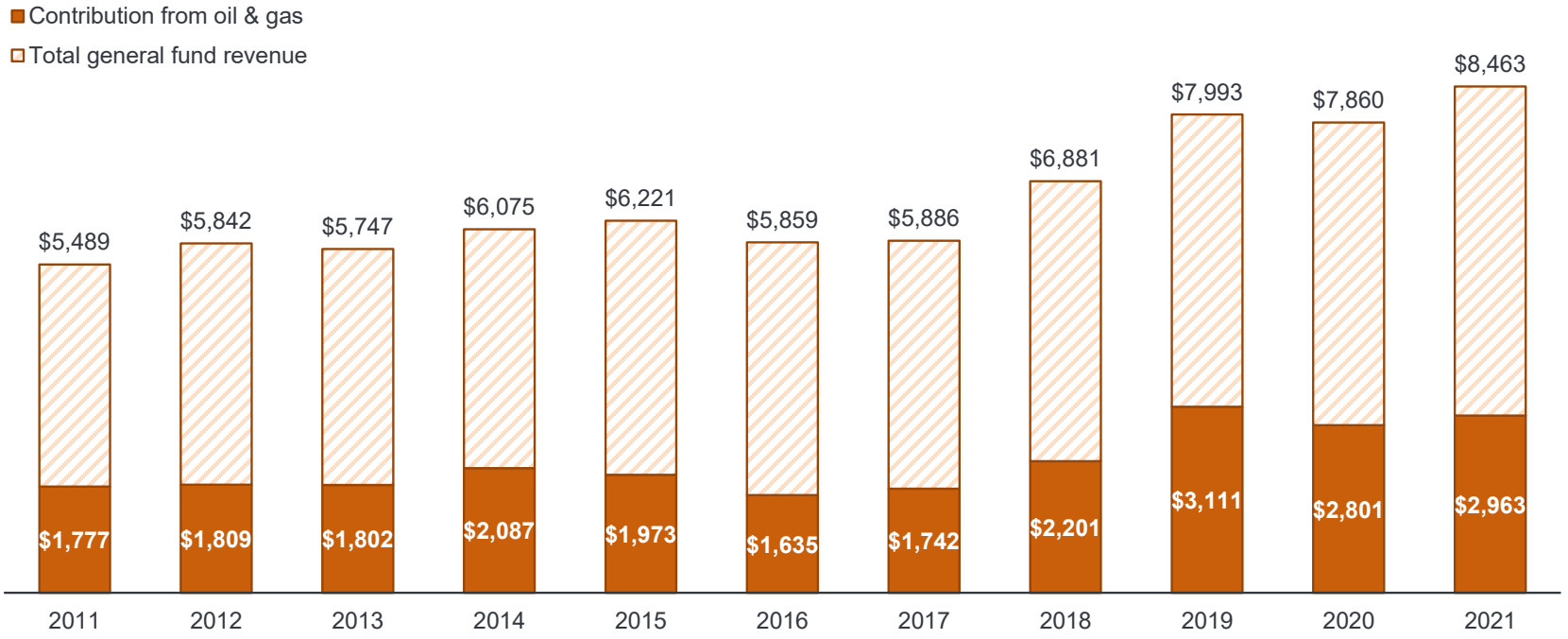
Source: GIS Geography; *The World Almanac of the U.S.A. (1996)*
Note: Original elevation data in meters, converted to feet at approximately 3.28 feet/meter

Role of natural gas in New Mexico's economy

Economic impact

- Oil & gas extraction and associated businesses provide meaningful contributions to the state economy
  - ~35% of the state's proposed 2024 budget supported by oil & gas revenues
  - Taxes from fossil fuel industries generated approximately ~$2,000 per New Mexico resident for schools
- The number of workers in New Mexico oil & gas extraction has been increasing in recent years
  - The oil and gas industry employs 130,000+ New Mexicans, providing significant labor income to New Mexicans
  - Jobs are typically well-paid with salaries above the state median income

New Mexico historical budget contribution from oil & gas ($mm)



Source: New Mexico Oil & Gas Association; data as of FY 2022

Energy affordability in New Mexico

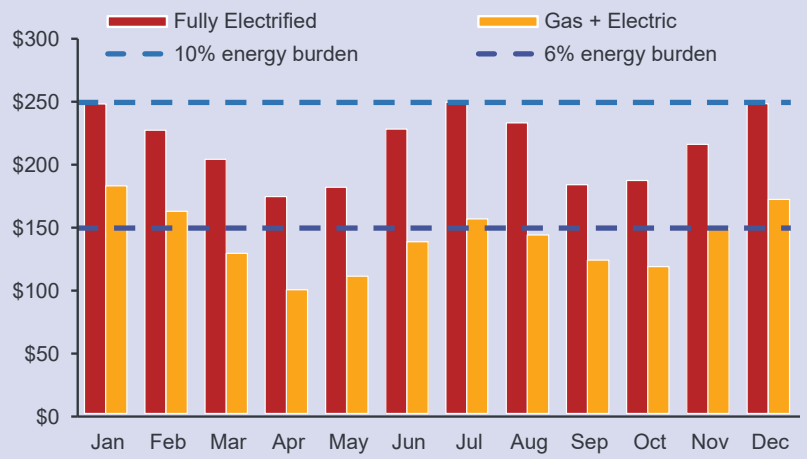
Overview

- New Mexico's median income is $60,000, approximately 25% below the national average
- Cost is a significant barrier preventing widespread electrification of heating in New Mexico (even with state and federal rebate programs)
  - Electric heat pumps cost ~3x more upfront than a natural gas furnace
  - NMGC's proximity to the Permian and San Juan basins also helps to lower ongoing fuel costs
- Residents within NMGC's service territories are expected to save 40% by using natural gas vs. electricity for space heating over the next 20 years

Energy burden

- Energy burden is a key measure of affordability, defined as the percentage of household income spent on energy costs (e.g. utility bills)
- "High" energy burden is considered to be 6% or greater, meaning that households spend more than 6% of their income on energy bills
- A severe energy burden would be 10% or greater
- An analysis of New Mexico energy costs for a illustrative family of 4 showed that fully-electrified monthly bills drive costs above the 6% energy burden level, some even approaching the 10% level

Illustrative monthly residential energy bill



New Mexico policy environment

Policy landscape

- Democratic control of the Executive government, House, and Senate has helped the state advance some clean energy legislation and goals in recent years
- New Mexico has adopted a Renewable Portfolio Standard (RPS) target of 80% renewable energy by 2040 for electricity providers / utilities
  - Currently, 10% of NMGC natural gas throughput is used for electric power generation
- However, while some segments of the government are fairly progressive in their climate stance, the New Mexico economy relies heavily on oil and gas
  - Economic reliance on the oil and gas industry – along with a clear consumer preference for gas at current prices – has prevented overly punitive anti-gas legislation or electrification policies from advancing in the state
  - Policy from the Energy, Minerals and Natural Resource Department (EMNRD) has focused on reducing emissions of the oil and gas industry rather than phasing out the industry completely, including adopting rules to minimize ozone pollutants and reduce methane flaring
- Although some other clean energy bills have been proposed in recent legislative sessions, none of them have passed (and a majority did not make it out of Committee)

Summary of relevant 2023 proposed legislation

Bill #	Description	Outcome
HB188	Establishes an economic transition division under the economic development department, to develop and achieve energy transition goals	Postponed indefinitely
HB12	The Advanced Energy Technology Act. Allows public partners to enter into private-public partnerships to develop advanced energy tech and creates an energy tech fund	Postponed indefinitely
HB96	Amends the rural electric cooperative act and renewable energy act to include natural gas using CC technology in the definition of “renewable resource”	Postponed indefinitely
HB430	Restricts local government’s ability to regulate fuel retailers and transportation infrastructure. Prohibits a fuel retailer from being required to install or invest in EV charging	Postponed indefinitely
SB77	Requires all new residential construction to include PV and electrical receptacles for charging infrastructure	Passed in Senate, passed House Committee but did not get voted on
SB418	Changes to the Oil and Gas Act. Incorporates more protections for marginalized communities as well as environmental/public health protections including new setbacks for siting near homes, schools, businesses	Passed Senate Committee but did not get voted on
SB520	Clean Futures Act proposed to legislate economy wide emissions reductions against a 2005 baseline (50% by 2030, 75% by 2042, 90% by 2050)	Tabled in Committee

New Mexico
GAS COMPANY
9 Appendix
J.P.Morgan

New Mexico GAS COMPANY

Natural gas is expected to be a fundamental energy source in New Mexico far into the future

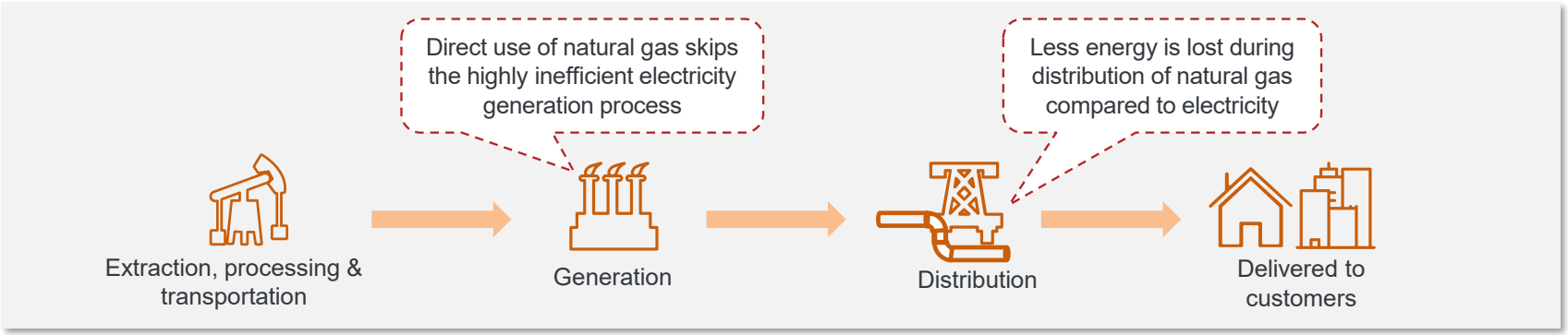
Natural gas is reliable and resilient…

- Natural gas has a stable and compressible composition
  - **Stability** allows for long-duration storage which helps address seasonal demand patterns
  - **Compressibility** allows for incremental storage within the pipeline system, enabling quick response to short-term hourly supply demand fluctuations
- Unique physical characteristics of natural gas delivery systems allow for **enhanced resiliency** compared to alternative fuel sources
  - Underground infrastructure is **shielded from exogenous factors** such as extreme weather and natural disasters
  - Looped and parallel transmission and distribution networks **enhance flexibility for delivery and reduce service disruptions**

…and can satisfy demand when alternative energy sources are insufficient

- Natural gas can be relied upon to meet peak demand in weather driven circumstances
- Gas delivery systems are less impacted by exogenous factors
- Natural gas is called upon to cost effectively meet demand when renewable resources are unavailable or inadequate

Direct use of natural gas is significantly more efficient end-to-end than electricity



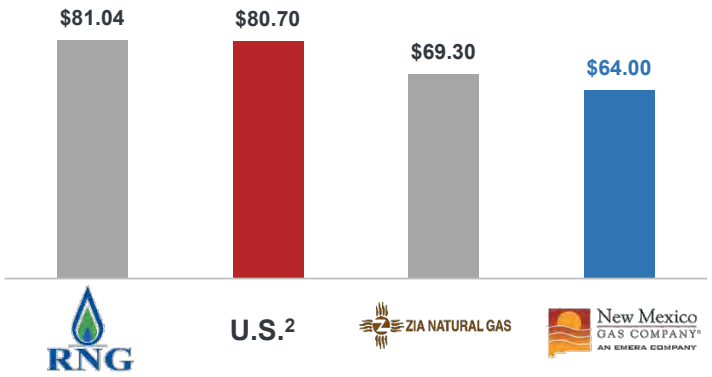
Source: American Gas Foundation "Building a Resilient Energy Future: How the Gas System Contributes to US Energy System Resilience" published January 2021

New Mexico GAS COMPANY

NMGC has consistently provided natural gas to customers at low cost

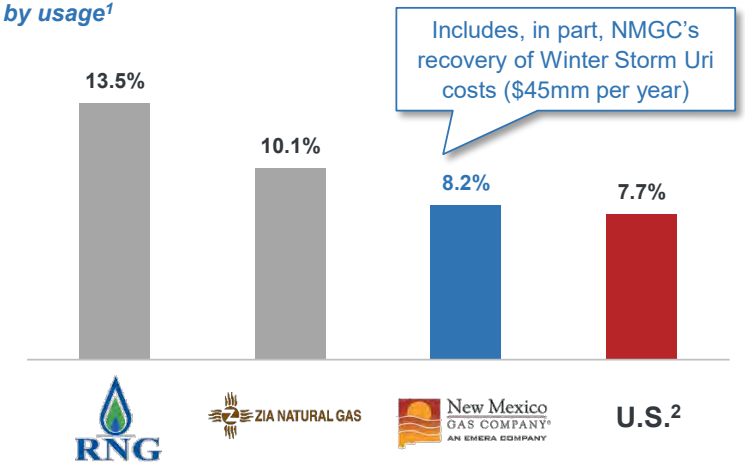
2022 monthly average residential customer bill

Based on actual residential bill, not normalized across companies by usage[1]



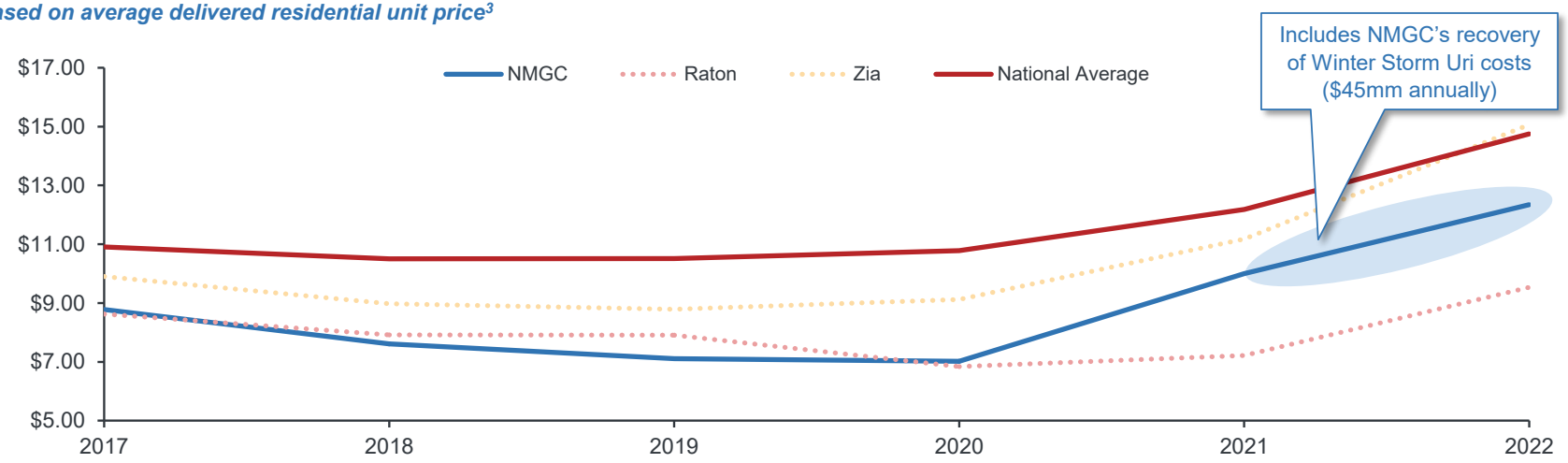
5-year residential bill change (2017-2022 CAGR)

Based on actual residential bill, not normalized across companies by usage[1]



2017 – 2022 average residential gas price ($/Mcf)

Based on average delivered residential unit price[3]



Source: Company filings, EIA

[1] Total annual residential revenue divided by number of customers, presented monthly by dividing by 12; [2] U.S. monthly average residential customer bill is calculated by multiplying the average annual natural gas price by the average annual natural gas usage per customer; [3] Total annual residential revenue divided by total annual residential output

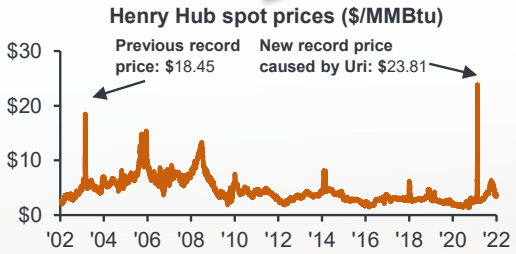
New Mexico GAS COMPANY

Successful resolution of Winter Storm Uri

Background

- **In February 2021**, Winter Storm Uri caused a sharp increase in natural gas demand, a sudden decrease in production, and **extreme volatility in natural gas markets** across the Central and Southwestern U.S. region
- NMGC **paid an incremental ~$107mm during the one-week storm period**, the equivalent of annual gas costs in 2020

Prices in West Texas spiked even further, reaching **over $100/MMBtu**



Operational strategy

- NMGC learned that the storm was coming on February 9th, a few days before it was scheduled to hit
- The Company took **reasonable and prudent actions to secure natural gas supplies** ahead of the storm, including the full utilization of baseload gas contracts, stored gas at the KGS Facility in Texas, and Day-ahead / Intraday gas
- NMGC has access to multiple basins (San Juan, Permian, Piceance, and Green River) allowing it flexibility; the Company **switched as much supply as possible away from the Permian Basin** to minimize costs / supply disruption
- Timely action by NMGC management ensured the continued flow of gas to all customers throughout the extreme cold

Regulatory approach

- **In April 2021,** NMGC applied for recovery of the extraordinary winter storm gas costs through an adjustment to its existing PGAC
- NMGC aimed to **minimize the monthly impact to customers' bills** by spreading the recovery through the end of December 2023, a longer recovery period than normal, and by utilizing a seasonal adjustment to smooth costs

Highlights

- ✓ NMGC customers experienced **zero service disruptions** and continued gas supply throughout the winter storm
- ✓ **Unanimous commission approval** of NMGC's application for recovery of extraordinary costs
- ✓ **Timely, full recovery** of costs – substantially recovered by December 31, 2023 with remainder rolled into regular PGAC

New Mexico GAS COMPANY

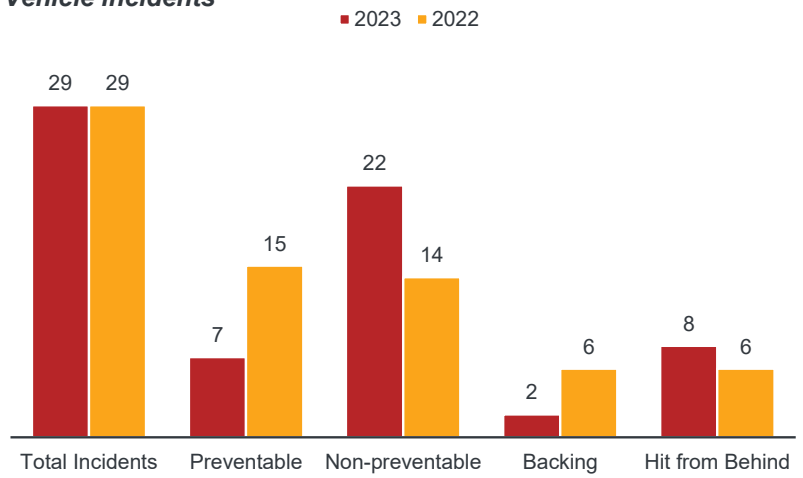
Safety

2022 DIMP and TIMP highlights

DIMP	TIMP
0.0013 *# of leaks caused by external corrosion per mile of main*	**0** *corrosion-related leaks or failures*
1.35 *# of repaired leaks per 1000 customers*	**0** *unscheduled outages and impact on customers*
551,302 *services count*	**142** *assessment miles*

NMGC Vehicle Safety Program

Vehicle incidents



Safety timeline

2024

- **Operational Management System** January – December — Focus on revisions of GMS
- **Contractor Safety Summit** February — Incident Investigation & Root Cause Analysis
- **Statewide In-Person Visits** March – April — Training – Safety, Damage Prevention, Operator Qualification, & Risk Register
- **Public Awareness Meetings** February – March — Liaison with Emergency Responders, Excavators, & Public Officials
- **AGA Best Practice Host Meeting** March – April — Operator Qualification 7 Technical Training
- **AGA Peer Review** April 8th – April 12th — 2 Topics: Safety at Customer Touch Points; Quality Management in Gas Operations
- **100 Days of Summer Safety** Memorial Day (May) – Labor Day (September) — 15 Discussion Topics & 6 Training Modules (OSHA & SIF Training)

2025

New Mexico GAS COMPANY

Customer service

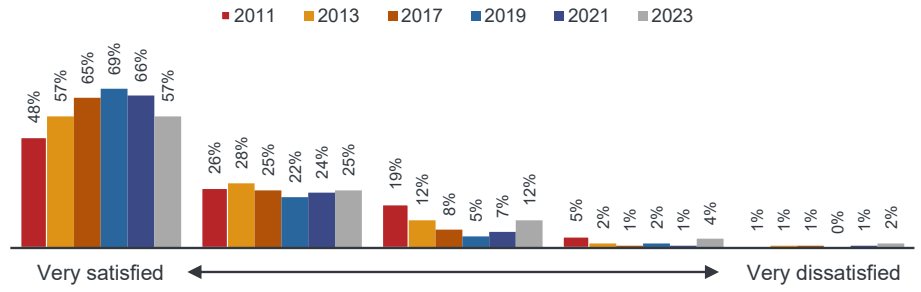
Customer service metrics

Metric	2021	2022	2023
Average Answer Speed *The average time a customer waits in the queue to speak to a CSR*	66 sec.	199 sec.	261 sec.
Service Level (60 seconds) *Percent of calls handled within 60 seconds*	92.16%	68.27%	69.19%
CSR in Service *Percent of time a CSR is considered in a productive status*	89.13%	91.04%	91.89%
% of Calls Answered *Percent of total calls answered*	97.37%	95.53%	90.50%
Call Monitoring *The average score of the Call Center and Dispatch calls that have been reviewed for quality purposes*	94.30%	94.96%	95.30%
Billing Accuracy *Bills generated each month that are not a result of an estimated meter reading or billing correction*	N/A	98.80%	99.10%

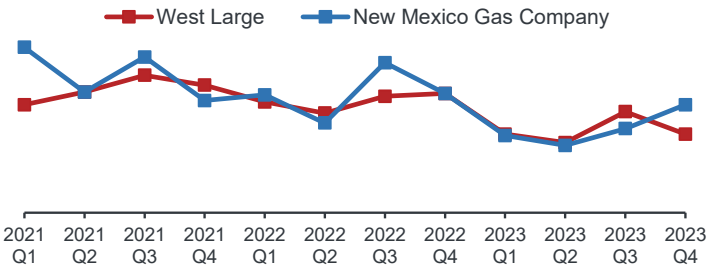
Research & Polling customer survey results

Favorite Attributes of NM Gas Company Top 10 Unaided Responses	2011	2013	2017	2019	2021	2023
Reliable service	**26%**	**23%**	**25%**	**23%**	**32%**	**33%**
Good quality of service	**18%**	**20%**	**15%**	**17%**	**24%**	**24%**
Gas prices are low / fair	**4%**	**14%**	**16%**	**18%**	**14%**	**13%**
Online / automatic bill pay	1%	1%	3%	9%	5%	4%
Flexible / work with me if I need help playing my bill	4%	5%	3%	3%	5%	4%
Friendly / courteous staff	5%	4%	5%	3%	4%	5%
Responsive to customer needs	2%	3%	2%	3%	3%	4%
No problems or issues	-	-	2%	5%	*	2%
Nothing in particular	29%	22%	22%	18%	17%	20%
Don't know/won't say	14%	13%	11%	4%	4%	5%

Research & Polling customer satisfaction survey[3]



JD Power overall customer satisfaction



J.P.Morgan

Source: Company presentations, JD Power, Research & Polling Inc.
* Less than 1% reported

New Mexico GAS COMPANY

Customer affordability

NMGC leverages a multi-dimensional strategy to provide reliable and affordable services

Innovation

- NMGC aims to advance various initiatives to increase reliability and affordability to its customers
- NMGC has cost-effectively reduced emissions in its operations and is in preliminary stages of evaluating end-user emission reduction opportunities

Competitive Pricing

- Firm pipeline capacity contracts with four interstate pipeline operators provide for transportation of a portion of NMGC's gas supply
- AMAs provide the opportunity to capture value from seasonal excess interstate pipeline capacity, while ensuring overall supply reliability

O&M Discipline

- CAGR of ~3% through 2027 due to normal escalations and primarily driven by higher labor, benefits and insurance costs

Footprint

- NMGC's unique position between and within two natural gas basins results in a lower total cost of gas for customers due to use of NMGC's transmission pipeline system and access to abundant supplies of natural gas, with affordability passed on to its customers

Maintaining Infrastructure

- NMGC's ongoing system maintenance and modernization efforts ensure reliable service, minimize costs and customer dissatisfaction associated with service outages and other interruptions

Hedging Initiatives

- Developed hedging plans to protect gas sales customers against significant increases in natural gas prices during the winter peak season

Energy Efficiency Initiatives

- The Company received PRC approval in 2023 to double its spending on EE initiatives
- Focused Energy Efficiency program delivery to pueblos in NMGC's service territory

Expansion and growth

- More than 80% of new single homes in New Mexico are built with natural gas heating / cooking
- Average monthly customer bill for a home heated with natural gas is more than $40 cheaper than electric, even for homes with new heat pump technology

New Mexico GAS COMPANY

ESG highlights

Environmental

- NMGC endeavors to reduce greenhouse gas (GHG) emissions from its operations
- Installed solar panels at 16 operational and business facilities
- Accelerated repair of non-hazardous leaks
- Investigating the potential for future investments in hydrogen, including a comprehensive hydrogen blending pilot project at NMGC's training facility in Albuquerque
- Implementation of advanced mobile leak detection, enabling detection at a higher sensitivity and faster leak detection compared to traditional leak survey methods

Social

- NMGC is deeply committed to its communities
- More than $10 million in economic development and charitable donations over the last 5 years
- NMGC serves 18 independent and separate sovereign nations, including 16 pueblos, the Jicarilla Apache Nation and the Navajo Nation (NMGC is active in these communities)
- Company provides funding for a robust Native American scholarship program
- PRC approval in 2023 to double NMGC spending on energy efficiency, including new programs focused on low-income customers

Governance

- Strong governance provided by a Board of Directors whose members are primarily New Mexico residents
- Significant diversity across the Board of Directors
- Robust compliance culture supported by executive leadership

New Mexico GAS COMPANY

Consistent, cooperative relations with Native American communities

Highlights

- Since 2009, NMGC has proactively established, maintained and enhanced effective **bilateral working relationships** with all pueblos, tribes and nations in its service territory
- Since 2009, NMGC has successfully negotiated **~$50mm** in transmission and distribution rights-of-way with 10 pueblos
- **Franchise agreements with 9 pueblos**, with 2 others pending, enabling streamlined federal and tribal approvals for new gas service installations in tribal communities
- Energy efficiency programs tailored to Native American communities being delivered on **11 pueblos**, with additional communities anticipated in 2024
- Recent **$100,000 donation** to a new agriculture-focused Entrepreneur Complex at the Indian Pueblo Culture Center, which is owned and operated by the state's 19 pueblos
- Since 2011, **more than $425,000 in scholarships awarded** to Native American students as part of an ongoing program

New Mexico GAS COMPANY

Glossary of key terms

AGA – American Gas Association
AMA – Asset Management Agreement
AMR – Automatic Meter Reading
Bcf – Billion cubic feet
BEA – U.S. Bureau of Economic Analysis
C&I – Commercial & industrial
CAGR – Compound annual growth rate
CCN – Certificate of Public Convenience & Necessity
CFIUS – Committee on Foreign Investment in the U.S.
DART – Days away, restricted, or transferred
Dth – Dekatherm
ESG – Environmental, social, and governance
EIA – Energy Information Administration
EPA – Environmental Protection Agency
FEED – Front-end engineering design
FERC – Federal Energy Regulatory Commission
GRC – General rate case
HDD – Heating degree days
HH – Henry Hub
IT&T – Information technology and telecommunications
LDC – Local distribution company
LNG – Liquefied natural gas
MAOP – Maximum allowable operating pressure
MMBtu – Million British Thermal Units
MMscf – Million standard cubic feet
NM – New Mexico
NMGC – New Mexico Gas Company, Inc.
O&M – Operations and maintenance
OpEx – Operating costs or expenses
OSHA – Occupational Safety and Health Administration
PGAC – Purchased Gas Adjustment Clause
PHMSA – Pipeline and Hazardous Materials Safety Administration
PMVA – Preventable motor vehicle accident
PRC – Public Regulation Commission
PSA – Purchase and Sale Agreement
RNG – Renewable natural gas
ROE – Return on equity
RSV – Remote shut-off valve
T&D – Transmission & distribution
TSA – Transition Services Agreement
WNA – Weather Normalization Adjustment

PROJECT SATURN DUE DILIGENCE

Technical Report

B&V PROJECT NO. 419754

CONTAINS REDACTED CONFIDENTIAL MATERIAL

PREPARED FOR

Bernhard Capital Partners Management, LP

19 JUNE 2024

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1.0 Executive Summary

Black & Veatch Management Consulting, LLC (Black & Veatch) was retained by Bernhard Capital Partners Management, LP (Client) to provide a technical due diligence report (Report) in support of a potential acquisition of New Mexico Gas Company, Inc. (NMGC or the Company), the largest natural gas local distribution company (LDC) in New Mexico, currently owned by Emera Inc.

1.1 Asset Overview

NMGC serves approximately 546,000 customers. NMGC has approximately 1,500 miles of intrastate transmission pipelines and approximately 11,000 miles of gas distribution mains. An overview of the service territory and the system's interconnects with Transwestern and El Paso interstate pipeline systems is presented in Figure 1-1.

Figure 1-1 NMGC Service Area (Source: CIM)

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1.2 Scope of Work

To conduct this assessment of NMGC, Black & Veatch provided the following services:

- Data collection and discussions with Company representatives
- Design Review and System Performance Assessment
- Operation and Maintenance (O&M) Review
- Operational Expenditures and Capital Expenditures Review

In conducting this assessment, Black & Veatch (1) had discussions with various Company representatives; (2) posed questions to NMGC representatives that Black & Veatch, in its sole judgment, chose to ask about NMGC; and (3) reviewed certain technical reports prepared by others, as identified in the Report.

The conclusions and findings that resulted from this assessment are summarized in this due diligence Report. The Report was prepared in accordance with the "Management Consulting Services Agreement" between Client and Black & Veatch with effective date of June 15, 2023 (MCSA) and associated Exhibit A-3 dated May 14, 2024, and the information contained herein was developed based on the needs of Client. The level of information included in the Report reflects the knowledge of issues gained by Black & Veatch during the course of review. The Report was prepared with respect to the potential transaction related to NMGC, and is solely for the use of Client, and should not be relied upon by any other party or for any other purpose except in accordance with the MCSA.

Certain statements made in this Report are forward looking. The achievement of certain events, results or performance contained in such forward-looking statements involve known and unknown risks and uncertainties that may cause actual events, results or performance to be materially different than originally intended. Black & Veatch does not plan to update or revise any forward-looking statements when such events, results or performance actually occur.

1.3 Approach and Methodology

The Black & Veatch team, which included project management specialists, engineers, financial analysis experts, technology specialists, and supporting staff, gathered available data from the electronic data room for the assessment. Data requests for additional or updated documentation were submitted as necessary.

Black & Veatch's review has used and relied upon certain information provided by representatives of NMGC, and Black & Veatch assumes the information provided is true and correct and reasonable for the purposes of this Report.

1.4 Principal Considerations and Assumptions

In preparing this Report and the opinions presented herein, Black & Veatch has made certain assumptions with respect to conditions that may exist, or events that may occur in the future. Black & Veatch believes that the use of the information and assumptions is reasonable for purposes of this Report. However, some events may occur or circumstances change that cannot be foreseen or controlled by Black & Veatch and that may render these assumptions incorrect. To the extent the actual

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future conditions differ from those assumed herein or provided to Black & Veatch by others, the actual results will differ from those that have been forecast in this Report. This Report summarizes Black & Veatch's assessment of NMGC.

In discussing NMGC, unless noted otherwise, Black & Veatch considers the equipment, systems and interconnections to be typical of those found in natural gas distribution facilities of similar type. Black & Veatch has provided recommendations, where appropriate, based on previous experience and inspections of similar assets. When necessary, Black & Veatch identifies those areas considered to have design or operational deficiencies that are critical to the reliable operation of the assets.

Throughout this Report, Black & Veatch has stated assumptions and reported information provided by others, all of which were relied upon in the development of the conclusions of this Report. Following is a summary of principal considerations and assumptions made in developing the opinions expressed herein:

- Adequate quantities and quality of fuel and utilities will continue to be available in accordance with the data provided as required by the Project.
- NMGC will not be subject to unanticipated events such as equipment and material delays, labor disputes or strikes, unusually adverse weather conditions, force majeure events, the untimely failure of major equipment components, or other abnormal events that are prejudicial to normal construction, installation, commissioning, or operation.
- NMGC will continue to be operated and maintained in accordance with good industry practices, required renewals and replacements will be made in a timely manner, and the equipment will not be operated in a manner to cause it to exceed equipment manufacturer's recommendations.
- All licenses, permits and approvals, and permit modifications (if necessary) will be obtained and/or renewed on a timely basis.
- Project management and O&M staff will comply with contract and permit requirements.

1.5 Key Findings

Overall, Black & Veatch has not noted any material fatal flaws associated with NMGC; however, the following bullets summarizes key observations/conclusions based on Black & Veatch's review and the subsequent subsections provide additional background information.

1.5.1 Asset Design and Operating Conditions

- 57.5 percent of NMGC's distribution mains are plastic with 42.5 percent being cathodically protected coated steel and 0.2 percent cathodically protected bare steel. 63.5 percent of the distribution services are plastic with 34.9 percent being cathodically protected coated steel and 1.6 percent being cathodically protected bare steel. The material composition of the distribution system is in line with industry standards. NMGC plans to eliminate all bare steel main and all PVC pipe by end of year 2024.
- Over 50% of the distribution mains for NMGC were installed in 1990 or later, and over 50% of distribution services were completed in 1980 or later. Under the continued maintenance program, vintage of pipe provides for considerable remaining useful life.

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- There are a considerable percentage of reported "Unknown" installation decades for NMGC distribution services piping. Black & Veatch recommends that a records digitization project be undertaken to digitize associated records and reduce the mileage of Unknown pipe and continue to update GIS databases.
- The average number of leaks and hazardous leaks per thousand mile of distribution mains and services are well below national average and has been gradually decreasing from 2015 to 2023. Similarly, the number of corrosion and hazardous corrosion leaks per thousand miles of steel mains has remained steady and significantly lower than the national average between 2015 and 2023. Average leak backlog has dropped significantly since 2015 and also remains well below the national average. These favorable metrics indicate good operating condition of NMGC's distribution system.
- NMGC has had five significant operational incidents on its distribution system from 2018 to 2023. Two of the incidents had a cause due to fusion joint issues. In 2020, NMGC initiated a random polyethylene pipe fusion inspection program. NMGC notes that based on its inspection program and data gathered to date showing one joint failure across 2,400 inspections, issues with fusion joints do not appear to be systemic across the NMGC system.
- Review of in-line inspection reports and low count of transmission pipeline leaks generally showed the transmission system to be in good condition.

1.5.2 Operations and Maintenance

- NMGC's organizational structure and staffing levels are in alignment with Black & Veatch's expectations.
- Black & Veatch reviewed key NMGC program and plan manuals used by NMGC to support asset operations and maintenance as well as comply with regulatory requirements for operations. Overall, Black & Veatch found the documentation in compliance with requirements and industry expectations.
- Black & Veatch has identified an opportunity for NMGC to improve implementation of its operations and maintenance procedures and structure. A recent Notice of Probable Violation (NOPV) from the New Mexico Pipeline Safety Bureau contained observations of instances that indicate that NMGC could improve adherence to following O&M procedures and practices in the field.
- NMGC has robust transmission integrity management program (TIMP) and distribution integrity management program (DIMP) plans and performance measure tracking. The performance measures indicate transmission and distribution integrity is in good condition.
- The lost and unaccounted for (LAUF) gas record for NMGC for since 2020 is well below the national average
- NMGC has received audit, excavation and incident related NOPVs from the New Mexico Pipeline Safety Bureau within the last several years and some NOPVs remain open. However, NMGC has historically been able to address the NOVs and implement remediation programs and corrective actions. These include training programs, O&M manual updates, and organizational restructuring.

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1.5.3 Financial Model

- The Financial Model Opex forecast is generally aligned with historical Opex. Overall, the Financial Model Opex forecast appears to be reasonable and no significant adjustments are recommended.
- Opex benchmarks on a $/mile basis are in range with other industry peers.
- A significant amount of mechanically coupled steel tubing service lines is expected to be replaced in the forecast. These replacement targets have been prioritized through NMGC's DIMP risk assessment and should serve to significantly improve the reliability of NMGC's distribution services. NMGC also intends to invest in the replacement of aging transmission pipes in coming years.
- Replacement and growth capital expenditures are generally considered by Black & Veatch to be reasonable based on the targeted projects and growth opportunities.

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2.0 Asset Design and Operating Conditions

2.1 Overview

NMGC is the largest natural gas distribution company in New Mexico and serves approximately 546,000 metered customers. Over 90 percent of the metered customers are residential and are served within 70 percent of the counties in New Mexico. The Company maintains roughly 1,500 miles of transmission pipeline and 11,000 miles of distribution main lines. The NMGC service territory is located between the Permian and San Juan natural gas basins of New Mexico. The headquarters of NMGC is in Albuquerque with four service centers and 22 walk-in and service-payment centers throughout the state. A breakdown of the pipe material for both mains and services for the distribution system of NMGC is illustrated in Table 2-1 below. Black & Veatch notes that all steel lines are cathodically protected with no cast-iron pipe in the system. NMGC plans to retire and replace all bare steel main and all PVC pipe by end of year 2024.

Table 2-1 Distribution Mains (Miles) and No. of Services for NMGC (2023)

Material	NMGC	%
Mains (Miles)		
Plastic	6,364.45	57.5%
Steel	4,701.91	42.5%
Total	**11,066.36**	**100%**
Services (No. of Services)		
Plastic	353,257	63.5%
Steel	202,713	36.5%
Total	**555,970**	**100%**

Figure 2-1 shows the NMGC service map.

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Figure 2-1 NMGC Service Territory

2.2 Distribution System

2.2.1 Distribution Design Review

Black & Veatch reviewed the US Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) records to assess the pipeline inventory and system age of NMGC's distribution mains and services systems.

The makeup of the distribution mains is provided in Table 2-2 below. As the distribution main network is almost entirely comprised of lower leak risk pipelines such as coated cathodically protected steel and plastic, it compares favorability to other utilities across the nation.

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Table 2-2 Distribution Main Composition by Material (Miles)

Material	Miles	% of Total
Unprotected, Bare Steel	0	0.0%
Unprotected, coated steel	0	0.0%
Cathodically Protected, Bare Steel	2.51	0.02%
Cathodically Protected, Coated Steel	4,699.40	42.5%
Plastic	6,364.45	57.5%
Cast/Wrought Iron	0	0.0%
Ductile Iron	0	0.0%
Copper	0	0.0%
Other	0	0.0%
Reconditioned Cast Iron	0	0.0%
Total	**11,066.36**	**100%**

Roughly 42.5 percent of the distribution mains is comprised of cathodically protected, coated Steel, and about 57.5 percent is plastic pipe. The system contains about 2.51 miles of cathodically protected, bare steel, and does NMGC expects to complete replacement of these remaining bare steel mains by October 2024.

Table 2-3 represents the distribution services by material for this system in 2023. The system primarily consists of cathodically protected, coated steel or plastic services. Additionally, 1.56% of the services are cathodically protected, bare steel.

Table 2-3 Distribution Services by Material

Material	Number of Services	% of Total
Unprotected, Bare Steel	0	0.0%
Unprotected, coated steel	0	0.0%
Cathodically Protected, Bare Steel	8,660	1.56%
Cathodically Protected, Coated Steel	194,053	34.9%
Plastic	353,257	63.5%
Cast/Wrought Iron	0	0.0%
Ductile Iron	0	0.0%
Copper	0	0.0%
Other	0	0.0%
Reconditioned Cast Iron	0	0.0%

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Material	Number of Services	% of Total
Total	555,970	100%

Black & Veatch notes a shift from cathodically protected, coated steel to plastic mains in the between 2015-2023. This shift is shown by the roughly 3% increase in Plastic use and 3% decrease in cathodically protected, coated steel. The use of cathodically protected, Bare Steel has also been steadily decreasing over the last nine years by about 0.22%.

The makeup of distribution mains by yearly material composition is provided in Figure 2-2 below.

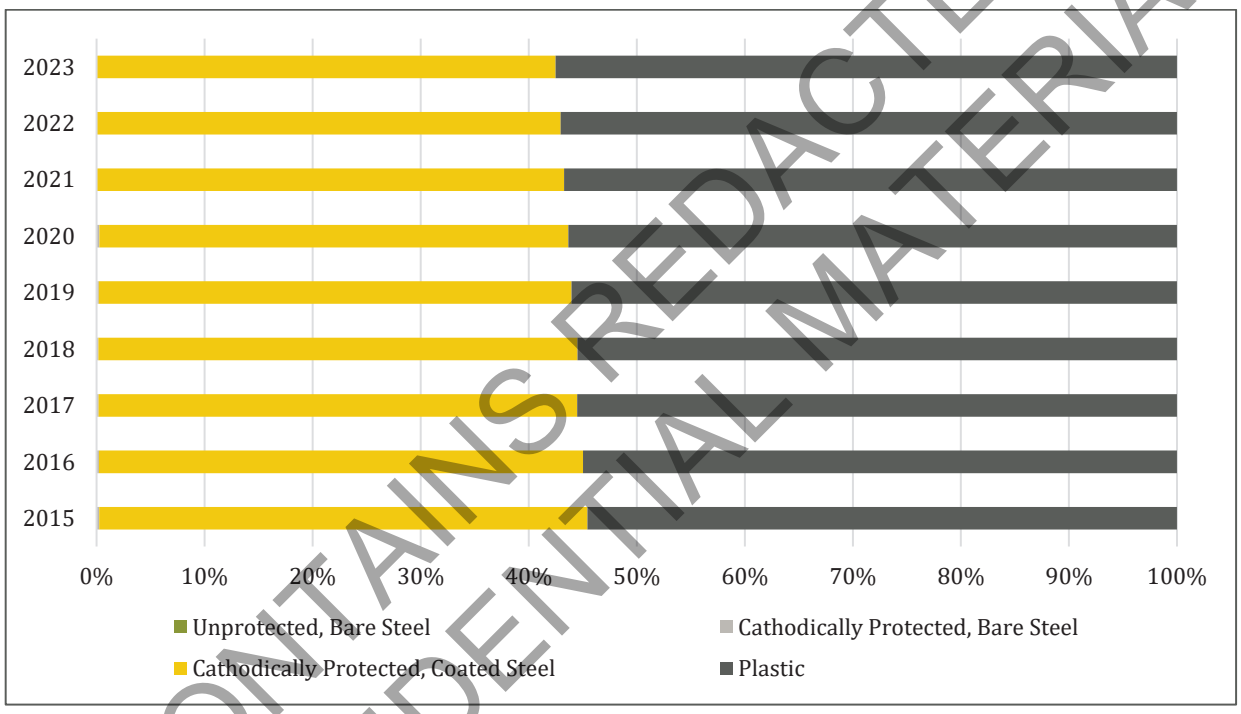

Figure 2-2 Mains Material by Year

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With regards to distribution services, there has been about a change of approximately 3% of services from cathodically protected, coated steel to plastic within the past 9 years. Additionally, there has been a gradual decline in the number of services for cathodically protected, bare steel over this same period. The makeup of distribution services by yearly material composition is provided in Figure 2-3 below.

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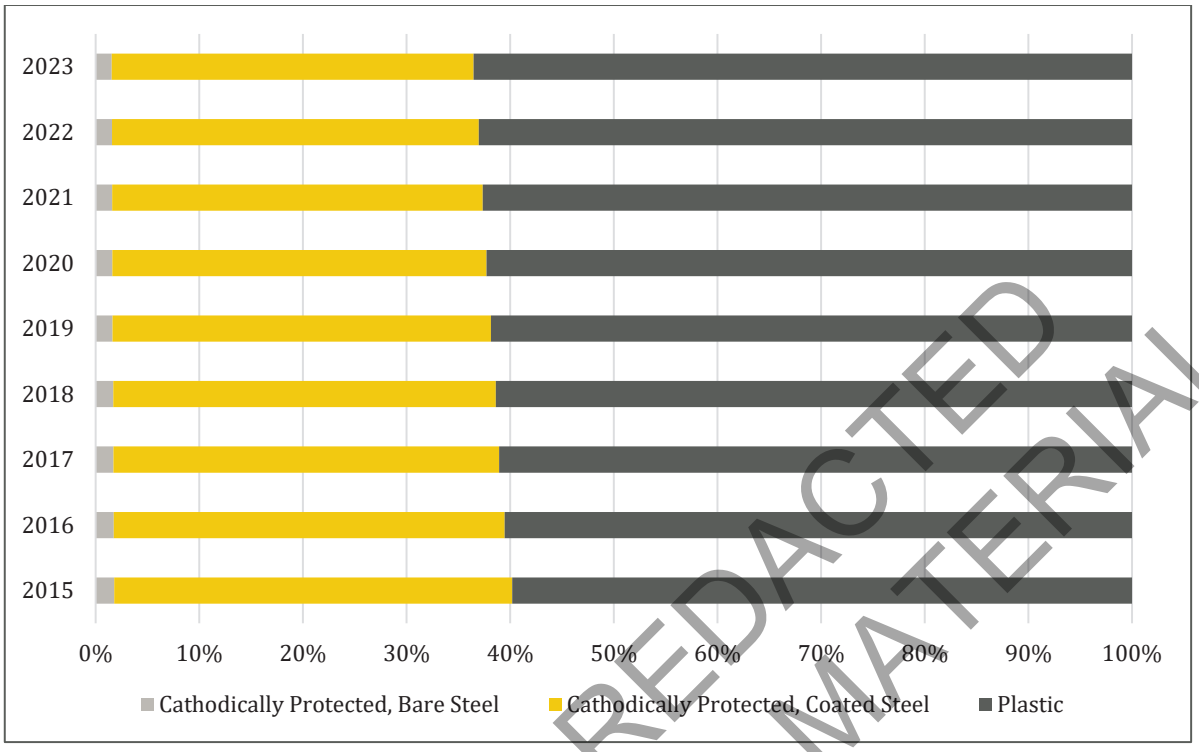

Figure 2-3 Services Material by Year

The installation vintage of distribution mains by decade is provided in Figure 2-4 below. Over 50% of the mains were installed in 1990 or later. Additionally, 3.72% of the mains were installed in an unknown decade. The graph indicates that since 1990-1999 there has been a decline in installation each decade.

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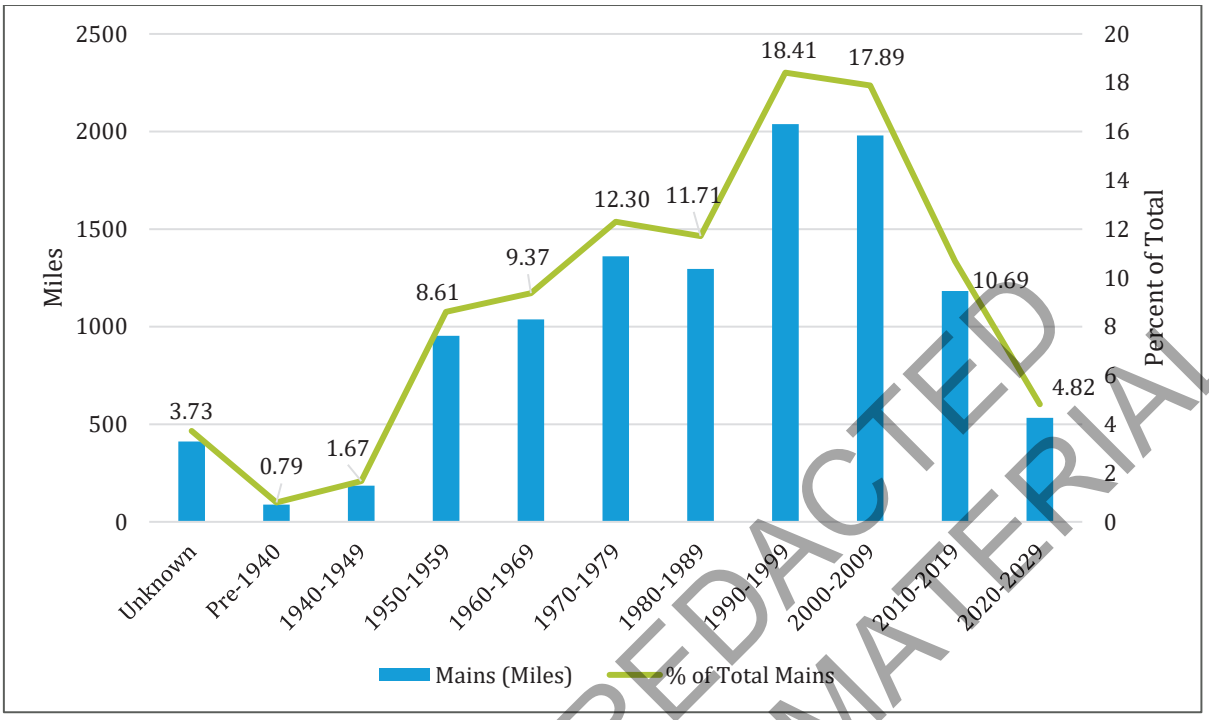

Figure 2-4 Distribution Mains by Decade

The installation of distribution services by decade is provided in Figure 2-5 below. Over 50% of services were completed in 1980 or later. The majority of services prior to 1980, over 31%, were performed in an unknown decade. The graph also indicates that there has been a decline in services each decade since 2000-2009.

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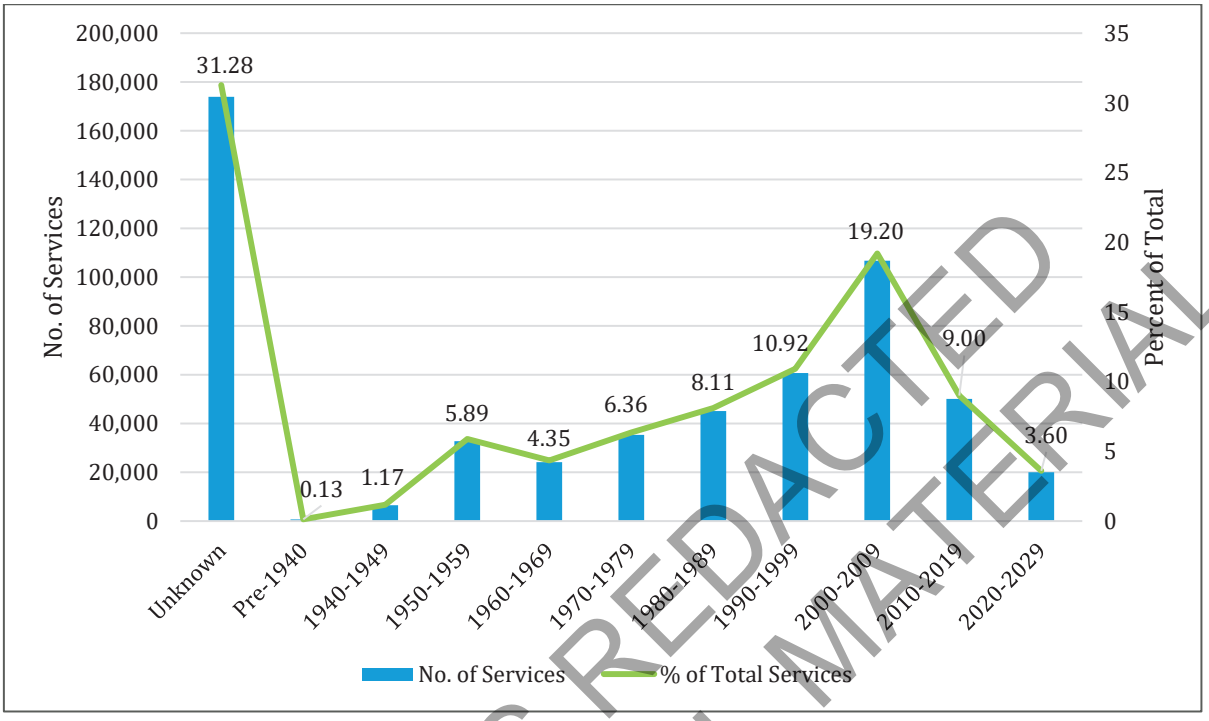

Figure 2-5 Distribution Services by Decade

In general, the selection of materials for the distribution network aligns with standard construction practices within the natural gas utility industry. Additionally, the network uses less leak-prone materials compared to the national average and regional utilities.

2.2.2 Distribution System Condition Assessment

Black & Veatch reviewed the general condition assessment of the system based on leaks and damages reported to PHMSA through 2023. According to the reported PHMSA records, leaks on mains have shown a downward trend since 2020, which is largely due to a reduction in leaks caused by pipe, weld, or joint failures after 2021. Leaks related to pipe, weld, and joint failures in 2021 reduced to approximately 15 percent of the pipe, weld, and joint failure leaks of the previous year, and have continued to decrease. From 2015 through 2023, excavation damage has been the leading cause of leaks on mains since 2015 and has attributed to roughly 56 percent of the leaks on mains since 2021. As shown in the following figure, total leaks on mains per 1,000 miles has remained consistently below the national average.

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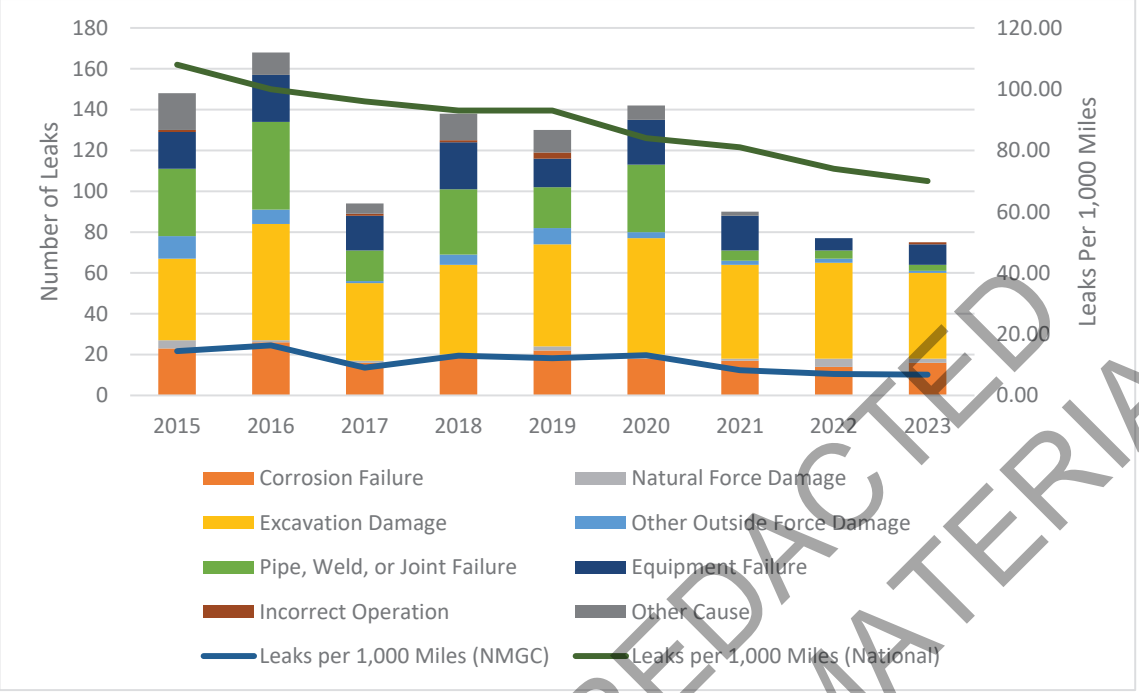

Figure 2-6 Total Leaks on Mains

The two largest proponents of leaks on services from 2015 to 2021 have been equipment failure and other outside force damage. However, in 2022, leaks related to equipment failure decreased by 45 percent and excavation damage became the second largest proponent that year behind other outside force damage. In 2023, those two categories remained as the two largest related to leaks on services. As shown in the following figure, total leaks on services per 1,000 miles has remained consistently below the national average.

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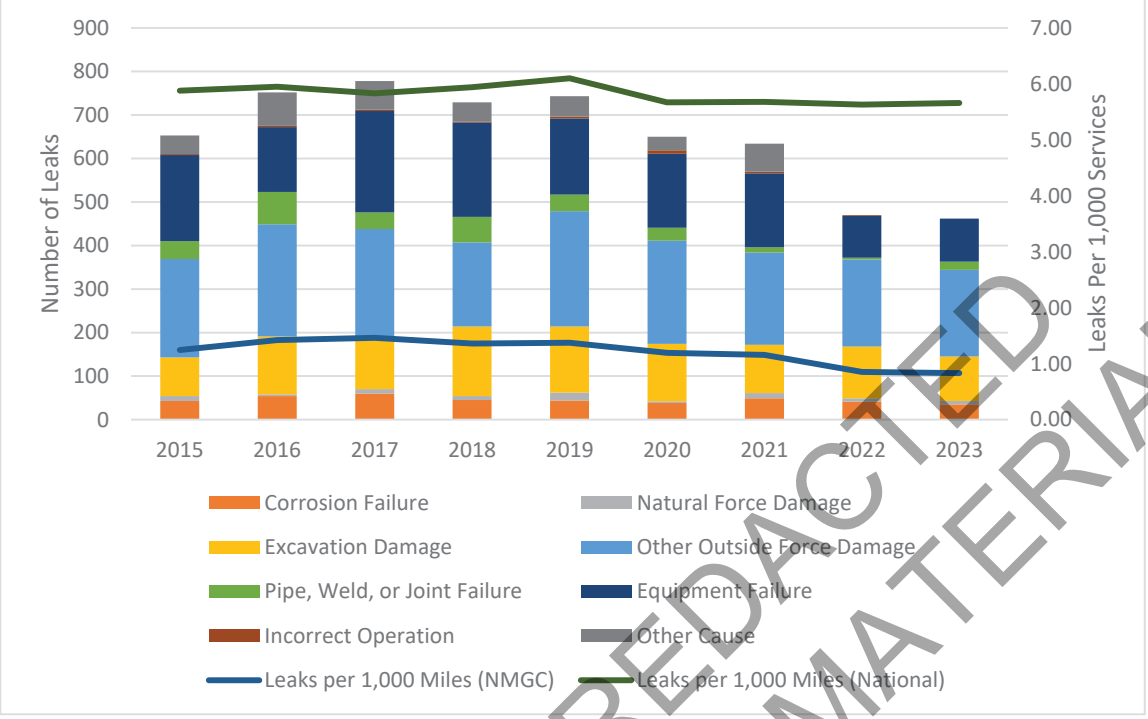

Figure 2-7 Total Leaks on Services

As shown in the following figure, excavation damage is also the largest proponent of hazardous leaks on mains, making up between 59 and 65 percent of total hazardous leaks on an annual basis since 2021. Like total leaks on mains, hazardous leaks per 1,000 miles have also remained well below the national average.

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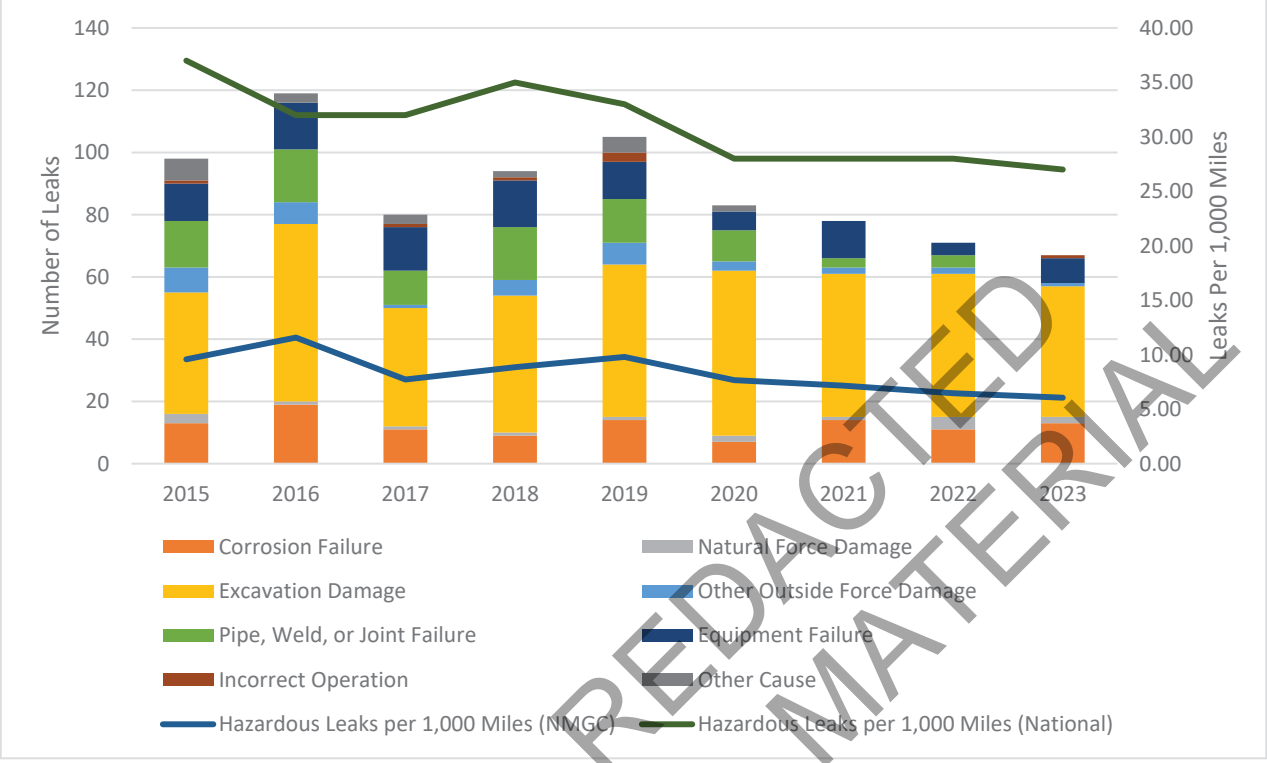

Figure 2-8 Hazardous Leaks on Mains

Hazardous leaks on services shows a decreasing trend from 2019 through 2022 with excavation damage and other outside force damage accounting for the most leaks each year. As shown in the following figure, hazardous leaks per 1,000 services have consistently remained below the national average and has been decreasing each year since 2019.

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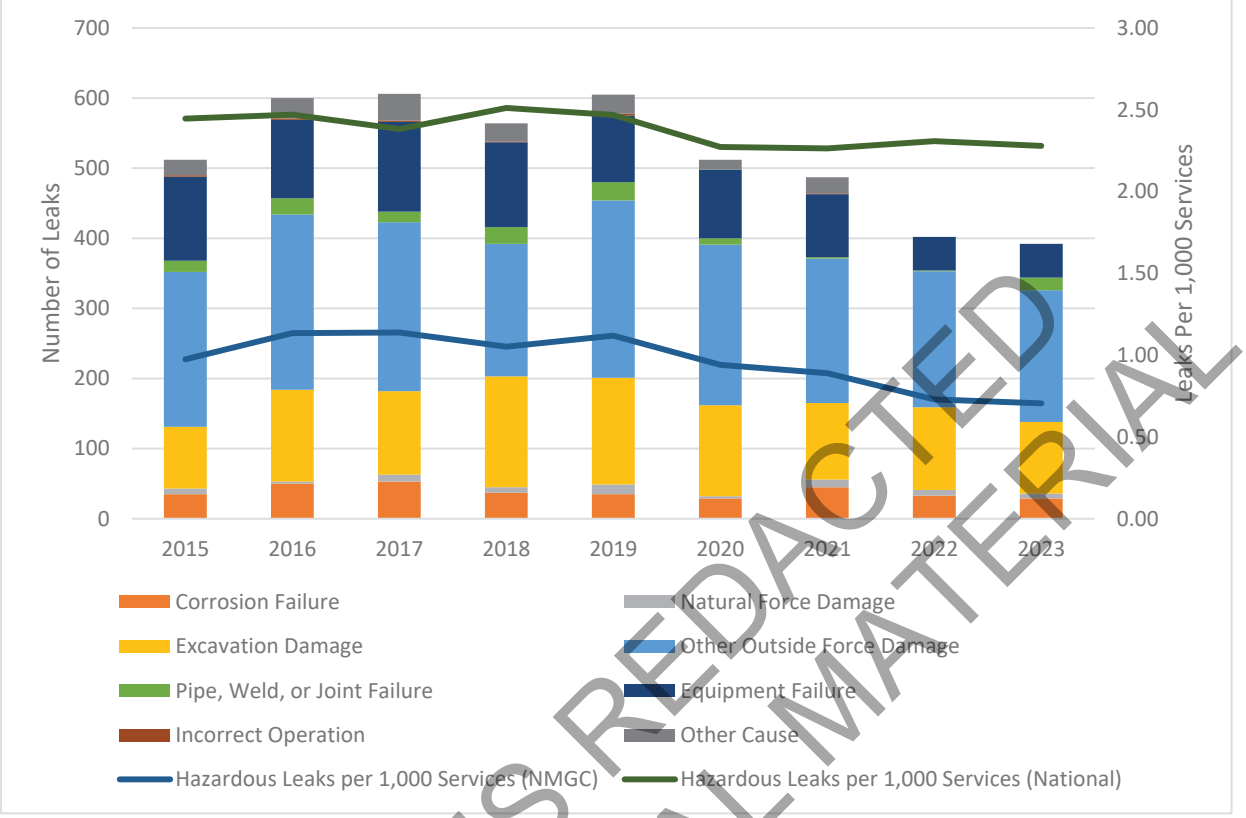

Figure 2-9 Hazardous Leaks on Services

As shown in the following figure, the total corrosion leaks per 1,000 miles of steel distribution mains have seen little change since 2015 and remains well below the national average. This metric is calculated by dividing the total number of corrosion leaks by the total mileage of all main pipelines comprised of unprotected bare and coated steel, cathodically protected bare and coated steel, and cast/wrought iron pipelines.

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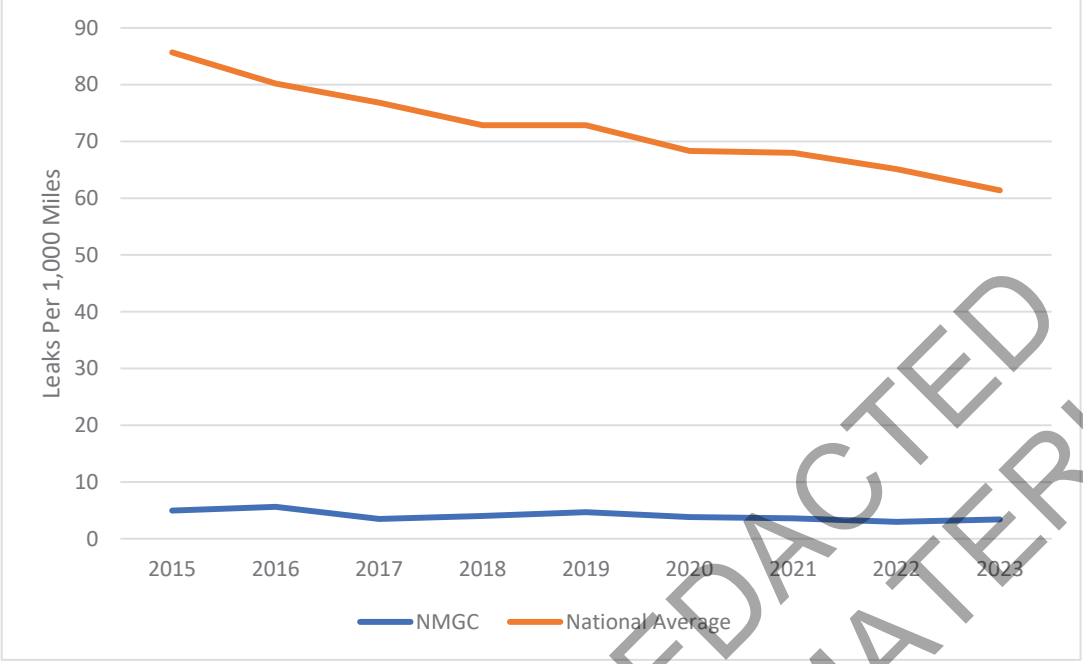

Figure 2-10 Total Corrosion Leaks per 1,000 Miles of Steel Mains

As shown in the following figure, the hazardous corrosion leaks per 1,000 miles of steel mains remained well below the national average from 2015 through 2023, indicating effective corrosion leak management efforts.

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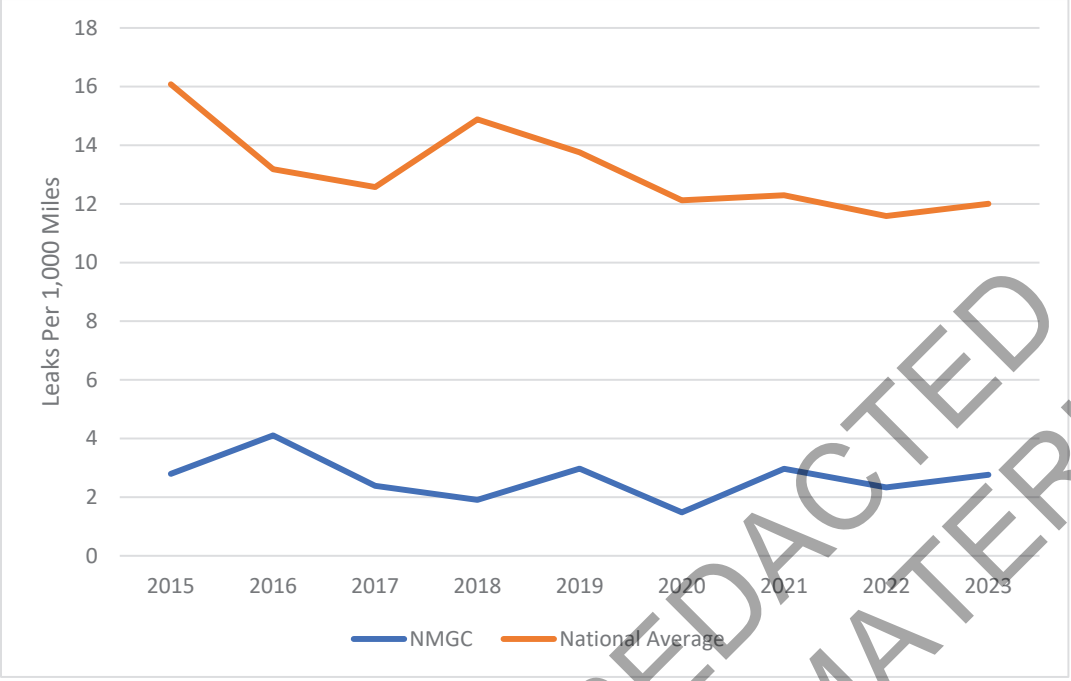

Figure 2-11 Hazardous Corrosion Leaks per 1,000 Miles of Steel Mains

Black & Veatch evaluated excavation damages per thousand one call tickets. As shown in the following figure, the excavation damage rate surpassed the national average in 2019, demonstrating an increase of excavation damages, and has remained above the national average through 2023. From 2022 to 2023, the NMGC rate decreased and the gap between the national average and NMGC also narrowed in 2023, with NMGC slightly above the national average.

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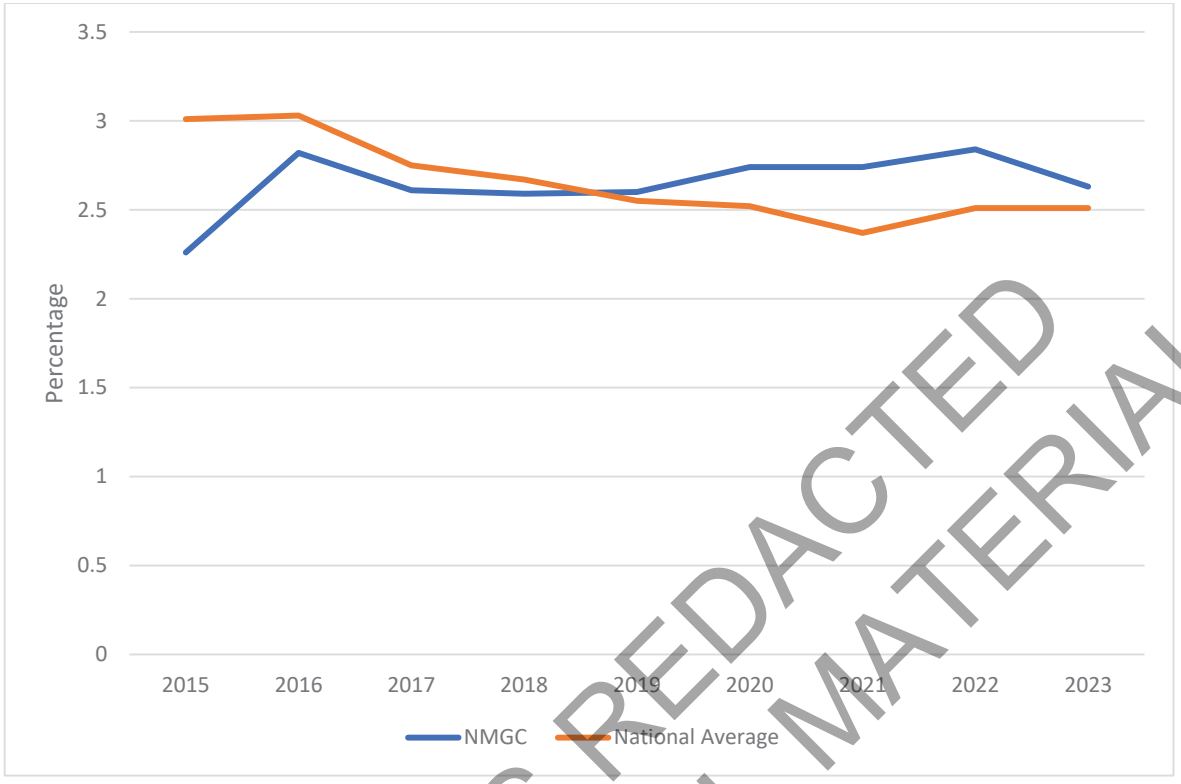

Figure 2-12 Excavation Damages per 1,000 Tickets

For the number of incidents for excavation damage that has been reported, the two most common causes for this since 2015 have been insufficient one-call notification practices and excavation practices, each accounting for approximately 39 percent of the incidents since 2015, respectively.

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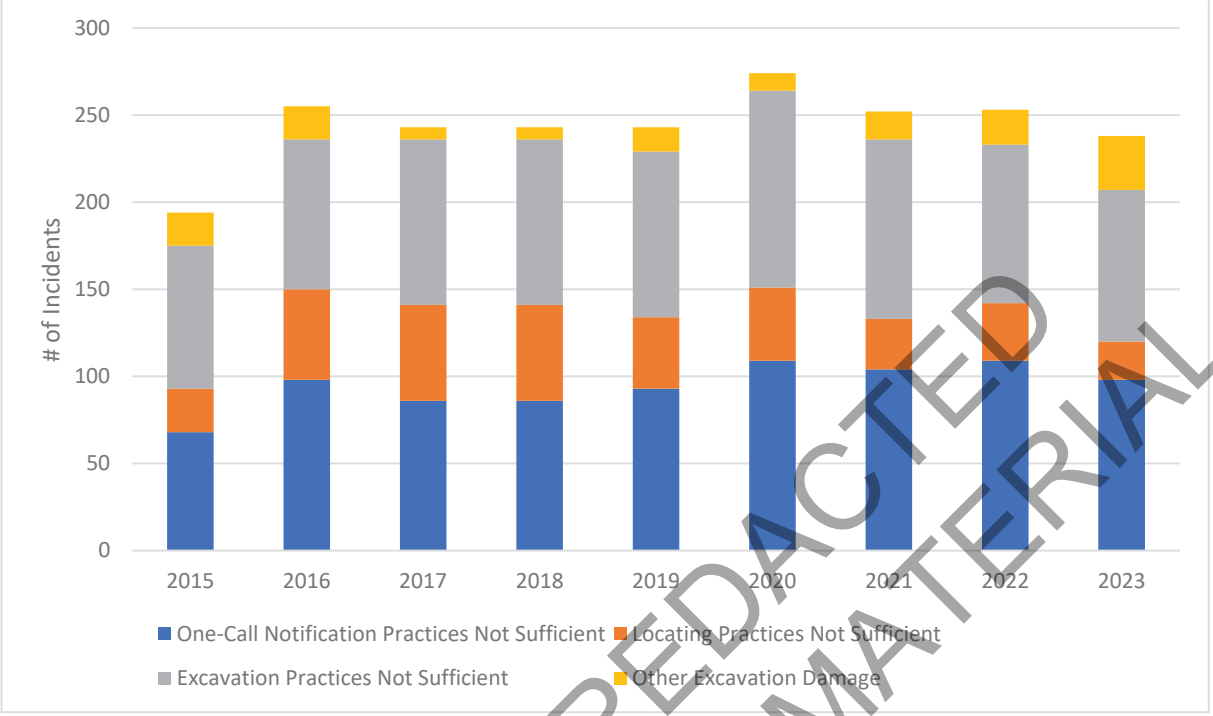

Figure 2-13 Excavation Damages Reporting Categories

The average leak backlog of outstanding leaks at the end of the reported year (calculated as the leak backlog count multiplied by the average monthly leak repair rate) has been well below the national average since 2016, with the exception of 2019, in which it remained below the national average but saw a dramatic increase as it peaked at a two-and-a-half-month backlog. Since 2016, leak repairs have continuously been prioritized at a faster rate than the national average and at the end of 2023 there were no known reported leaks needing repair as shown in the following figure.

Black & Veatch observes the asset condition of the system is typically at or better than national key performance indicators (KPIs) tracked by PHMSA.

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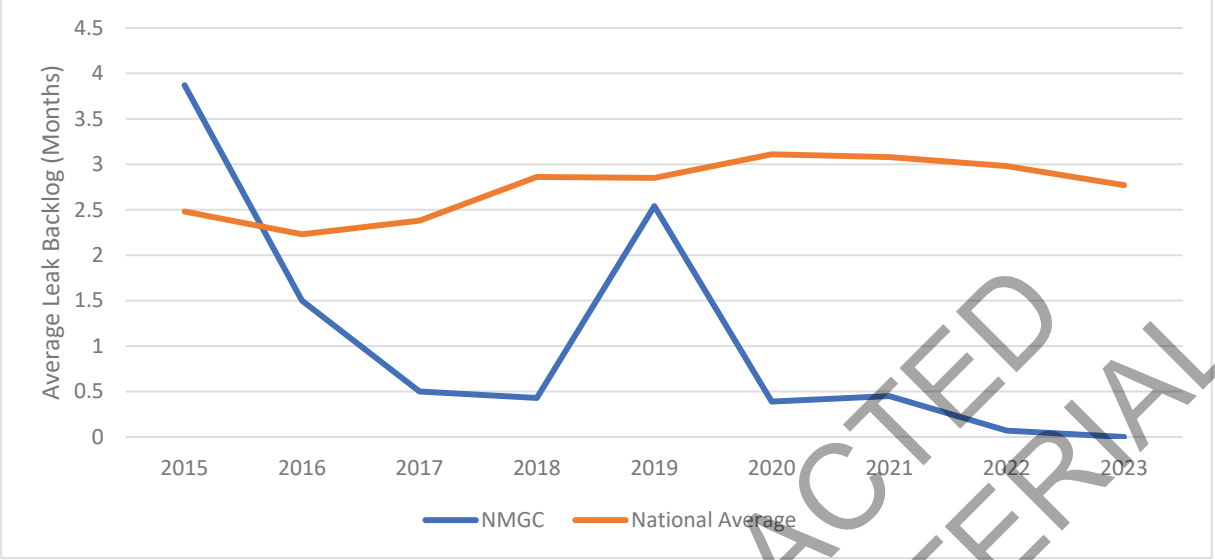

Figure 2-14 Average Leak Backlog in Months

2.2.3 Distribution System Performance and Operational Record

In review of the PHMSA operator database from 2013 through 2023, Black & Veatch identified six PHMSA-recorded incidents. Of the six recorded incidents, 50% reported an Explosion Flag, 67% reported an Evacuation Flag, and 83% reported a Significant Incident Flag. There was one reported injury, one reported fatality, and the total property damage for all incidents was [redacted]. The operational incidents are outlined in the table below. Further description of the operational incidents are included in Section 6.0 Appendix.

Following the Roswell incident in 2020 [redacted], NMGC initiated a random polyethylene pipe fusion inspection program. The inspection program requires each operating region to perform 12 randomly selected inspections of existing polyethylene butt fusion joints annually. Any failed visual inspection is sent to a material testing facility for mechanical testing. As part of this program, NMGC noted that of 2400 fusion joints inspected, only four were sent for further testing and of these four, only one failed inspection. Failed inspection also triggers additional inspections of the personnel who originally made the PE fusion. NMGC notes that based on its inspection program and data gathered to date, issues with fusion joints do not appear to be systemic across the NMGC system.

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Exhibit BTC-8
JA Exhibit Staff 3-4 WITH CONFIDENTIAL MATERIAL REDACTED
Page 27 of 73
SUBJECT TO PROTECTIVE ORDER IN CASE NO. 24-00266-UT

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Table 2-4 PHMSA Operational Incidents

Incident Date	Incident City	Explosion Flag	Evacuation Flag	Significant Incident Flag	Material	Incident Cause Type	Incident Cause Sub Type	Number of Fatalities	Number of Injuries	Total Property Damage
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
9/13/2021	Santa Fe	No	No	Yes	Steel	Incorrect Operation	Other Incorrect Operation	0	1	$58
1/25/2021	Albuquerque	Yes	Yes	Yes	Other	Material/Weld /Equip Failure	Valve	0	0	$251,946
7/3/2019	Roswell	Yes	Yes	Yes	Plastic	Material/Weld /Equip Failure	Fusion Joint	1	0	$262,687
7/19/2018	Grants	No	No	Yes	Steel	Incorrect Operation	Other Incorrect Operation	0	0	$312,906
8/9/2016	Albuquerque	No	Yes	No	Plastic	Excavation Damage	Third Party Excavation Damage	0	0	$98,588
Total								**1**	**1**	[redacted]

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2.3 Transmission System

2.3.1 Transmission Pipeline Design Review

The transmission system consists of approximately 1,489 miles of cathodically protected coated steel and 6 miles of cathodically protected bare steel. NMGC's proximity to production basins along with its significant intrastate transmission system allows for moving gas to customers without utilizing interstate pipelines, leading to lower overall gas costs for its customers.

Table 2-5 Transmission System Makeup

Pipe Diameter (NPS)	4" or Less	6-10"	12-22"	24" or More	Total
Miles	151.3	649.5	575.6	117.8	1,494.3

Figure 2-15 below shows the transmission system's mileage and percent of total system by vintage of installation.

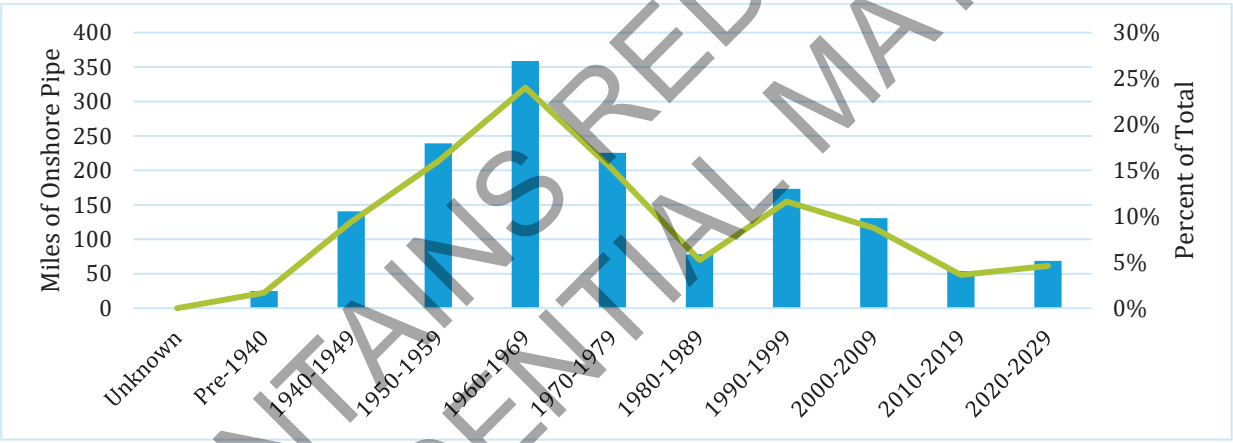

Figure 2-15 Transmission System Vintage

The transmission system is relatively modern with 48.9 percent of transmission mains having been installed since 1970.

Class 1 locations through Class 4 and High Consequence Area (HCA) locations progress from least populated areas (Class 1) to high populated areas/community gathering locations (Class 4 and HCA). Class locations are summarized in Table 2-6. Miles of HCA in 2023 are 154 miles.

Table 2-6 NMGC Natural Gas Class Locations (2023 PHMSA Data)

Location	Class 1	Class 2	Class 3	Class 4	Total
Miles	1293	51	150	0	1494

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Table 2-7 shows a breakout of the mileage of piggable transmission miles, HCA miles, and miles that were assessed with in-line inspection (ILI) for 2022.

Table 2-7 Transmission Pipeline Performance Measures

Overall	2022
Transmission Pipeline Piggable (Total Miles)	955.86
Transmission Pipeline (Total Miles)	1,496.19
Piggable Pipeline (%)	63.89%
Transmission lines assessed with ILI at least once (Miles)	886.58
Transmission lines assessed with ILI at least once (%)	59.3%
HCA Piggable Pipeline (Total Miles)	139.05
HCA Pipeline (Total Miles)	155.00
HCA Piggable Pipeline (%)	89.71%

Nearly 90 percent of the pipeline miles in HCA areas are piggable and approximately 59 percent of the total transmission system miles were inspected with ILI at least once in 2022.

2.3.2 Transmission Pipeline System Condition Assessment

2.3.2.1 Leaks Summary

Black & Veatch reviewed the general asset condition of the transmission facilities. In 2023, the company reported operation of 1,494.3 miles of transmission main with 154.18 miles in High Consequence Areas (HCA). Reported transmission installation by decade shows 51.1 percent of transmission pipelines were installed pre-1970 prior to all pipeline safety codes being implemented.

Black & Veatch reviewed the Gas Transmission Integrity Management (GT IM) Performance and GT IM Assessment based on the PHMSA Operational Database.

From PHMSA data, NMGC experienced 8 leak eliminations/repairs from 2021 to 2023 of the gas transmission system, averaging approximately 2.7 eliminations/repairs per year. Most of the leaks (3) are attributed to equipment incidents in 2021, with four other categories each having one leak across the reviewed period. Table 2-8 summarizes the leak causes that were eliminated per year separated by HCA and Non-HCA areas from 2021 to 2023. NMGC has experienced 2 HCA leaks across the last three years and overall leaks have been relatively low across the last three years given the system size.

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Table 2-8 Leaks Eliminated in Transmission System by Cause

Cause	2021		2022		2023	
	HCA	Non-HCA	HCA	Non-HCA	HCA	Non-HCA
External Corrosion	0	0	0	0	0	0
Internal Corrosion	0	0	0	0	0	0
Construction	0	0	0	1	0	0
Equipment	0	3	0	0	0	1
Incorrect Operations	0	0	0	0	0	0
Excavation Damage	0	0	0	0	1	0
Natural Force	0	0	0	0	0	0
Other Outside Force	1	0	0	0	0	0
Other	0	1	0	0	0	0
Total	**1**	**4**	**0**	**1**	**1**	**1**

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According to the CIM, approximately 568 miles of NMGC's transmission pipeline, or 38 percent, have incomplete records necessary to establish maximum allowable operating pressure. The 2023 PHMSA annual report indicates that only 160 miles of pipeline have incomplete records. NMGC clarified that the PHMSA regulation for MAOP confirmation (192.624) only applies to pipe within an HCA, MCA, Class 3, Class 4 area. Further, NGMC noted that data from Part R of the 2023 PHMSA Annual report states that NMGC has 482/1494 total transmission miles with incomplete pressure test records, but only 160/397 miles of HCA/MCA, Class 3, Class 4 area with incomplete pressure test records. NMGC intends to address half of the required work by mid-2028 ahead of the PHMSA completion deadline of mid-2035.

2.3.2.2 In-Line Inspection Summary

A summary of the in-line inspection (ILIs) performed on the NMGC system from 2021 through 2023 is presented in Table 2-9. The gas transmission system had a higher rate of ILI anomalies excavated and repaired anomalies in and out of HCA areas in 2021 than in 2022 and 2023. As of 2023 reporting, there are eight monitored condition repairs in HCA areas, up slightly from five monitored condition repairs as of 2022 reporting.

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Table 2-9 Transmission Pipeline In-Line Inspection and Direct Assessment Summary

Inspection Type	2021	2022	2023
HCA Miles	152	155	154
Metal Loss Tool (Miles)	91.60	137.75	80.49
Dent Tool (Miles)	95.88	137.75	80.49
Crack Tool (Miles)	13.23	0	29.79
Other Tool (Miles)	14.37	35.41	6.92
All Tools (Miles)	**215.08**	**310.91**	**197.69**
ILI Anomalies Excavated	86	24	25
Repaired Anomalies in and out of HCA	61	24	25
Immediate Condition Repairs in HCA	4	0	0
1-Year Condition Repairs in HCA	0	0	0
Monitored Condition Repairs in HCA	21	5	8
Scheduled Condition Repairs in HCA	0	0	0
Direct Assessment			
External Corrosion Direct Assessment (ECDA)	0	1.44	.82
Internal Corrosion Direct Assessment (ICDA)	0	0	.06
Stress Corrosion Cracking Direct Assessment (SCCDA)	0	0	0

Black & Veatch reviewed 54 ILI reports provided from 2017 through 2024 detailing the condition of the transmission system. The reports covered approximately 724 miles of transmission system over the eight years and generally showed the transmission system to be in good condition. A summary of the ILI reports is shown in the following figures.

A total of 1,733 anomalies were found with a majority of the anomalies coming from manufacturing related causes as shown in the figure below.

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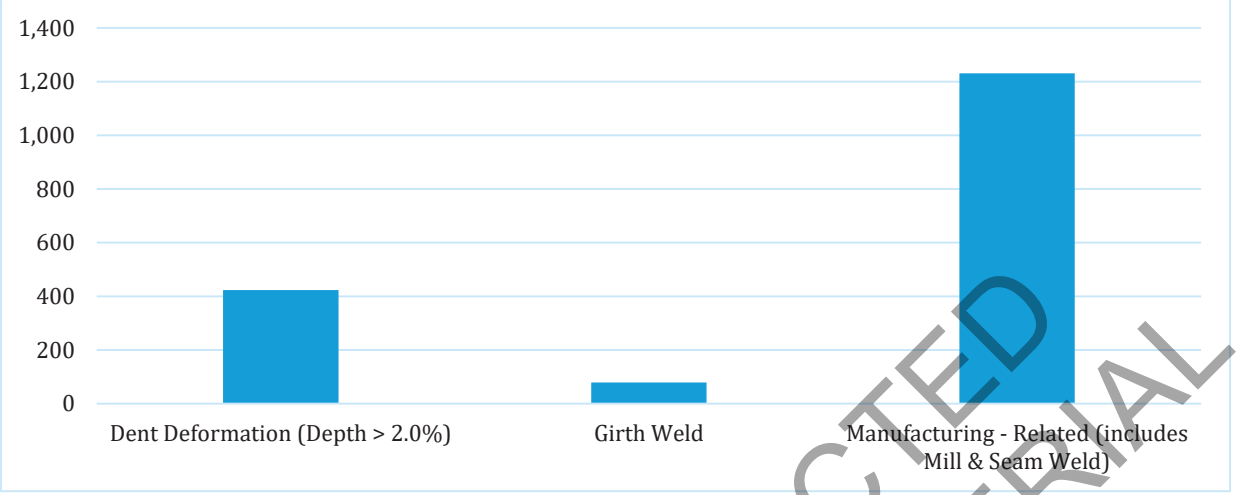

Figure 2-16 ILI Anomalies Summary

Approximately 89 percent of the inspected pipeline had a low amount of internal metal loss of 10 to 19 percent as shown in the figure below. Approximately 10 percent had a metal loss of 20 to 29 percent and a negligible amount of higher internal metal loss above 29 percent.

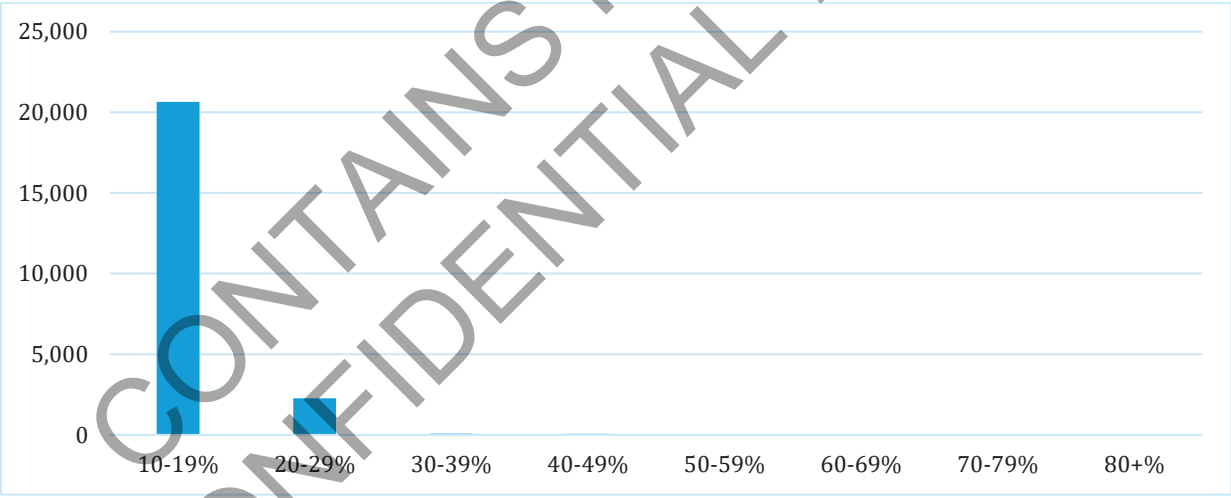

Figure 2-17 ILI Internal Metal Loss Summary

Approximately 86 percent of the inspected pipeline had a low amount of external metal loss of 10 to 19 percent as shown in the figure below. Approximately 13 percent had a metal loss of 20 to 29 percent, 1 percent at 30 to 39 percent, and a negligible amount of higher internal metal loss above 39 percent.

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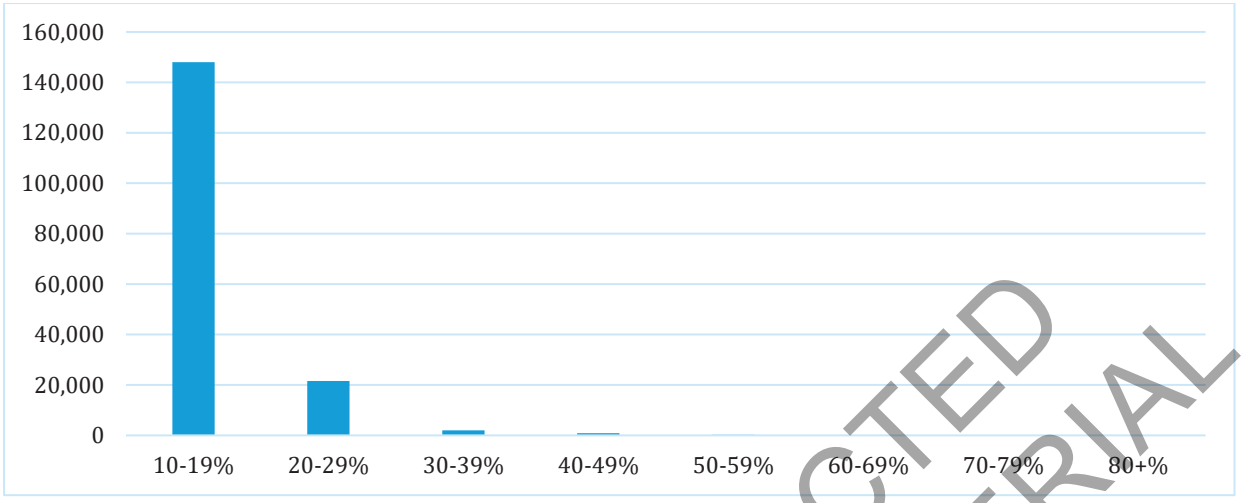

Figure 2-18 ILI External Metal Loss Summary

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The Estimated Repair Factor (ERF) is the calculated on the basis of pipeline operating pressures and metal loss feature assessment methods selected by the operator, with higher ERFs indicating lower pipeline integrity. Approximately 83 percent of the inspected pipeline had a low ERF of less than 0.6 as shown in the figure below. Approximately 17 percent had an ERF of 0.6 to 0.8, and less than 0.1 percent had an ERF above 0.8. An ERF above 1.0 indicates that repair may be required. There were only five identified sections with an ERF above 1.0 and Black & Veatch notes that the numbers of ILI anomalies repaired are significantly higher than five as indicated in Table 2-9 above, and Black & Veatch believes it is reasonable to assume these sections have been investigated and repaired as applicable.

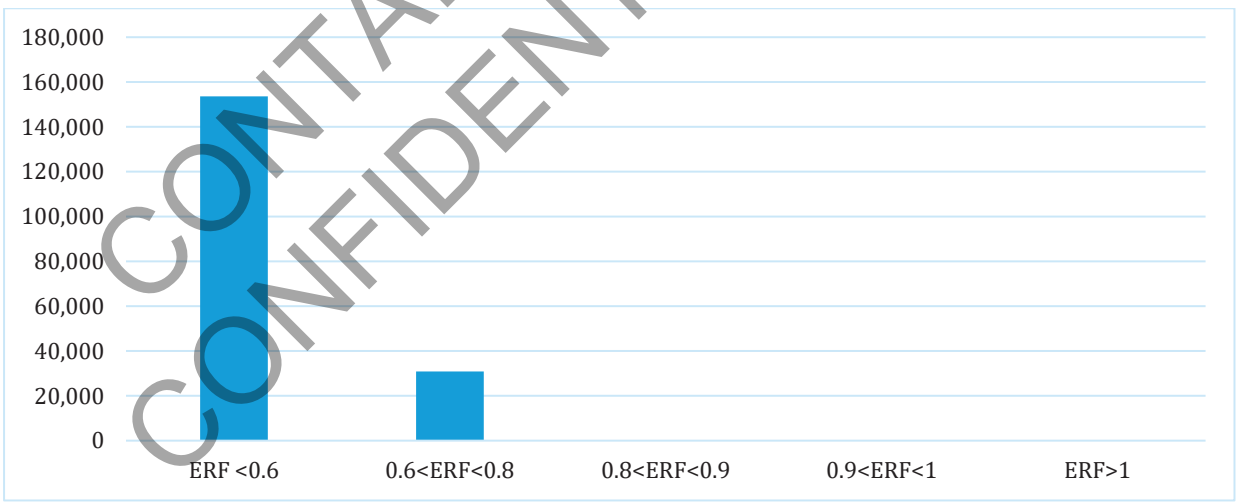

Figure 2-19 ILI ERF Summary

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Overall, Black & Veatch is of the opinion that the ILI reports indicate the transmission system overall is in good condition.

2.3.3 Transmission Pipeline System Performance and Operational Record

Black & Veatch reviewed the gas transmission incidents and accidents based on PHMSA Operational Database. A breakout showing one event from 2016 through 2024 is shown in Table 2-10 below.

Table 2-10 PHMSA Gas Transmission Incidents/Accidents

Incident	Description
Report ID	20160030
Incident Date	March 10, 2016
Location	McKinley County, New Mexico (35.82246, -107.35154)
Pipeline Material	Carbon Steel
Incident Cause	Third Party Excavation Damage
Number of Fatalities	0
Number of Injuries	0
Total Property Damage	$26,820

The one event listed above on March 10, 2016 was caused by third party excavation damage. A road grader scraped the pipeline with the blade and gouged a hold approximately 6 by 9 inches. The report indicates that the grader operator did not call the New Mexico one-call notification center for a locate request. Black & Veatch is of the opinion that this is a one-off event related to excavation damage caused by others.

2.3.4 Compressor Station Design

The compression stations are comprised of compressors driven by radial turbines and reciprocating engines. Table 2-11 lists the current compressor assets by station including number of units and total horsepower. The total compression horsepower for the 20 existing compressor stations is 23,006 hp. The Cabezon, San Juan Interconnect, and Velarde compressor stations have been taken out of service.

Table 2-11 Compression Summary

Station	Units (#)	Total HP	Engine Model(	Compressor Model	Install Date
Akela #1	1	300	Teco Electric	Ariel JGR-2	1999
Chaparral 1,2	2	650	Unit 1: Teco Electric Unit 2: Toshiba Electric	Unit 1: Ariel JGR-2 Unit 2: Ariel JGB-2	Unit 1: 1990 Unit 2: 2011
Cabezon	1	3,550	Solar	Centaur	1974

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Station	Units (#)	Total HP	Engine Model(	Compressor Model	Install Date
Espejo #1,2,3	3	3,817	Unit 1: Waukesha 7042 Unit 2: Waukesha 7042 Unit 3: Waukesha 7042	Unit 1: CP 6FE Unit 2: Ariel JGK-4 Unit 3: Ariel JGK-4	Unit 1: 1991 Unit 2: 1997 Unit 3: 2000
Lea County	2	2,196	Unit 1: Solar Unit 2: Waukesha 7044	Unit 1: Saturn Unit 2: Ariel JGD-4	Unit 1: 1974 Unit 2: 2020
Redonda #1,2	3	4,118	Unit 1: Waukesha 7042 Unit 2: Waukesha 7044 Unit 3: Waukesha 5794	Unit 1: DR HOS-2 Unit 2: Ariel JGT-4 Unit 3: Ariel KBB-4	Unit 1: 1991 Unit 2: 2001 Unit 3: 2020
San Juan Interconnect	1	1,232	Waukesha 7042	CP 6FE	1989
Star Lake #8,9,10,11	4	5,693	Unit 1: Solar Unit 2: Solar Unit 3: Solar Unit 4: Solar	Unit 1: Saturn Unit 2: Saturn Unit 3: Saturn Unit 4: Saturn	Unit 1: 1969 Unit 2: 1971 Unit 3: 1976 Unit 4: 1981
Velarde	1	400	Electric	Ram 52	NA
Arrey	1	250	Toshiba Electric	Ariel JGB-2	2011
Alcalde	1	800	Baldor Electric	Ariel JGR-4	2019
Total Existing Compression	**20**	**23,006**			

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The Lea County Compressor Station is scheduled for a compressor replacement in 2027. The project will replace an existing reciprocating engine and compressor to increase overall throughput capacity, deliverability, and to meet increasing emissions requirements. Additional details around this project are included in Section 5.2.

The engine and turbine manufacturers for NMGC's compressor stations include Teco Electric, Toshiba Electric, Solar, Waukesha, and Baldor Electric. The compressor manufacturers include Ariel, Centuar (Solar), CP, Saturn (Solar), and DR. Black & Veatch is of the opinion that the equipment utilized appears suitable for natural gas compression, with major equipment having been manufactured by industry recognized manufacturers.

2.3.5 Compressor Station Performance and Operational Record

Black & Veatch reviewed the operational run hour data provided by NMGC from 2020 through 2024 shown in Table 2-12. Black & Veatch requested additional compressor performance data including scheduled and unscheduled maintenance hours, availability, reliability, and utilization were not made available at the time of review.

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Table 2-12 NMGC Compressor Station Performance Data – Total Hours of Operation

Station	2020	2021	2022	2023	2024
Akela #1	0.1	167	0	0.1	0
Chaparral 1,2	0	153	0.2	78	0
Cabezon	0.1	0.5	0	0	0
Espejo #1,2,3	3,351	464	19	29	20
Lea County	10,193	4,846	7,310	11,194	5,096
Redonda #1,2	74	99	175	12	6
San Juan Interconnect	NA	NA	NA	NA	NA
Star Lake #8,9,10,11	5,620	4,993	2,178	8	0
Velarde	NA	NA	NA	NA	NA
Arrey	0.2	0.1	0.1	0	0
Alcalde	0	0	0	0	0

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The Cabezon, San Juan Interconnect, and Velarde compressor stations have been taken out of service. One unit (#4) was taken out of service at Espejo #1,2,3 in 2021 and subsequently installed at Lea County. The Akela #1, Arrey, and Alcalde compressor stations have shown little to no run time across the review period. The Star Lake #8,9,10,11 compressor station showed a cumulative 12,791 run hours from 2020 through 2022, and only 8 run hours across 2023 and 2024.

NMGC's compressors are generally considered a peaking resource used under extreme load conditions to ensure adequate system pressures during peak heating season (i.e., December, January, and February). To ensure reliability, NMGC noted that all combustion units undergo quarterly startup and emissions testing. Backup generators at electric compressor stations and the associated motors and compressors are tested every October. During heating season, compression operators are dispatched to stations 24 to 48 hours in advance of extreme weather events to systems/areas that may require compression to prepare and pre-test units in advance of potential operational needs.

It is expected that as the annual run hours of a compressor unit increases, major maintenance Capex events such as compressor overhauls be scheduled as part of the maintenance Capex forecast. Additional details around the compressor station Capex forecast are included in Section 5.2.

2.4 Customer Growth

The company serves approximately 546,000 metered customers across six regions in the state of New Mexico with roughly 11,006.4 miles of gas distribution mains in the state. Residential is the largest customer group as it comprises roughly 92% of the company's customer base and about 73% of the

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company's gross margin as of 2023. The distribution of the customer base across the various customer classes is found in Table 2-12 below.

Table 2-13 Customer Breakdown

	Average Customers	Customer %	Margin ($MM) (2024E)
Residential	504,032	92.2	$167.13
Commercial/Industrial	39,209	7.2	$35.35
Transportation	3,660	0.6	$27.03
Total	**546,900**	**100%**	**$229.51**

Customer growth efforts primarily reside in plans to build new distribution infrastructure to serve new customers, as the forecasted expenditure for this infrastructure is totaled at roughly $84 million from 2024 through 2027. There are also potential commercial/industrial opportunities that are being explored to facilitate growth. When new opportunities are present, such as servicing industrial parks and clean energy manufacturers, the Seller utilizes its relationship with regional economic development organizations to assess these opportunities.

Forecasts identify heightened efforts to increase the reliability of the distribution and transmission systems in the coming years, which can bolster customer retention efforts. With targeted pipeline replacement efforts in place, as well as plans for pipeline retrofitting and the installation of remote shut-off valves, the overall safety, integrity, and reliability of the systems will improve. As part of the pipeline replacement initiative, all bare steel mains are expected to be retired by the end of 2024 and there will be a heightened focus on replacing legacy pipe and X-trube lines over time.

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3.0 Operations & Maintenance

Black & Veatch reviewed NMGC's O&M strategy and historical O&M performance based on information provided. The historical O&M performance analysis includes previous Notices of Probable Violation (NOPVs) with associated Black & Veatch commentary.

Each natural gas pipeline operator is required to comply with 49 CFR 192 - Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards. Assurance of compliance with this safety code is the responsibility of the Pipeline and Hazardous Materials Safety Administration (PHMSA), a division of the US Department of Transportation's Office of Pipeline Safety (OPS). Routine compliance audits and inspections are typically conducted at the state level and frequently associated with state public utility commissions.

Within the Code of Federal Regulations, section 192.605 - Procedural manual for operations, maintenance, and emergencies is a key topic for pipeline safety audits as this section dictates how operators operate and maintain gas distribution and transmission systems to ensure the safety of persons and property near pipelines. This section also contains some of the initial emergency response requirements that are detailed in a later section.

Pipeline safety audits of the Operations and Maintenance Manual not only cover the content of the included procedures but extend to observation and documentation of the operator's implementation of the procedures. If deficiencies are found in the procedure content, implementation, or documentation, pipeline safety auditors will issue NOPVs that may include monetary penalties. The operators are required to develop improvement plans for approval by the auditing agency.

3.1 Organizational Chart

Figure 3-1 is an operational organization chart that has been derived from the operational full-time employee list that was provided by the Seller. There are a total of 603 employees split amongst the Engineering, Operations, and Customer Service functions, with over two-thirds of those employees making up the Operations function. The Operations team is split into general subfunctions, and by region. The North Central and Southeastern regions are the two largest regions for the operations team, each consisting of 56 full-time employees. The operational subfunctions, when combined, account for 120 full-time employees. NMGC's organizational structure and staffing levels are in alignment with Black & Veatch's expectations.

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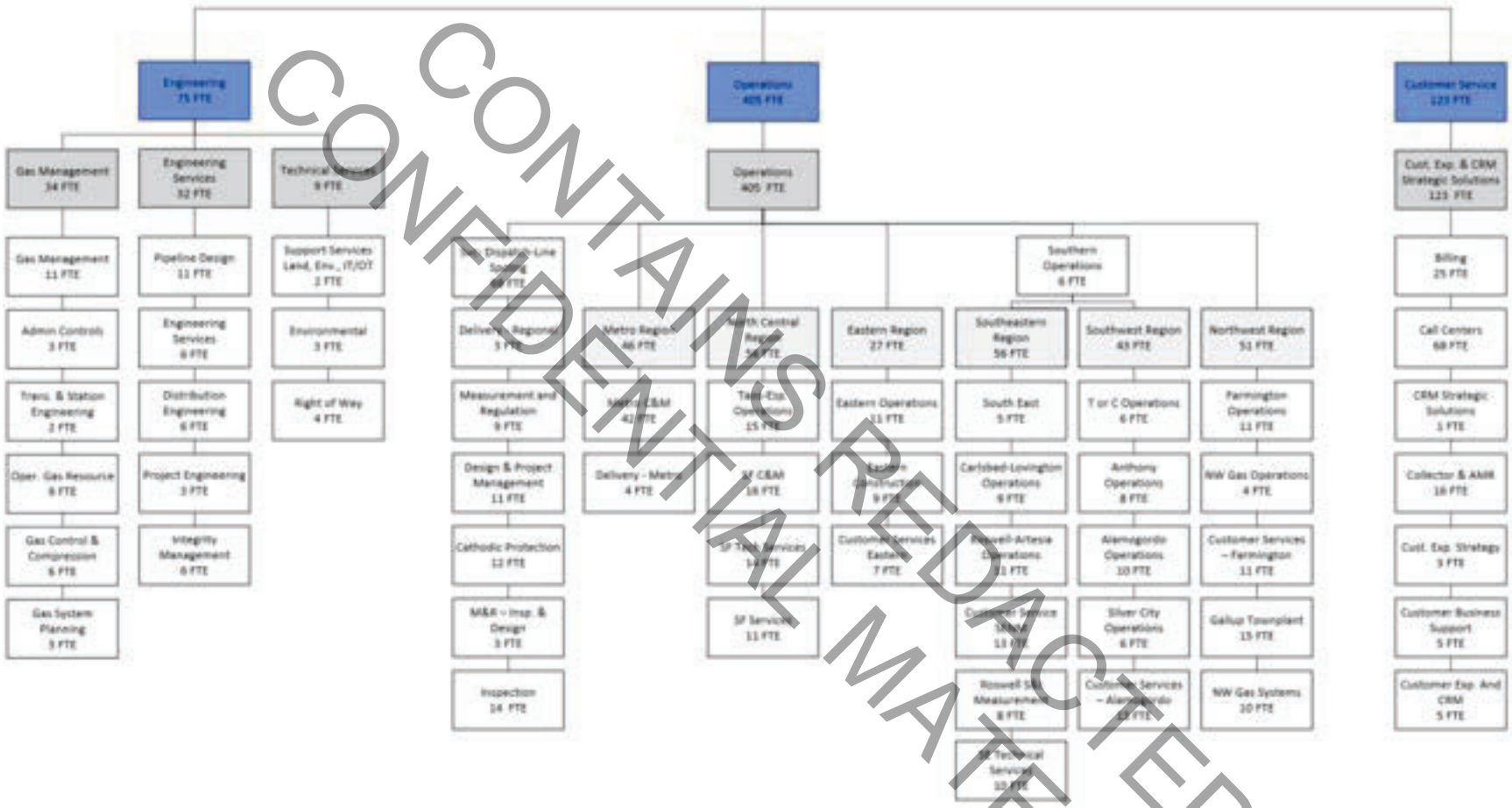

Figure 3-1 Organizational Chart

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Exhibit BTC-8
JA Exhibit Staff 3-4 WITH CONFIDENTIAL MATERIAL REDACTED
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SUBJECT TO PROTECTIVE ORDER IN CASE NO. 24-00266-UT

3.2 Contracting

NMGC outsources their distribution leak survey to contractors in the Santa Fe and Farmington town plants. Additionally, for large or high capital projects, NMGC hires additional contract inspectors to assist. For repairs and maintenance work involving 6-inch and above distribution steel, as well as most hot tapping and plugging projects, NMGC relies on contractors. Joint trench installation for mains and services in new service delivery, transmission leak survey, transmission replacement, and installations are also contracted out by NMGC.

Distribution and integrity engineering are performed solely with internal staff. Pipeline design (transmission) is performed internally and the assistance of three engineering, procurement, construction (EPC) firms. NMGC noted they are on a path to get all engineers to be licensed so that all work can be performed internally. The state of New Mexico repealed the utility exemption for PE licensure, effective January 1, 2025. As a result, NMGC has created design review policies which require PE stamped drawings for all installations not located on NMGC property. As this is a new process, NMGC notes that 2024 has been a learning experience to understand how much information is required to stamp a design and provide a drawing back to Operations to implement. NMGC is creating a stamped drawing library for standard installations and utilizing EPC firms to ensure projects are executed in a timely manner.

3.3 Processes and Procedures

Black & Veatch reviewed key NMGC program and plan manuals used by NMGC to support asset operations and maintenance as well as comply with regulatory requirements for operations. Overall, Black & Veatch found the documentation in compliance with requirements and industry expectations.

3.3.1 O&M Manual

Black & Veatch reviewed NMGC's Operations and Maintenance Manual and found it to be extensive regarding operational topics covered but not conventionally structured when compared to the topic requirements found in 49 CFR 192.605 - Procedural manual for operations, maintenance, and emergencies. The Table of Contents contains reference to selected sections of Subparts L (Operations) and M (Maintenance) of the 192 code. While there is no requirement to strictly follow the code format, the topic areas listed in 192.605 are compulsory and several of the following topic areas were not easily identified in the review:

192.605

(b)(1) - Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

(b)(3) - Making construction records, maps, and operating history available to appropriate operating personnel.

(b)(5) - Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.

(b)(6) - Maintaining compressor stations, including provisions for isolating units or sections of pipe and for purging before returning to service.

(b)(7) - Starting, operating and shutting down gas compressor units.

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(b)(8) - Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies are found.

(b)(9) - Taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.

(b)(10) - Systematic and routine testing and inspection of pipe-type or bottle-type holders including -

(i) Provision for detecting external corrosion before the strength of the container has been impaired;

(ii) Periodic sampling and testing of gas in storage to determine the dew point of vapors contained in the stored gas which, if condensed, might cause internal corrosion or interfere with the safe operation of the storage plant; and,

(iii) Periodic inspection and testing of pressure limiting equipment to determine that it is in safe operating condition and has adequate capacity.

Note: although section (b)(10) is not appliable due to the absence of pipe and bottle -type holders, no reference was found.

(b)(12) - Implementing the applicable control room management procedures required by § 192.631.

These sections may be contained in other documents but locating them was difficult for review and likely to be difficult for NMGC O&M Manual users.

The review of the NMGC O&M Manual found information on the following topic areas:

- Emergency Operating Plan
- Investigation of Failures, Incidents, and Accidents
- Patrols and Leak Surveys
- Damage Prevention Program
- Corrosion Control
- Valves
- Pipe and Components
- Pressure Control, Odorization & Gas Conditioning
- Purging & Tapping
- Steel Pipeline Process
- Plastic Pipeline Process
- Abandoning Facilities, Reinstating Facilities
- Providing Gas Service to Customers
- Testing
- Class Location Requirements

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3.3.1.1 Corrosion Control Monitoring

Black & Veatch reviewed the NMGC Corrosion Control Manual containing a process and materials overview, design criteria for cathodic protection CP systems, test stations, monitoring facilities, interference bonds, coupon stations, rectifiers, and ground beds.

The following table shows the routine activities conducted to monitor the condition of steel gas facilities and ensure conditions are maintained that mitigate galvanic corrosion.

Table 3-1 Corrosion Control Monitoring

Classification	Description	Duration	Notes
External Corrosion Control	Testing of Cathodic Protection Lines	Once each calendar year and not to exceed 15 months	Annual inspections of 10% of isolated pipeline structures are required, with a complete survey every ten years, and records must be kept for the pipeline's lifespan.
	Inspection of Cathodic Protection Rectifier	Six times each calendar year and not to exceed 2 1/2 months	May be done through remote measurement or an onsite inspection of the rectifier.
	Inspection of Reverse Current Switch, Diode and Interference Bond	Six times each calendar year and not to exceed 2-1/2 months	
	Casings	Once each calendar year and not to exceed 15 months	
Internal Corrosion Control	Testing Of on Systems Transporting Corrosive Gas, Internal Coupons, Or Other Means	Coupons - twice each calendar year and not to exceed 7 ½ months.	Whenever metallic piping is removed or opened, the internal surface must be inspected for evidence of corrosion.
Atmospheric Corrosion Control	Testing For Onshore Pipeline That Is Exposed to The Atmosphere	Once every three years and not to exceed 39 months	. Annual inspections also cover above-ground pipes at specific stations and exposed crossings, with findings documented and scheduled for corrective action.

In addition to the routine monitoring, NMGC performs more sophisticated testing to locate pipeline segments where coating defects may allow active corrosion. NMGC contracts Mesa Services to conduct Close Interval Surveys (CIS), Direct and Alternating Current Gradient surveys (DCVG and ACVG respectively), Soil Resistivity, and Sub-Meter GPS Pipeline Centerline Location. Data from these surveys is analyzed and mitigative actions are developed.

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Figure 2-10 and Figure 2-11 located in Section 2.2.2 of this Report support the effectiveness of the NMGC corrosion control program considering its distribution system is approximately 45% steel including 2.5 miles of remaining bare steel with a nearly 20-year leak history that shows corrosion ranking sixth as a leak cause. Nationally, corrosion is second only to excavation damage as a leakage failure cause.

3.3.1.2 Patrolling

Patrolling is performed as a proactive measure to maintain safety and reliability of the distribution and transmission systems.

Table 3-2 lists the transmission patrolling intervals.

Table 3-3 presents the distribution patrolling intervals. Patrolling of mains is required in places or on structures where anticipated physical movement or external loading could cause failure or leakage.

Table 3-2 Transmission Systems Patrolling

Class	At Highways and Railroad Crossings	At All Other Locations
1, 2	Not to exceed 7.5 months; but at least twice each calendar year	Not to exceed 15 months; but at least once each calendar year
3	Not to exceed 4.5 months; but at least four times each calendar year	Not to exceed 7.5 months; but at least twice each calendar year
4	Not to exceed 4.5 months; but at least four times each calendar year	Not to exceed 4.5 months; but at least four times each calendar year

Table 3-3 Distribution Systems Patrolling

Area	Business Districts	Outside Business Districts
Exposed Pipelines	At least four times each calendar year Not to exceed 4 ½ months.	At least two times each calendar year Not to exceed 7 ½ months.

3.3.1.3 Leak Survey

Leak survey frequency for distribution systems is specified in the O&M Manual as occurring at once each calendar year (not to exceed 15-month intervals) for business districts and Class 4 locations and at least once every five calendar years (not to exceed 63-month intervals) for outside business districts in Class 1, 2, and 3 locations in accordance with 49 CFR 192 requirements.

Leakage surveys are used as mitigative and accelerated actions (AA) twice annually for mains with shorted casings and annually for Class 4 locations in conjunction with the routine Business District survey.

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Leak survey frequency for transmission pipelines is specified in the O&M Manual at once each calendar year (not to exceed 15-month intervals) for odorized transmission lines. Un-odorized transmission lines are leak surveyed in the following intervals:

- Class 1 and 2 locations - at least once each calendar year at intervals not exceeding 15 months.
- Class 3 locations — at least twice each calendar year at intervals not exceeding 7 ½ months
- Class 4 locations - at least four times each calendar year at intervals not exceeding 4 1/2 months.

For distribution, NMGC notes that leak survey tools and implementation includes traditional walking with combustible gas indicators (CGI), Detecto Pack-Infrared (DPIR), or Laser Methane Detectors (LMD), and a pilot plan for advanced mobile leak detection (ABB and Picarro).

For transmission, NMGC notes they conduct aerial surveys via helicopter.

3.3.1.4 Damage Prevention Program

Black & Veatch reviewed the NMGC Damage Prevention Program section of the O&M Manual. The plan contains program practices and procedures used to notify contractors, public officials, customers, and the public about safety and prevention of damage to pipelines. The intent of the program is to notify contractors who may excavate in the service area that an education program is available for them to prevent damage of natural gas facilities.

Figure 2-6 located in Section 2.2.2 of this Report shows that excavation damage is the single most prevalent cause of leakage failures. Reporting data for the period of 2015 through 2023 shows root cause equally divided between the excavation practices not sufficient and One-Call notification practices not sufficient categories. Problems in these categories indicate a lack of requirements understanding and compliance by third-party excavators. Further communication with excavators may, or may not, improve performance. Some states have enacted fines for excavators violating either of these categories. NMGC has implemented a frequent damager program that provides additional field visits and observation for excavators known to have multiple damages.

Further, NMGC notes they require standby excavation monitoring by Operator Qualified (OQ) personnel if excavation is within 5 feet of a transmission line or within the pipeline right-of-way in high consequence areas (HCAs), regardless of the distance from the transmission pipeline. The excavation monitoring form must be completed by the OQ personnel or the line must be excavated to inspect for damage.

On distribution, NMGC has a geographic information system (GIS) layer that incorporates single feed systems and large diameter pipelines to notify the supervisor of a “high risk locate” when an excavation will occur so they can assign OQ personnel to monitor. The same excavation monitoring form must be completed as mentioned above.

3.3.2 Transmission Integrity Management Plan

Black & Veatch reviewed the NMGC Transmission Integrity Management Plan (TIMP) and found that it contains the plan elements required by 49 CFR 192 Subpart O.

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Ongoing implementation of the plan is illustrated in the contents of Table 2-9. NMGC is applying multiple disciplines to assess the condition of the transmission system. Indications of the pipeline anomalies discovered by the assessment methods are analyzed and categorized for immediate, scheduled (1 year), and monitor responses. For immediate and scheduled, the follow-up is done through excavation ("Digs") and Direct Examination (DE). The DE involves coating removal, thorough cleaning (sandblasting), and extensive examination and testing. The DE results determine the need for, and nature of, repair.

3.3.2.1 TIMP Performance Measures

Black & Veatch reviewed an NMGC-developed TIMP Performance Measures Log that tracks yearly leakage failures and repairs for each of the nine major pipeline threat categories. The log results show either zero or single-digit failures/repairs indicating a sound transmission system.

The contents of Table 2-8 further illustrate the condition of the system.

3.3.3 Distribution Integrity Management Program

NMGC has a distribution integrity management program (DIMP) with an original effective date of July 11, 2011, with the latest revision being January 24, 2022. The plan includes the PHMSA-required required elements for DIMP, system knowledge, threat identification, risk evaluation, performance, district analysis, investigation and associated analysis, corrective actions, programs/activities to address risks, periodic evaluation and improvement, and regulatory reporting. The program was initially developed from the Simple, Handy, Risk-based Integrity Management Plan™ (SHRIMP) software package developed by the American Public Gas Association (APGA) Security and Integrity Foundation (SIF) to identify the initial threats and resulting risks for the DIMP. SHRIMP was developed by the APGA SIF to create a written plan that is customized for operator's unique systems utilizing questions developed by the American Gas Association (AGA)-sponsored ANSI/GPTC Z380.1, Guide for Gas Transmission, Distribution, and Gathering Piping Systems through the Gas Piping Technology Committee (GPTC). NMGC evolved the district-based SHRIMP model to the current DIMP.

The DIMP document provides a discussion of the approach and data sources used for each of the program elements. Use of this information in a predictive manner can help identify future failure conditions and preventive and mitigative actions can reduce failures.

Leakage surveys are used as mitigative and accelerated actions (AA) twice annually for mains with shorted casings and annually for Class 4 locations in conjunction with the routine Business District survey.

Additionally, NMGC uses JANA Corporations Probabilistic Risk Analysis (PRA) model to include not only asset risk but consider the impact of surrounding conditions to assign and rank risk. The use of PRA is currently considered an industry best practice. The JANA model considers Consequence of Failure (COF) using a variety of factors including Health and Safety, Direct Economic Loss, Regulatory, Environmental, and Reputation/Image. The Likelihood of Failure (LOF) incorporates asset material, age, condition, and work history experience.

Table 3-4 provides a positive indicator of maintenance and integrity management. On a national basis, corrosion is second only to excavation damage as a leakage failure cause. The NMGC system is

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approximately 45% steel including 2.5 miles of remaining bare steel and a 20-year leak history shows corrosion ranking sixth as a leak cause.

Table 3-4 Total Historical Leaks

Leak Cause	Total 2005 - 2023
Excavation	268
Equipment	136
Other Outside Force Damage	51
Other Cause	366
Material or Weld	109
Corrosion	43
Natural Force	12
Operations	8

3.3.3.1 DIMP Performance Measures

Black & Veatch reviewed a NMGC-developed DIMP Performance Measures Log that tracks yearly leakage failures and repairs for each of eight major pipeline threat categories.

Table 3-5 provides a positive indicator of maintenance and integrity management.

Table 3-5 NMGC Gas Distribution Leaks by Cause

Cause	2019	2020	2021	2022	2023
Other Outside Force Damage	273	240	214	202	200
Excavation	202	189	157	166	144
Equipment	189	192	187	102	109
Corrosion	66	56	66	55	51
Material or Weld	58	63	17	8	22
Other Cause	58	38	66	0	0
Natural Force	20	6	13	12	10
Operations	7	8	4	2	1
Total	**873**	**792**	**724**	**547**	**537**

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3.3.4 Compressor Maintenance Schedule

Black & Veatch reviewed the maintenance schedules provided by NMGC. The compressor maintenance schedule specifies routine operations and maintenance activities such as engine oil changes, engine swing, head change, and compressor overhauls. Compressor overhauls are to be completed every 85,000 hours for the Solar turbine units and every 30,000 hours for the reciprocating engine units. NMGC noted that in its maintenance Capex forecasts for turbine and reciprocating compressors, there is an "Engine Swing" investment entered every four years, which is estimated to be 30,000 hours of runtime based on current usage. Annual oil analysis is completed for the Solar turbine units and the Waukesha reciprocating engine oil changes are completed every 2,000 run hours. Engine heads are to be changed every 15,000 run hours on the reciprocating engines. Annual inspections are also competed on each unit at each compressor station.

3.4 Data Management Tools

NMGC utilizes data management tools to monitor and assess the condition of the Portfolio. The following subsections provide details on some of these tools utilized by NMGC. It should be noted that review of facility repair and replacement as-built records show a significant use of paper field work reporting.

3.4.1 Geographic Information System

NMGC uses GIS as a system of record for PHSMA annual reporting. All mains, services, meters, regulator stations, test points, ground bend, rectifiers, block valves are mapped in GIS. NMGC's GIS also includes all the maximum allowable operating pressure (MAOP) validation and material verification records. Distribution is mapped in the ESRI ArcGIS Pipeline Dat Model (APDM) database and transmission is mapped in the Utility and Pipeline Data Model (UPDM) database. GIS web apps are used to collect data in the field for location of assets and interfacing with third-party software.

3.4.2 Data Acquisition and Pressure Monitoring

NMGC utilizes a supervisory control and data acquisition (SCADA) system for the remote pressure and flow monitoring of the Portfolio distribution and transmission systems. NMGC has a primary control room, located at [redacted] One workstation is generally designated for monitoring and control of the Company's northwest transmission pipeline system and the second for the Company's southeast and remote transmission pipeline systems. The workstations and functionality are duplicated at [redacted].

The SCADA system monitors approximately 400 sites across NMGC's systems including interstate pipeline interconnects, NMGC compressor stations, metering, regulation facilities, and customer meter locations. The company monitors system pressures, temperatures, flow rates, odorization, gas quality, compressor station operating data and alarms, ESD system status, and valve position/status. Control capabilities at various transmission system locations includes isolation/remote valve control, flow control, pressure control, and compressor unit start/stop.

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3.4.3 Flow Models

NMGC uses transient and steady-state hydraulic models for its transmission assets and steady-state hydraulic models for its distribution assets. Distribution models are created for each distribution center and have data from meters in the customer information system (CIS). Linear regression of system loads over heating degree days is performed for each system for engineers to adjust the model to the scenario they model. For transmission, models are updated regularly using the GIS and as-built records for projects that may impact system capacity. SCADA is used to validate and calibrate the transmission models, and each discrete system (northwest, southeast, and independent systems) is modeled separately. The models are updated annually with new pipe/diameter data.

3.5 Performance

Black & Veatch reviewed the various performance metrics available regarding lost and unaccounted for gas (LAUF) and violations or notices of probable violations related to ongoing operations and maintenance of the system.

3.5.1 Lost and Unaccounted for Gas

Black & Veatch reviewed the lost and unaccounted for (LAUF) gas record for the distribution system as reported to PHMSA for the years 2015-2023. LAUF is a measurement of the discrepancy between the metered gas entering the distribution system and the metered gas used by customers and the company along with appropriate adjustments. As Figure 3-2 indicates, the LAUF for NMGC for since 2020 is well below the national average of 2.08 percent over that period. Additionally, from 2015-2023, NMGC's average LAUF measurement of 1.76 is below the national average of 2.19.

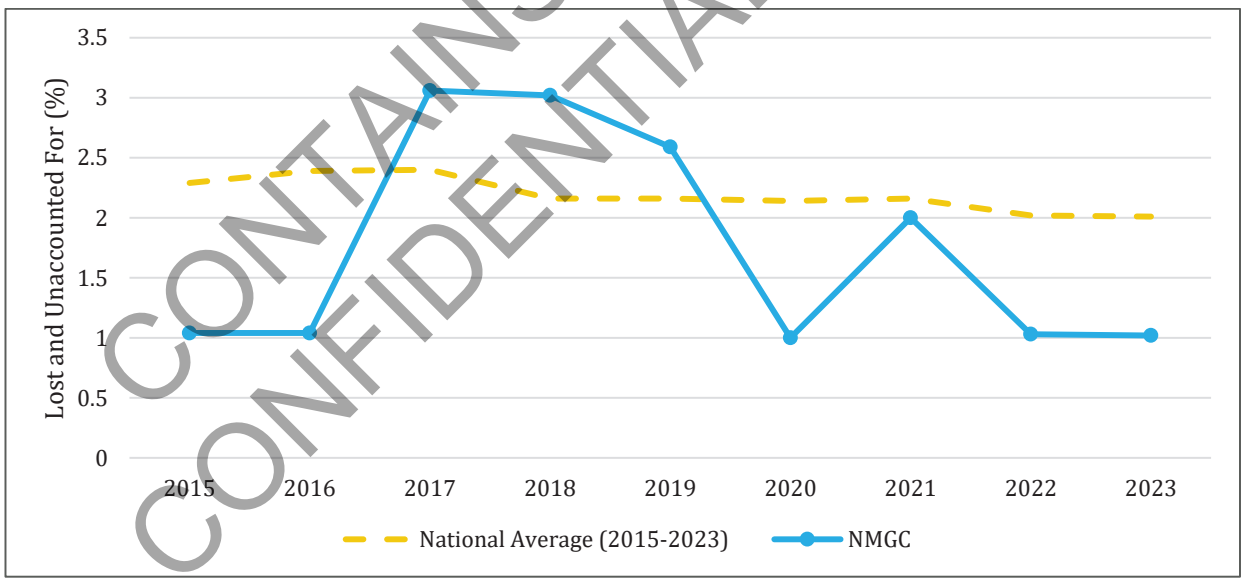

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Figure 3-2 Lost and Unaccounted For Gas Record

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3.5.2 Notices of Probable Violations

Black & Veatch reviewed samples of notices of probable violations (NOPV) issued by the New Mexico Pipeline Safety Bureau that are technical and/or operational in nature disclosed by NMGC. NMGC's NOPVs are categorized into three categories: excavation, audits, and incidents. Excavation incidents are investigated by the Pipeline Safety Bureau to determine the party at fault. Remediation efforts include training and could grow into fines. Internal repeat offenders would be disciplined. For transmission excavation tickets, standby monitoring is performed by NMGC personnel. Audit NOPVs occur from the Pipeline Safety Bureau review of operational documentation. NMGC provided three incident related NOPVs and 14 audit related NOPVs since 2018. Of the NOPVs provided for review, a summary of the most recent incident (2021) and audit NOPVs (2023) is found in Table 3-6.

In general, most of the NOPVs reviewed by Black & Veatch appear to have been addressed by NMGC. Black & Veatch notes that NMGC currently has NOPVs still open. NMGC has received fines ranging from $5,000 to $30,000 per year for excavation NOPVs and $2,000 to $25,000 for audit NOPVs. NMGC stated they have historically received fines ranging from $80,000 to ~$190,000 for the operational incidents discussed in Table 2-4.

Table 3-6 Summary of Recent NOVs

NOV Type	Year	Alleged Findings	NMGC Remediation

Incident (Sante Fe – Canyon Road Incident)	2021	• Failed to minimize danger of accidental ignition.
		• Failed to follow written procedures.
		• NMGC personnel did not carry combustible gas indicators (CGI), wear proper personal protective equipment (PPE), or have a personal handling fire extinguisher.
		• Improper method of squeezing the service line because the main was not in process of being abandoned.
		• Fail to properly purge service line prior to commencing abandonment of service line.
		• A foreman did not review job safety analysis.
		• A line was squeezed off instead of properly isolated at the main.
		• Failed to have a personnel drug and alcohol tested post-incident.
		• NMGC personnel failed to have at least 18 inches between existing underground facilities and the cutting edge or point of
			• Foreman resigned.
			• Retraining and disciplinary policy applied for crew members involved in incident.
			• Personal action and performance plans for operations management in the Santa Fe office. Reviewed "STOP work program".
			• Company-wide stand-downs, training, and discussions:
			  ○ NMGC adopted an Action Plan – Safety Plan to implement lessons learned from the event.
			  ○ Focused on observing employee well-being.
			  ○ All NMGC leadership performed leadership job site safety observations at all projects in September 2021.
			• Organizational Changes:
			  ○ Strengthened Director of Safety position by streamlining the person's duties to focus solely on safety and report to COO.

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NOV Type	Year	Alleged Findings	NMGC Remediation
		mechanical excavation equipment. • NMGC failed to install an excess flow vale (EFV) on the service line.	○ Greater emphasis on safety culture. • All Operations Management: ○ Retraining on alcohol and drug test procedures. ○ Increased site visits. ○ NMGC rolling out a program of leadership training and education based "lessons learned".
Audit (O&M Audit)	2023	• NMGC does not have a procedure describing EFV installation of plastic pipe per the required regulation. • NMGC procedures do not state a heater element will be held square to the ends of a pipe nor a device compresses the ends of a pipe together while plastic hardens for butt heat-fusion joints.	• NMGC has amended their O&M manuals to incorporate these requirements.
Audit (Metro Operations Transmission System)	2023	• Several cathodic protection readings during inspection were below criteria. • NMGC failed to inspect their above ground facilities for external corrosion control. • NMGC personnel failed to follow written procedures regarding a distribution emergency valve. • NMGC failed to identify and act at 9 locations during field inspection where the meter/regulator is located under customers windows. • Significant number of failures for regulators tested to achieve lockup. • NMGC technician failed to check for conductivity of rectifier before touching rectifier box. • There was a pipeline weld that compromises integrity of entire station. • NMGC failed to record test pressure data on pressure testing forms and pressure recording	• Responses to the NOV for Metro were not available for review. NMGC stated that the Company has responded to the NOPV by email requesting an informal settlement conference; which NMGC stated that the Pipeline Safety Bureau has accepted, and as of June 11, 2024, the Company noted that nothing further had transpired.

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NOV Type	Year	Alleged Findings	NMGC Remediation
		charts and conduct an annual review of written procedures manual over previous 5 years. • Inconsistent operations, maintenance, and recording keeping. • Pipe soil interface readings were below applicable criteria. • Failed to conduct annual vault inspection; and inspection and testing at Double Eagle Airport regulating station in 2019. • Failed to remediate washouts along right of way within West Mesa Pipeline and Cabezon to Santa Fe Junction pipeline. • Failed to appropriately identify and mark natural gas pipelines and gas mains. • Failed to provide acceptable procedural training documentation demonstrating emergency procedures training. • Continues to use leak survey mapping that cannot identify services and mains being surveyed within 5-year cycle. • Transmission valves inspected and tested change from year to year without supporting documentation. • Unable to supply copies of operator qualifications for third-party employees.	
Audit (Lovington pipelines)	2023/2024	• Inspector not allowed to observe regulator lock up. • Inspector could not properly assess technicians' qualification or whether pressure regulators locked up according to requirements. • NMGC has no proof to show their compliance with policy requiring annual review of O&M plan for last 5 years. • No emergency procedure evaluation.	• NMGC amended O&M manual to include reference to pipeline safety management systems to review and document procedures outlined in O&M manual at least once each year. • NMGC will review emergencies. • 2020 relief valve tests for reliefs #9 and #11 were provided. • NMGC scheduled a time with Pipeline Safety Bureau to conduct a regulator lock up at the Lovington station.

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NOV Type	Year	Alleged Findings	NMGC Remediation
		• Operator qualifications were not provided for 2019 and 2020 relief valve testing, and in 2020 no tests were available for testing of reliefs #9 and #11.	
Audit (Roswell pipelines)	2023	• Rectifier readings taken by technician were not consistent with readings transmitted with remote monitors which invalidates the documented readings transmitted since installation of remote monitoring. • NMGC has no proof to show compliance with policy requiring an annual review of the O&M plan for 4 of the last 5 years. • NMGC did not conduct physical onsite inspections of the remotely inspected rectifier.	• NMGC will conduct a review of the rectifier requirements. • NMGC cathodic protection personnel completed physical inspection of rectifier. • NMGC amended O&M manual to review and document the O&M manual at least once a calendar year.

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4.0 Project Agreements

4.1 Form of Master Service Agreement with Individual Task Authorization

Table 4-1 Accurate Corrosion Control, Inc Services Agreement with Individual Task Authorization

Item	Summary
Effective Date	August 30, 2017
Vendor	Accurate Corrosion Control, Inc.
Term and Period of Performance	This agreement will continue to be in full effect. Either party can terminate the agreement by giving 30 days written notice to the other party. The Contractor must begin the applicable services on or before the designated start date and work to complete the services within the given Period of Performance. The Contractor recognizes that time is critical to the completion of the services.
Services	The Contractor agrees to complete the assigned services within the time frame and conditions specified in an issued individual task authorization ("ITA") and in accordance with the agreement. The Contractor is responsible for providing all necessary resources, including labor, transportation, materials, consumables, qualified supervisory personnel, tools, equipment, and facilities, to complete the services, except as outlined in each ITA.
Compensation	NMGC will compensate the contractor for the services provided under this agreement as per the terms outlined in each ITA. The Contractor will pay gross receipts taxes to the relevant tax authority. NMGC may reimburse the Contractor for these taxes according to terms in the "Taxes" section of the agreement.
Contractor Representations	The Contractor can perform the services as they have the necessary training, skills, personnel, and legal authority to do so. The services will be performed in compliance with the applicable laws and industry standards. The employees of the Contractor who will perform or supervise the services have the required certifications and licenses and are qualified to do their tasks. The compensation and period of performance specified in the agreement and ITA are reasonable and adequate. The Contractor is financially stable, able to pay debts, and has sufficient working capital to complete the services and fulfill obligations. The Contractor can provide the necessary resources to complete the services and fulfill obligations. The Contractor is also insured, licensed, and experienced. The Contractor has obtained or will obtain all required authorizations, licenses, permits, exemptions, or consents to operate in compliance with the applicable laws. Contractor is and will remain compliant with the applicable laws. The services or goods provided by the Contractor will not affect NMGC's operations or its data compliance. The services will be designed to be Date Data Compliant, meaning that the date-data is electronically recognized, handled, and manipulated without inaccuracies. The Contractor and its employees are not prohibited from transacting business with a "U.S. Person" under the Applicable Laws. The identity evidence provided by the Contractor is true and accurate.
Corrective Actions	The Contractor is responsible for fixing any problems or damages caused by their failure to perform the services outlined in the agreement. If the Contractor fails to take corrective action after receiving written notice from NMGC, NMGC may take corrective action themselves, or may hire others, and charge the Contractor for all the expenses incurred by NMGC.

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Item	Summary
Drug & Alcohol Policy	The Contractor must have a drug and alcohol policy for their employees and subcontractors who work on NMGC's property or the property of others that NMGC has access to. The policy must include reasonable testing procedures and aim to provide a drug and alcohol-free work environment. The Contractor and their subcontractors must follow all drug and alcohol laws, including any requirements from the US Department of Transportation. The contractor must verify compliance with these laws upon request from NMGC. The Contractor must allow NMGC and relevant authorities to access their facilities and records to audit their drug and alcohol policy, records, and testing program, including any US Department of Transportation requirements. The Contractor must provide NMGC with quarterly and annual reports of random and pre-employment drug screening for their employees and subcontractors, if applicable, upon NMGC's request. NMGC can remove a Contractor's employee from work or the work site if they suspect the employee is under the influence of drugs or alcohol. The employee can only return to work after the contractor confirms they are fit for duty through testing. The Contractor must inform NMGC in writing of any changes to the personnel administering their drug and alcohol program within 10 days.

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4.2 Form of Master Construction Agreement with Individual Task Authorization

Table 4-2 Sychar Construction Agreement with Individual Task Authorization

Item	Summary
Effective Date	May 3, 2023
Vendor	SYCHAR, LLC
Term	The initial Term of this agreement will be five (5) years from the Effective Date, unless terminated earlier as stated in the agreement.
Work	The term "Work" refers to the facilities, construction items, and/or services described in an ITA authorized under this Agreement. It includes labor, materials, supplies, equipment, structures, products, drawings, specifications, services, and permits necessary to perform the Work. It also includes the manufacture and fabrication of components. The Contractor agrees to perform the Work as authorized by NMGC through the issuance of an ITA and in accordance with the Contract Documents and Applicable Laws. NMGC does not guarantee the volume of work that will be authorized under the agreement. NMGC may perform similar work with its own forces or by using services of other contractors. The Contractor acknowledges that NMGC may assign similar work to other parties.
Schedule	The Contractor must start the Work by the specified commencement date in the applicable ITA and complete the Work on or before the Required Substantial Completion Date. This must be done to achieve Final Acceptance before the Required Final Completion Date in the applicable ITA ("Period of Performance"). The Contractor recognizes that time is critical. The Contractor must notify NMGC of any delays that could impact the Period of Performance, the expected duration, and the action that will be taken to make up for lost time. These delays to not relieve the Contractor of obligations to complete the Work within the Period of Performance. The Contractor cannot claim for any adjustments in the Period of Performance or the ITA Sum, except as stated in the contract. If there are any delays or failures caused by the Contractor or anyone under their responsibility or control, they cannot claim for any adjustments. Any changes to the ITA Sum or Period of Performance that the Contractor is eligible for must be documented in a Change Order. The Contractor must provide progress reports, schedules, and other reports as required by NMGC.
Compensation	NMGC will pay the contractor the ITA Sum specified in the contract, plus applicable gross receipts taxes. The ITA Sum is the only compensation payable to the contractor for completing the Work. The ITA Sum will be based on either a Fixed Price or Time and Materials, as described below: Fixed Price: If the applicable ITA specifies a fixed price for the ITA Sum, that price is the sole compensation payable to the contractor, and the contractor will not be paid or

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Item	Summary
	reimbursed for any costs beyond that fixed price. The Contractor will bear pay for any costs that exceed the fixed price, without reimbursement by NMGC. Time and Materials: If the applicable ITA specifies that the ITA Sum is payable on a time and materials basis, the Contractor will be paid for direct labor at the rates specified in the ITA. Labor. NMGC will pay the Contractor for all direct labor costs, including regular and overtime hours, at the rates specified in the ITA. The rates will include overhead, administrative costs, and profit margins, and the Contractor will not receive separate compensation for these items. Materials: NMGC will provide necessary pipeline materials, such as line and casing pipe, forged fittings, valves, flanges, bolts, gaskets, coating primer and tape and anodes, and will be furnished at the NMGC storeroom indicated in the applicable ITA as directed by NMGC. The Contractor will provide oxygen, acetylene, and welding rods and other materials necessary to perform the Work at their own expense. The Contractor will request materials from NMGC's storeroom, transport them to the work site, and store them at their own expense. The Contractor will replace any lost or damaged materials at their own expense, and any unused materials will be returned to NMGC's storeroom at the contractor's expense. NMGC will retain ownership of the materials they provide. Other Direct Expenses: The Contractor will be reimbursed for other direct expenses reasonably incurred in performing the Work, such as payments to third parties for services, subcontract work, and special equipment rental, as specified in the applicable ITA. The total cost of the work under an ITA will not exceed the ceiling price or "not to exceed" price specified in an ITA. The Contractor will make their best efforts to complete the work within the ceiling price. The Contractor will not be reimbursed for any costs that exceed the ceiling price, and any costs that would cause the ceiling price to be exceeded must be paid by the Contractor without reimbursement by NMGC.
Change Order	NMGC may request a written proposal for a Change Order at any time, which the Contractor must submit a Change Order proposal within five (5) business days. The proposal will include full compensation for implementing the change in the Work, including any adjustments in cost or time and any delays, expense, or loss of productivity caused by the change. The change order is not binding until both parties execute it. If NMGC and the Contractor cannot agree on the terms of a Change Order, including adjustments in cost or time, the NMGC may issue a written directive to perform the Work ("Construction Change Directive"). The Contractor will be compensated based on time and materials. If NMGC does not issue a Construction Change Directive, the matter will be resolved according to the agreement's "Dispute Resolution."
Warranty	The Contractor guarantees that the Work will conform to the contract requirements and will be free of any defects in equipment, material, or design. The Contractor will fix any

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Item	Summary
	work defects at their own cost and will also fix any damage to equipment, site, buildings, and property resulting from the Work. The "Warranty Period" is two (2) years after final acceptance of the work. The Contractor will obtain all warranties and guarantees for the benefit of NMGC without the need for transfer or assignment. The warranties and guarantees will be assigned to NMGC upon request by the Contractor. All materials and equipment must be new and of good quality. Non-complying equipment and material will be replaced at the Contractor's cost unless the removal is impractical, in which case the value of non-complying equipment and material will be deducted from the ITA Sum. All material and equipment must be installed and used according to the manufacturer's instructions unless otherwise specified in the Contract Documents or applicable ITA. The Contractor will bear all costs associated with fulfilling their obligations under this section, including disassembly, transportation, reassembly, and repair or replacement of Work.
Inspection and Testing	NMGC or its representatives may inspect the Work at any time to ensure it conforms to the Contract Documents. NMGC may perform factory or field tests to verify equipment and Work performance, and the Contractor may witness these tests. The Contractor must provide safe and proper access for inspections of the Work. If NMGC requires testing before covering or enclosing Work and the Contractor fails to provide a reasonable opportunity for testing, the Contractor must uncover, open, or unseal the Work at their expense. Contractor must provide all necessary facilities, labor, and materials for inspections and testing without additional cost to NMGC. Inspections and tests performed by NMGC must not delay the Work. Contractor must give advance notice of any tests and NMGC may be present at any test. The Contractor is responsible for their obligations under the Contract Documents, even if NMGC inspects the Work. If material and workmanship are not ready at the time of inspection, the Contractor will be charged for any additional inspection costs.
Operator Qualifications	The Contractor must maintain an Operator Qualification (OQ) Program consistent with 49 CFR 192, Subpart N for all employees and subcontractors involved in NMGC's Work. The Contractor must comply with all Applicable Laws concerning OQ, and each subcontractor must comply with the OQ Program requirements and Applicable Laws, including requirements of the United States Department of Transportation. Contractor must provide verification of compliance with Applicable Laws upon NMGC's request. NMGC and any public authority having jurisdiction may audit Contractor's OQ Program, records, and testing program. NMGC may remove a Contractor's employee from any Work or Work site if they suspect the employee is not operator qualified until the Contractor confirms their ability. Contractor must notify NMGC in writing within ten (10) days of any change in the personnel administering the OQ Plan. Prior to commencing work on pipeline facilities, the Contractor must have a pre-approved Drug & Alcohol Plan, Operator Qualification Program, and Safety Plan.
Substantial Completion	Substantial Completion is when the work is complete enough for NMGC to use the facilities for their intended purposes without any restrictions. All required work and documents, except for incidental corrective or Punch List Work, must be completed. Additionally, all systems and parts must be fully functional, utilities must be connected and operating normally, required occupancy permits must be issued, and the work must be accessible by normal vehicular and pedestrian traffic routes.

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Item	Summary
	When the contractor believes they have achieved Substantial Completion of the work, they must submit a Substantial Completion Certificate and supporting documentation to NMGC. NMGC has five (5) business days to accept or reject the certificate in writing. If NMGC accepts the certificate, they take control of the work. If they reject it, the contractor must either accept the reasons for the rejection, take corrective action, and submit a new certificate, or disagree and attempt to resolve the disagreement with NMGC. If they cannot resolve the disagreement within five (5) business days, the contractor can seek a remedy under "Dispute Resolution."
Final Acceptance	The Contractor must submit a Certificate of Final Completion and request for final payment when they believe the work is fully completed, including any punch list work. NMGC has 10 business days to accept or reject the certification in writing. If rejected, the matter will be resolved according to the "Substantial Completion" procedure outlined in the agreement.

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5.0 Financial Model

Black & Veatch reviewed the Project financial model titled "1.1 Project Saturn - Financial Model (March 2024).xlsx" (Financial Model). The Financial Model contains projections from January 2024 through December 2043.

5.1 Operations & Maintenance Expenditures

Black & Veatch reviewed the historical and projected non-fuel operational expenses (Opex) for NMGC on an annual basis. Forecasted non-fuel operating expenses in the Financial Model are comprised of recoverable (labor, benefits, insurance, rent, services, etc.) and non-recoverable (incentive expenses, admin fees, donations, bank fees, etc.) expenses. Recoverable expenses represent the majority of the Opex, include a portion of administrative and general (A&G) which is allocated to capital, and are shown in detail in Figure 5-1 below. Total historical Opex for 2020 through 2023 is also presented in the figure below.

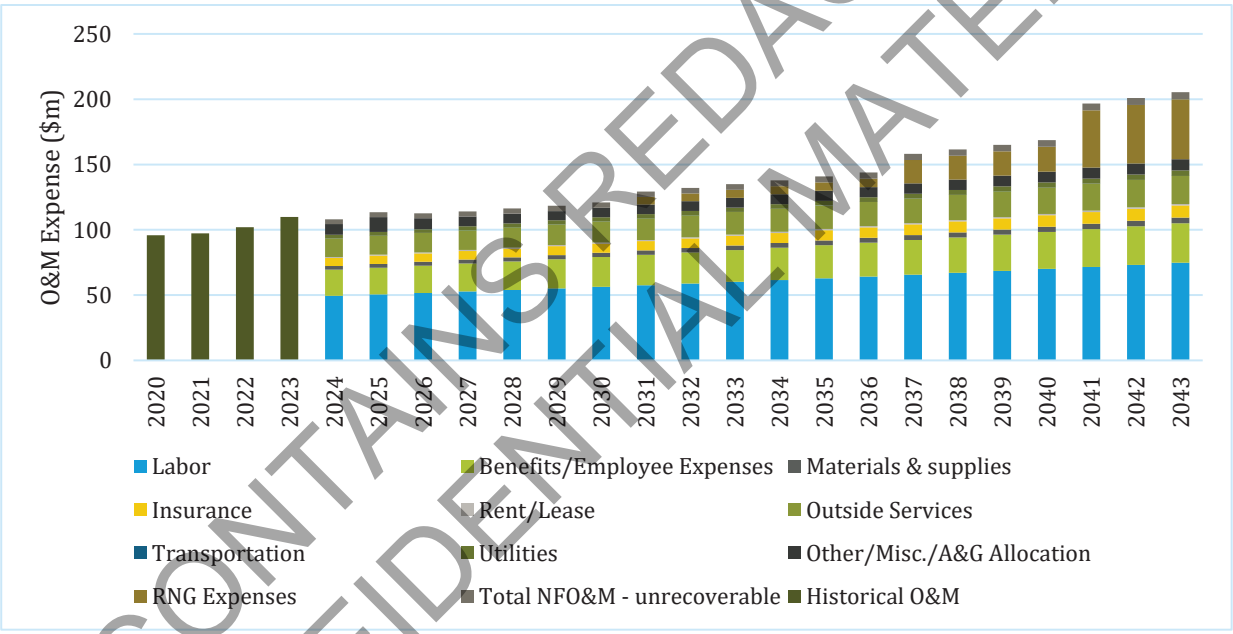

Figure 5-1 FM Projected Operational Expenditures

Total forecasted Opex for 2024 is closely aligned with 2023 historical Opex. The major operational expenses of labor, benefits, and other expenses are assumed to increase at an inflation rate of 2.2 percent. Renewable natural gas (RNG) expenses are forecasted at approximately $5.8 million starting in 2031. NMGC notes the following key RNG forecast assumptions made by PA Consulting:

- $42.74 $/DTH for RNG CapEx in 2024 dollars based upon RNG from animal waste
- 2.2% annual cost escalation in the RNG CapEx

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- In 2032 total RNG (company owned and PPA) serves 5% of the C&I sales and transportation market (excluding power generation) on a voluntary green tariff
- In 2034 the percentage increases to 13% (i.e. voluntary participation of C&I customers excluding power generation)
- In 2038 assume that policies allow wider blending to reduce the carbon content for all customers and the RNG blend is 14%
- In 2040 the percentage increases to 19%

Further NMGC notes, the capex / investment included in the plan may not be all RNG to help achieve NM decarbonization goals,, and could include investment in hydrogen or carbon capture depending on market / policy dynamics at the time.

Historically from 2020 to 2023, O&M expenses have steadily increased at an average of 4.7 percent, with the largest increase of 7.7 percent from 2022 to 2023. Detailed historical Opex was not available at the time of review, but Black & Veatch notes that average historical Opex has increased at a higher rate than the long term inflation rate in the Financial Model.

Black & Veatch observed the 2024 total forecasted Opex in the Financial Model of $108.0 million differs from the total amount presented in the file 'NMGC 2024 Budget – Financial Presentation – 10-12-2023.pptx' (2024 Budget) of $116.8 million. NMGC notes that this discrepancy is due to the 2024 Budget being compiled in late 2023 and NMGC initially assumed the full amount requested in the 2023 Rate Case, including requested O&M, would be approved. NMGC notes the Financial Model was updated to reflect O&M reductions at a high level necessary to achieve the settled $30.0M in incremental revenues provided in the settlement.

The 2024 Budget is based on 2023 inputs, assumes general inflation increases of 3.25 percent, and includes merit increases of 4 percent effective January 2024 and 7 percent effective October 2024. Other Opex increases include higher intercompany support costs such as medical and general liability insurance costs, and safety and compliance related expenses, partially offset by lower STIP costs.

The Financial Model Opex forecast is generally aligned with historical Opex. Overall, the Financial Model Opex forecast appears to be reasonable and no significant adjustments are recommended.

5.1.1 Opex Benchmark

Black & Veatch performed a benchmark of NMGC against other LDC operators of comparable system size and location using publicly available data. Black & Veatch has normalized Opex across the utilities by evaluating the benchmark on a per mile basis for the reporting year 2022. The Opex costs included in the benchmarking data exclude all production and storage costs, and the Opex costs for NMGC include miscellaneous costs such as bad debt, depreciation and amortization, and taxes. The ratios for the LDCs are calculated from values as reported by SNL Financial, a unit of S&P Market Intelligence. Figure 5-2 shows the total O&M cost by category and the accompanying system mileage for each operator.

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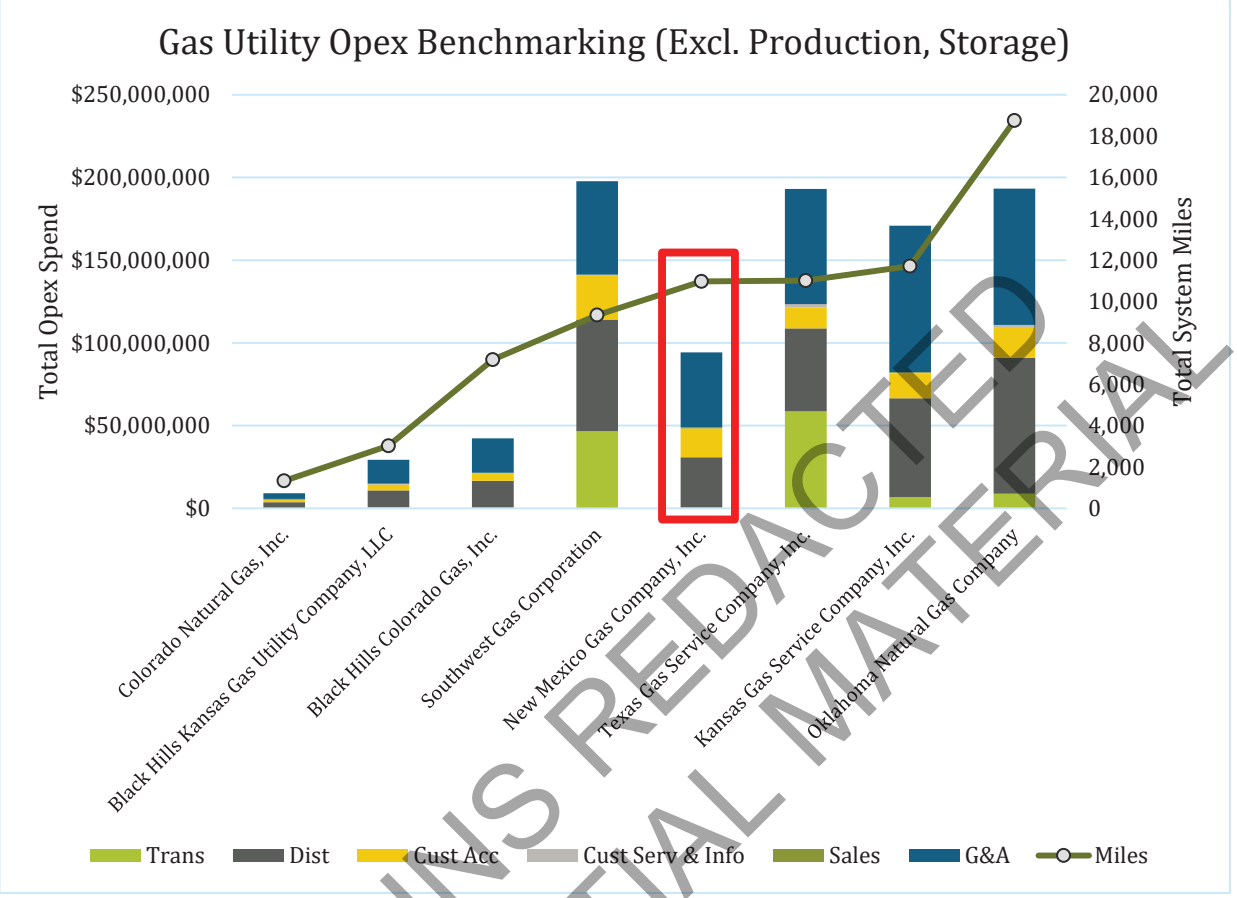

Figure 5-2 LDC Opex Benchmarking by Operator

The O&M cost per mile falls within the middle of other peer LDC companies as shown in Figure 5-3.

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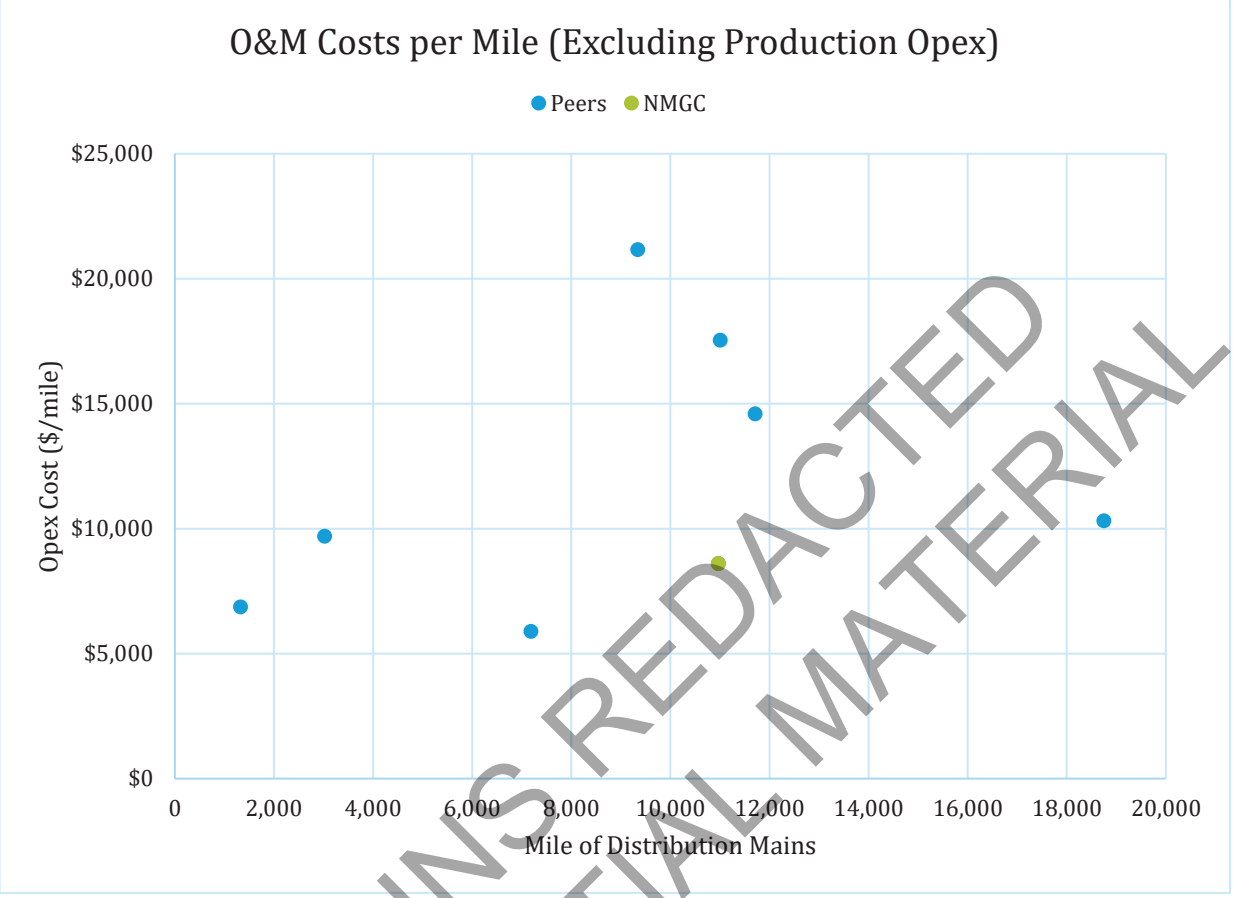

Figure 5-3 Utility Opex Benchmarking Per Mile

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NMGC costs of $8,597 is lower than the 2022 peer group average of $11,828 per mile and median of $9,999 per mile.

5.2 Capital Expenditures

Projected capital expenditures in the Financial Model are grouped together into major categories. The categories are outlined in Table 5-1.

Table 5-1 Capital Expenditure Categories

Category	Description
Distribution Facilities	The addition, replacement, and maintenance of distribution facilities.
Distribution Integrity and Reliability	Replacements of distribution pipe based on risk assessments and the integrity management plan.
Transmission Integrity	Replacements of transmission pipe based on risk assessments and the integrity management plan.

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Category	Description
General Plant	New and replacement tools and equipment.
Facilities and Fleet	New and replacement vehicles and equipment, as well as recurring facility maintenance investments.
Security	Solutions to maintain the security of facilities and other infrastructure.
Information Systems	Hardware and software investments (excluding those identified in major projects).
Compression and Other Transmission	Maintenance of Compressor Stations.
Other Major Projects	Miscellaneous other major projects.

The Distribution Facilities category consists of capital expenditure allocated for new distribution facilities, as well as replacement and maintenance costs associated with existing distribution facilities. New distribution facilities expenditure is the third-highest forecasted expenditure through 2043, making up approximately 12 percent of the total forecast. This expenditure will allow the addition of new distribution mains and other infrastructure that will allow it to service new customers. Replacement distribution facilities expenditure is expected to make up approximately 7 percent of the expenditure through 2043. The replacement facilities forecast accounts for currently unplanned replacements should any emergency repairs be needed in the future.

The Distribution Integrity and Reliability category consists primarily of a targeted pipeline replacement initiative, which will mitigate potential risks due to outdated and/or leak-prone assets. These assets include bare steel pipes, legacy pipes, and mechanically coupled steel tubing lines. NMGC anticipates all bare steel mains to be retired by the end of 2024 and plans to retire legacy pipes over time. This category also includes the Sewer Camera Inspection Project, which will allow the NMGC to better identify cross-bores and take preventative measures prior to any damage occurring.

The Transmission Integrity category consists of multiple investments in operations focused on monitoring and improving the system's safety and compliance efforts, and makes up roughly 25 percent of the forecasted expenditure. The first component of this category is the MAOP Reconfirmation efforts. NMGC will be reevaluating and verifying segments of the transmission system to comply with PHMSA requirements and replace transmission piping where needed. PHMSA no longer establishes MAOP of a pipeline segment based on actual operating pressure over a period of time, and according to the CIM, NMGC currently has 568 miles of in-service transmission mains without the required records. This category also includes the retrofitting of certain NMGC transmission pipelines to enable internal inspection devices to be able to be passed through them, as a majority of NMGC current transmission system was installed pre-1994. This forecast also includes the intent to install over 400 remote shut-off valves to modify or replace existing valves.

The General Plant category consists of assets necessary to support NMGC's infrastructure, as well as replacements for those assets. This makes up a small component of the forecasted expenditure at around 1 percent.

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The Facilities and Fleet category consists of investments that allow NMGC to maintain company facilities, including offices. Additionally, new vehicles and construction equipment, as well as their replacements fall into this category as well. Lastly, any major investments in operation centers, such as those in Espanola and Farmington are included in this forecast. This category accounts for approximately 7 percent of the forecasted expenditure.

The Security category takes into account the security measures that NMGC uses in alignment with the Transportation Security Administration to protect its offices and other facilities, as well as its operational infrastructure. This makes up about 2 percent of the expenditure forecast.

The Information Systems category includes information/technology investments made by NMGC, as well as a portion of investments allocated to NMGC by its parent company. These investments include hardware and software investments, except those identified within major projects. This makes up roughly 7 percent of the forecast and remains fairly consistent year-over-year.

The Compression and Other Transmission category primarily consist of the Lea County Compressor Station Compressor Replacement project, which is currently in its planning phase and is scheduled for 2027, as reflected in the forecast. Engineering and design work are expected to be performed in 2025/2026 with procurement and contracting taking place in 2026 for 2027 execution. The additional forecasted expenditure is allocated to cover any unexpected maintenance needs that may arise at the Compressor Stations. Per NMGC, a current reciprocating engine and compressor will be replaced at the site in order to increase overall throughput and better meet evolving emissions requirements. While the specifications for these replacement assets have not yet been determined as the detailed engineering phase is anticipated to take place during Q4 of 2025 and Q1 of 2026, NMGC expects a current unit to be replaced with an Ariel reciprocating compressor and a Waukesha reciprocating engine driver with an effective horsepower of approximately 1,300 to 1,600 HP. With these assumptions, NMGC has deemed a unit installed in 2020 as a comparable unit and has generated the $7.1 million forecast for this replacement unit based on the actual costs of that unit. This approach and cost magnitude appears reasonable.

The Other Major Projects category consists of numerous additional projects, such as the Automated Meter Reading (AMR) project, a customer information system upgrade in place for completion in 2024, the introduction of an asset management software, and others. These projects account for roughly 4 percent of the expenditure forecast, with the AMR project forecasting about $18.5 million for installation of AMR facilities and plans to replace all AMR Encoder Receiver Transmitters (ERTs) between 2036 and 2038. Lastly, this category also includes Decarbonization Investments, which reflect roughly 6 percent of the forecast. These investments are scheduled for the years 2032, 2034, 2038, and 2040, which accounts for the sudden increases in overall capital expenditure for those years.

NMGC also continues to evaluate sustainability and emission reduction programs and is considering investment in RNG production facilities and other opportunities. NMGC has begun evaluating the requirements at a regulatory level as it relates to building, owning, and operating a RNG production facility. Similar to other natural gas utilities, NMGC is also reviewing the possibility of blending hydrogen into the gas supply as part of overall emissions reduction initiatives.

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The total forecasted capital expenditures by type, as well as historical total capital expenditure, can be found below in Figure 5-4.

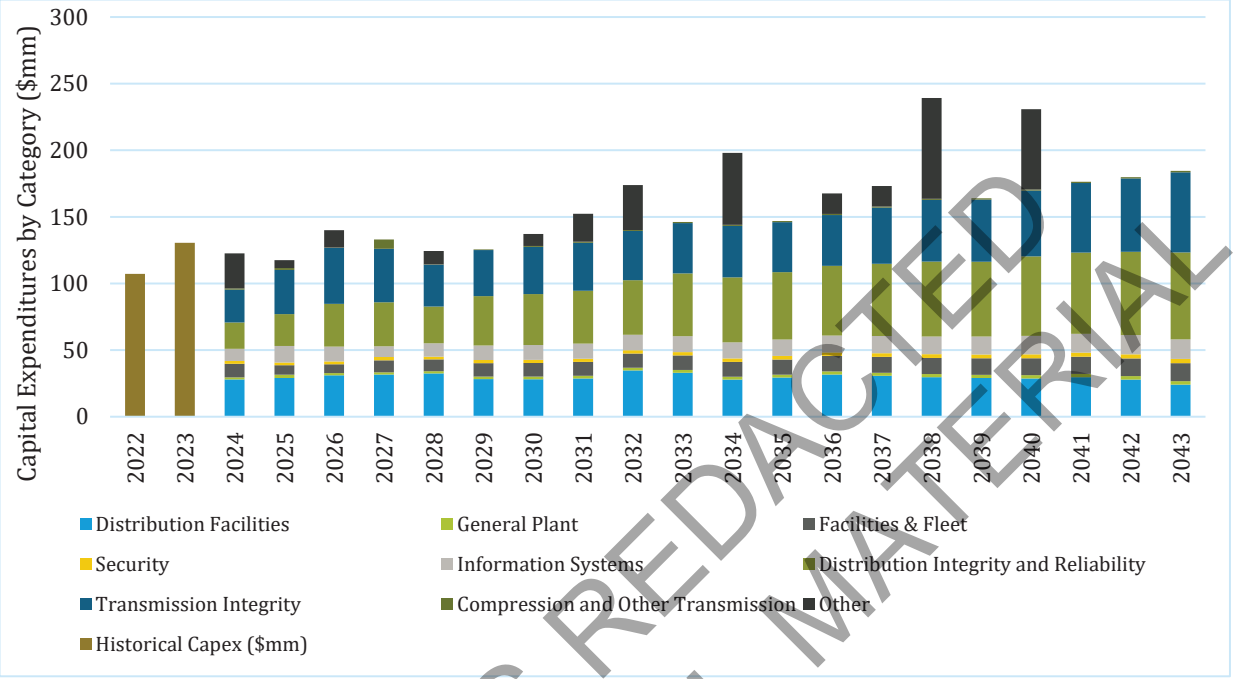

Figure 5-4 Capital Expenditures – Historical and Projections

5.2.1 Pipeline Replacement Capital Expenditures

As part of its Distribution Integrity and Reliability Capex, NMGC expects to retire all bare steel mains by the end of 2024 and maintains a focus on retiring legacy piping over time. As of June 2024, the Seller confirmed that the last two projects to replace all bare steel mains are on track to be completed by the end of October 2024. Additionally, a significant amount of mechanically coupled steel tubing service lines is expected to be replaced in the forecast. These replacement targets have been prioritized through NMGC's DIMP risk assessment and should serve to significantly improve the reliability of NMGC's distribution services. NMGC also intends to invest in the replacement of aging transmission pipes in coming years as NMGC is targeting replacement of 1940s era transmission pipe by 2035. As seen in Figure 5-5, NMGC intends to heavily increase expenditure in distribution and transmission pipe replacement between 2024 and 2030, as the 2030 expected annual expenditure nearly triples that of 2024. The figure is based on the CIM (March 2024) provided by the Seller.

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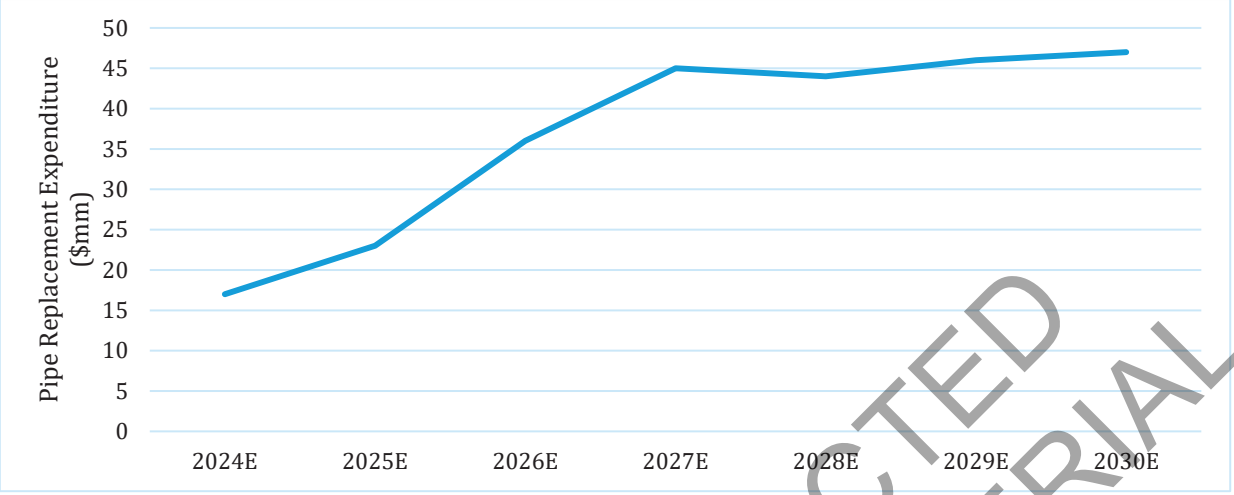

Figure 5-5 Forecasted Annual Pipeline Replacement Capital Expenditure (March 2024)

Table 5-2 shows the historical total pipe replacement expenditure by type/initiative from 2019 through 2023. IM MAOP replacements has made up approximately 48 percent of the expenditure over the last five years, accounting for over $39.2 million dollars in expenditure. During this timeframe, the cost per replacement mile, including service miles (converted to miles using 2023 PHMSA reported average service length of 48 feet), is calculated to be approximately $255,760.40.

Table 5-2 Historical Pipeline Replacement Capex (2019 – 2023)

Planning Portfolio	Miles	Services	Expenditure
IM MAOP Replace	24.253	0	$ 39,214,396.52
IM PVC	220.188	457	$ 18,964,594.79
IM DC X-Trube	-	1472	$ 9,514,438.19
IM Bare Mains	29.231	569	$ 9,169,278.64
IM Legacy Steel	8.401	265	$ 2,689,524.47
IM Specifics	10.077	0	$ 1,550,862.43
IM Legacy PE	1.208	164	$ 662,917.40
IM ILI	0.023	0	$ 100,317.31
Total	**293.381**	**2927**	**$81,866,329.75**

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Figure 5-6 displays the historical pipe replacement expenditure by year and initiative. There has been a substantial increase in 2022 and 2023 due to the new focus on the MAOP replacement efforts. Additionally, from 2022 to 2023, the expenditure for MAOP replacements increased by 74 percent.

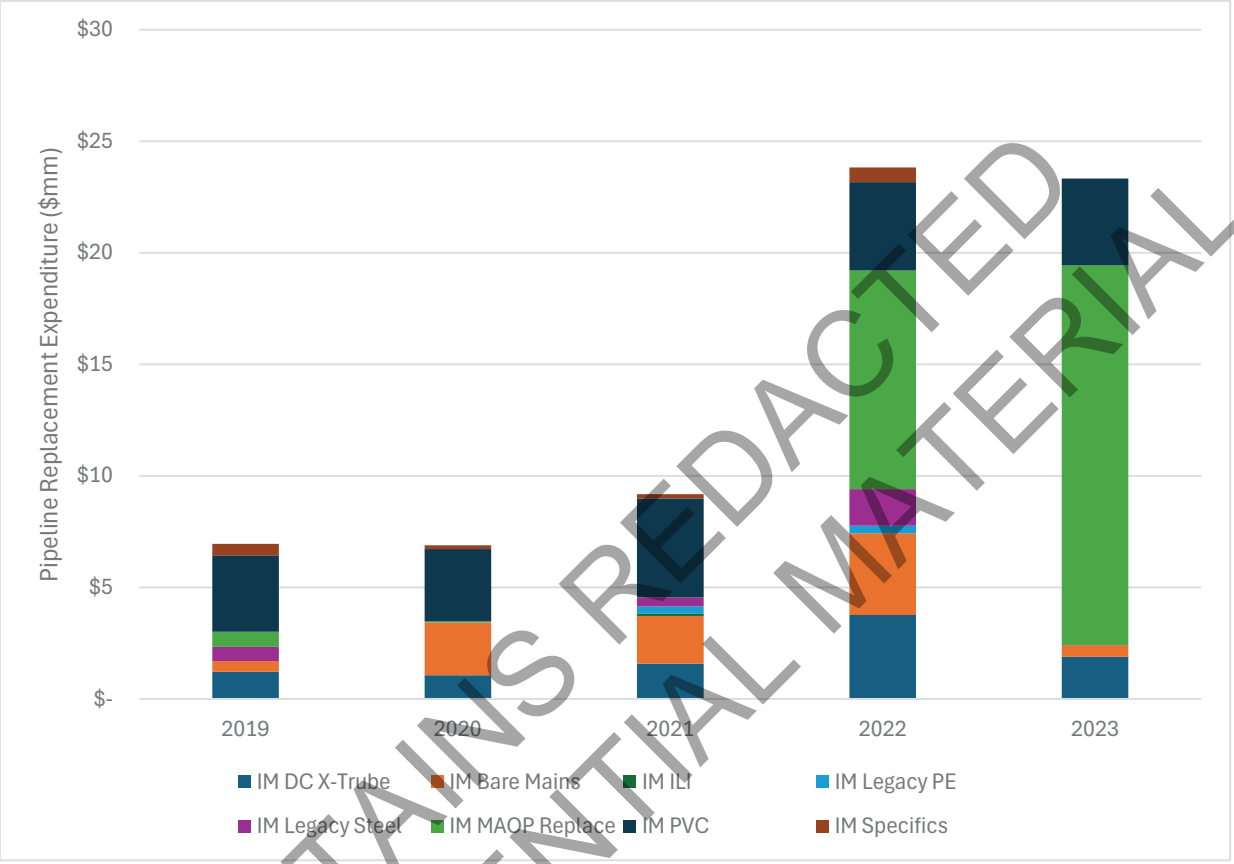

Figure 5-6 Historical Pipe Replacement Capital Expenditure

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Table 5-3 shows forecasted pipe replacement expenditure by type/initiative from 2025 through 2034. The forecasted expenditure identifies a heightened effort for IM MAOP replacements as it now accounts for approximately 68% of overall pipe replacement expenditure. The forecasted cost per mile, including service miles, is forecasted to increase to $1,083,927. This aligns with the heightened efforts for IM MAOP replacement as the transmission piping will consist of a larger diameter in comparison to a distribution line.

Table 5-3 Forecast Pipeline Replacement Capex (2025-2034)

Planning Portfolio	Miles	Services	Expenditure
IM MAOP Replace	187.479	0	$ 278,161,313.28
IM Legacy Steel Replacement	71.462	2049	$ 58,072,231.15

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Planning Portfolio	Miles	Services	Expenditure
IM DC X-Trube	0.000	2430	$ 26,494,886.16
IM Legacy PE	39.814	2868	$ 23,598,732.11
IM Erosion	1.350	0	$ 8,610,139.94
IM Specifics	0.949	0	$ 3,616,511.83
Dist. TPS Albuquerque	2.154	142	$ 3,142,513.88
Municipal Relocation	0.473	0	$ 2,647,327.34
Dist. TPS Alamogordo	1.506	177	$ 1,793,835.40
Total	**305.186**	**7666**	**$406,137,491.09**

Figure 5-7 displays the forecasted pipe replacement expenditure from 2025 through 2034 based on the document, "2.14.2.218 BD-348 – 10-Year Pipeline Forecast", provided in June 2024. IM MAOP replacements will consistently make up approximately over 60 percent of the pipe replacement expenditure every year, except the year 2030. IM MAOP replacements peak in 2034 at approximately $43.8 million dollars, accounting for 84 percent of the expenditure for the year.

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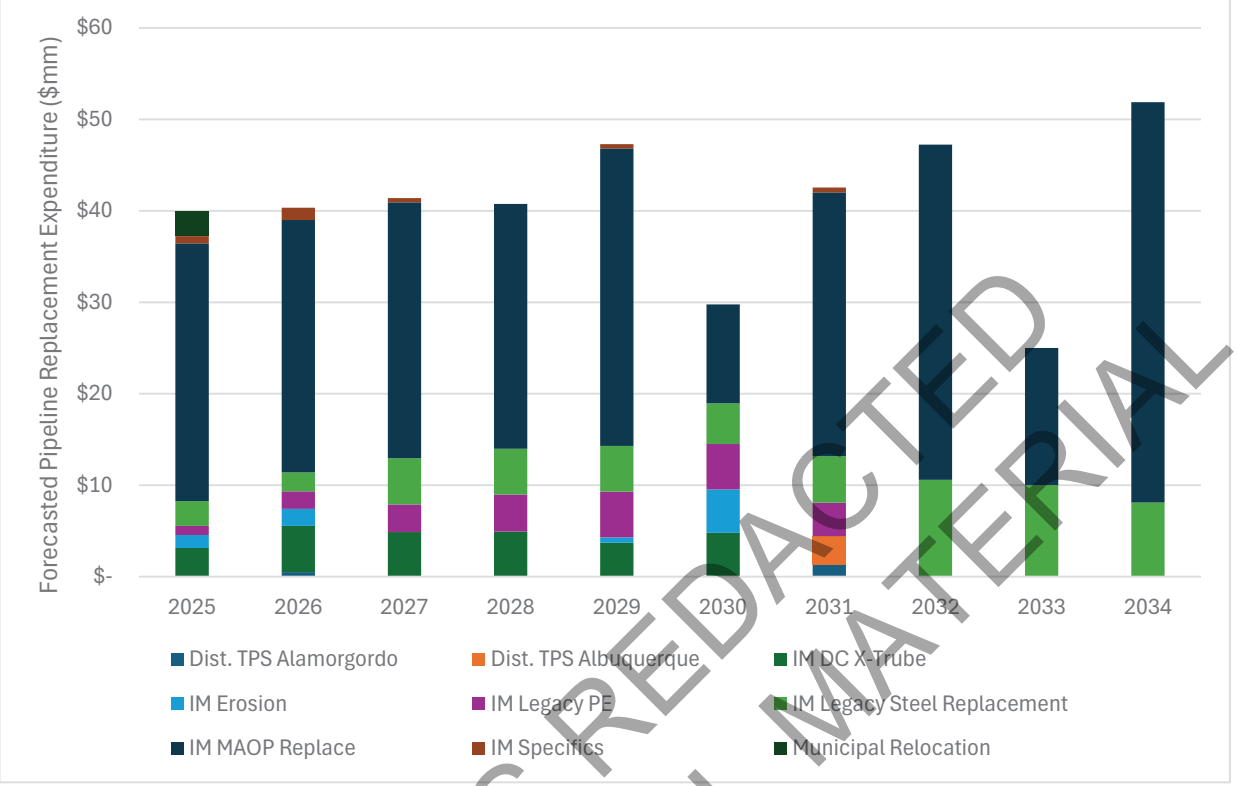

Figure 5-7 Forecasted Annual Pipe Replacement Capital Expenditure (as of June 2024)

Figure 5-8 demonstrates that there are some discrepancies present between the timing of the forecasted annual pipe replacement in the CIM (March 2024) and the documents sent via the Q&A log with the Seller in June 2024. However, the cumulative totals for the time period of 2025 through 2030 are roughly equivalent as the CIM forecasted a total of approximately $241 million in that timeframe while the June 2024 forecast totals to approximately $239.5 million.

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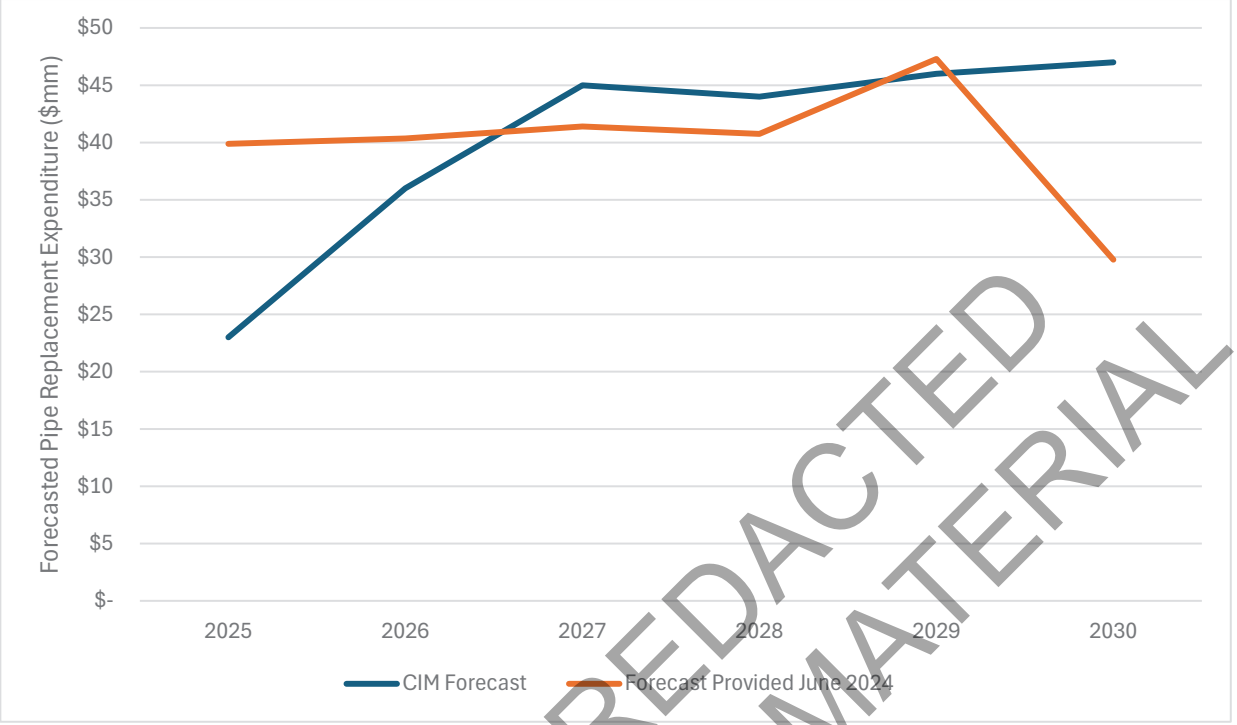

Figure 5-8 Pipe Replacement Expenditure Discrepancies (CIM v. June 2024 Forecast)

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5.2.2 Maintenance Capex for Replacement Projects

Forecasted maintenance capital expenditure amounts for the Lea County Compressor Station Replacement Project is estimated between $330,000 and $540,000 per 30,000 run time hours. It is anticipated that this will be reached every four to seven years. The financial model does present overall compression maintenance efforts as the "Compression and Other Transmission" capex category. Table 5-4 shows the forecasted expenditure for this category, which include the costs for emergent needs to maintain compressor stations, for the five years after the planned execution of the Lea County Compressor Station Replacement Project in 2027. NMGC noted that for turbine and reciprocating compressors, there is an "Engine Swing" investment entered every four years, which is estimated to be 30,000 hours of runtime based on current usage.

Table 5-4 Compression & Other Transmission Capex

Year	2028	2029	2030	2031	2032
Compression & Other Transmission Capex ($mm)	0.23	0.5	0.75	0.78	0.80

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5.2.3 Growth Capex

5.2.3.1 Expansion Projects

Black & Veatch reviewed the Financial Model's Growth Capex forecast. While NMGC outlines other potential future growth opportunities, the forecast for Growth Capex consists of projections on Capex for new distribution facilities. These plans consist of adding key infrastructure such as mains and service lines in order to serve new customers. The forecasted New Distribution Facilities Capex is presented in Figure 5-9 below.

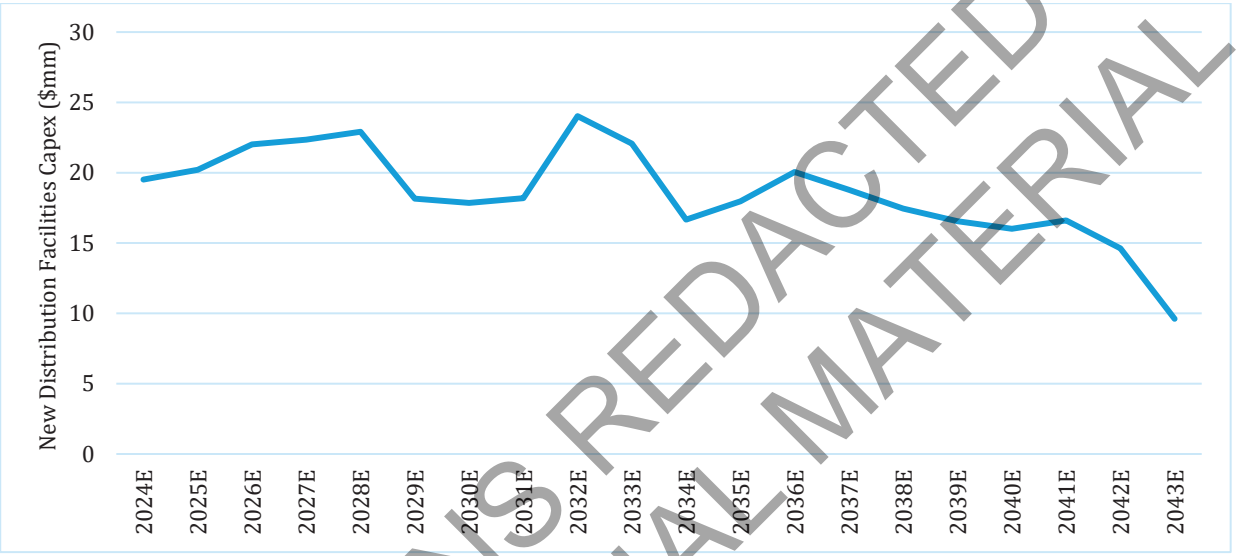

Figure 5-9 New Distribution Facilities Capex Forecast by Year

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NMGC is evaluating other future potential customer growth opportunities through collaboration with economic development entities. Future potential projects that have been evaluated or are being evaluated include serving large industrial parks, data centers, and clean energy manufacturing facilities, but are not included in the forecast. Other potential new and expanding customers and their associated increased gas flows include Manna Capital (11,500 mcf/d), Albuquerque Sunport data center (7,000 mcf/d), and McKinley Paper (2,500 mcf/d). Other potential clean energy manufacturing customers include two RNG facilities, a wind tower manufacturer, and two solar PV manufacturers.

NMGC has forecasted additional spending related to decarbonization projects in the future beginning in 2032. These investments make up 6 percent of the forecasted Capex and include RNG production facilities, pipeline hydrogen blending, and other decarbonization projects.

NMGC recently submitted an application with the New Mexico Public Regulation Commission (PRC) to build an LNG storage and peak shaving facility as a result of disruptions during Winter Storm Uri. However, in February 2024, a PRC hearing examiner recommended that the commission not approve NMGC's application for the proposed LNG storage facility. A final order on the matter issued in March 2024 denied NMGC's application.

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6.0 Appendix: PHMSA Incident Reports Summaries

Table 6-1 PHMSA Incident Reports Summaries

Report ID	Incident Date	Summary
[redacted]	[redacted]	[redacted]
20210087	9/13/2021	On September 13, 2021, while a crew was isolating and retiring a service, an ignition occurred when a NMGC construction crew cut into a pressurized ¾-inch steel service with four-wheel cutters. The three-man crew (Acting Foreman & 2 Crewmen) arrived to retire the ¾-inch steel service and discovered that neither crew member nor the acting foreman had brought the saw to cut the asphalt to access the service tee connection and properly isolate the service for retirement. The crew decided to continue the job without returning to the shop to get the saw, and instead decided to proceed to make the repair hot with what they described as a cut and plug procedure. During the cut and plug, an ignition occurred, and one crewman suffered first degree burns, and the other suffered first and second-degree burns. Neither the acting foreman nor the crewmen reported the ignition fire or injuries until that afternoon when Crewman #2 called the supervisor and reported that a flash had occurred, and he had been injured. Later that afternoon, all three members of the crew reported to the office for interviews at the Santa Fe office and upon discovery of the severity of their injuries, the crewmen were sent the hospital by the Area Manager. The incident met reportable criteria when Crewman #2 was admitted to the hospital, and could not be tested for drug and alcohol due to his admittance to the hospital. The Acting Foreman and Crewman #1 were drug and alcohol tested. Gas odorant testing was performed by NMGC. Readings confirmed proper odorant at 0.53% gas-in-air. Crew failed to follow procedures.
20210023	1/25/2021	A local plumbing company was performing work at a residence at 1241 Princeton Dr. N.E., Albuquerque, NM and reported the locknut shut off valve broke while turning off the flow of gas to the NMGC meter. Upon investigation, one of the plumbers said that they were disconnecting a heater from the house piping and said he smelled gas and identified a leak. He immediately proceeded out of the house to turn off the gas supply. During his attempt to turn the locknut shut-off valve, the plumber caused the threads of the brass core of the shut-off valve to be sheared off at the nut connection. The result caused high pressure gas to vent to atmosphere. Albuquerque Fire called NMGC to advise the house exploded. Bar hole testing indicated no gas around the perimeter of the home and surrounding residences. 5 residences were evacuated. Readings confirmed proper odorant at 0.33% gas-in-air. Final investigation determined the crawl space vent was in close proximity to the riser. Gas venting to atmosphere from the sheared off nut connection migrated above ground into the crawl space and was ignited by a heater in the crawl space causing the explosion.
20190087	7/3/2019	On July 3, 2019, an explosion occurred at 5204 N. Atkinson in Roswell, NM 88201. NMGC was notified by dispatch that there was a house fire at the address. The gas meter for the property had already been turned off at the service valve by the Roswell Fire Department. NMGC removed, capped off, and plugged the meter and customer service line. The service riser was soaped, and no leaks were observed. NMGC removed the meter and then probed that area where the meter was located for the presence of gas. No gas was detected. NMGC left because the structure was still burning, preventing any further investigation. NMGC began probing for gas, and gas odorant testing with a Heath Odorometer was conducted revealing sufficient odorant at 0.38% gas-in-air. The leak was pinpointed near the main and service at the SW corner of the intersection of Isler and Atkinson. Subsurface in ground gas concentration readings of 96% were registered at the SW corner of the intersection of Isler and Atkinson. Excavation began at the SW corner of the intersection of Isler and Atkinson. NMGC uncovered the leak at the SW corner of the intersection of Isler and Atkinson.

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Report ID	Incident Date	Summary
		Additional gas odorant testing with a Heath Odorometer was performed showing appropriate odorant levels at 0.32% gas-in-air. The leak was sealed off by squeezing off flow 54 feet upstream of the leak location. The leak was repaired by replacement of a 2" tee fitting. Five no access tags were left on customers' doors. Gas odorant testing was performed by NM Gas one last time, and readings confirmed proper odorant at 0.24% gas-in-air. Additional NRC Report #1250929. Estimated damages were $262,687.
20180075	7/19/2018	On July 19, 2018, NMGC crews were called out to a third party damage at the intersection of Los Alamitos Heights Road and Lobo Canyon Rd. A 4" Steel gas main was punctured by bore machine stabilizer. While making repairs an ignition occurred under bore machine that engulfed the machine and was a total loss approximate cost of contractor bore machine is $280,299 and $31,843.00 in operators' property damage and repair costs. Cost of total loss of bore machine caused reportable incident. Investigation is complete; however, cause of ignition is unknown.

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
JOINT APPLICANTS	)	**Docket No. 24-00266-UT**

JOINT APPLICANTS' RESPONSE TO NEW ENERGY ECONOMY'S SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants' hereby respond to New Energy Economy's ("NEE") Second Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to NEE's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

NEE INTERROGATORY 2-45:

In its August 5, 2024, press release entitled, EMERA ANNOUNCES SALE OF NEW MEXICO GAS COMPANY TO BERNHARD CAPITAL PARTNERS, Emera's President and CEO stated that the sale on NMGC, "reinforces our strategic decision to optimize our portfolio and reallocate capital to our highest growth markets.…" and "As an operator of premium electric and gas utilities in high-growth jurisdictions, we have compelling opportunities ahead of us…" State NMGC's position on whether it is or is not in a high-growth market, and provide a detailed explanation of the bases for that position. State NMGC's position on whether it is or is not a premium gas utility, and provide a detailed explanation of the bases for that position.

RESPONSE:

Ryan A. Shell

NMGC is encouraged by and supports New Mexico growth, but does not believe that New Mexico can be considered a high-growth area. According to a 2021 policy spotlight document prepared by the New Mexico Legislative Finance Committee, New Mexico's population growth between 2010 and 2020 was 2.8%. In contrast, the national population growth was 7.4%, and neighboring states averaged population growth of 14.2%, during the same period.[24]

[24] New Mexico Legislative Finance Committee, *State Population Trends* at 1 (April 2021), https://www.nmlegis.gov/Entity/LFC/Documents/Program_Evaluation_Reports/Policy%20Spotlight%20-%20State%20Population%20Trends.pdf

NMGC believes it is a premium utility. NMGC has an experienced management team in place, and great employees who work hard to maintain NMGC's excellent track record of providing reliable service to its customers throughout the state.

Notwithstanding that, see Joint Applicant response to NEE Interrogatory 2-53 which discusses how New Mexico does have an improving business environment.

Exhibit BTC-10

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to New Energy Economy's Second Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 17th day of January 2025.

/s/Ryan A. Shell
Ryan A. Shell

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSE TO WESTERN RESOURCE ADVOCATES' SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Second Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 2-23:

Please provide NMGC's actual capital expenditures, by capital investment category (e.g., new customers, reliability, capacity expansion, mandatory relocations, etc.), for each year of the past 20 years. Please provide the Company's response in an unlocked Excel workbook with all formulas intact.

RESPONSE:

Ryan A. Shell

NMGC does not have its actual capital expenditures, by the capital investment categories stated in this interrogatory for the last 20 years (NMGC started providing service in 2009), but does have its capital expenditures since 2014. This information as maintained by the Company in the normal course of business is attached as JA Exhibit WRA 2-23.

WRA INTERROGATORY 2-24:

Please provide NMGC's forecasted operational expenditure plan for each year of the next 20 years, or for however long the Company forecasts capital expenditures, by operational investment category. Please provide the Company's response in an unlocked Excel workbook with all formulas intact.

RESPONSE:

Ryan A. Shell

NMGC does not have responsive information for each year of the next 20 years, but instead has responsive information for the years 2025 – 2029 as maintained by the Company. NMGC is not sure what is meant by the term "operational investment category". Please refer to JA Exhibit WRA 2-23 for information foreach year 2025 – 2029.

Exhibit BTC-11

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Second Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 3rd day of March 2025.

/s/Ryan A. Shell
Ryan A. Shell

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Project Saturn - Vendor Due Diligence Report

New Mexico Gas Co.

March 16, 2024

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Glossary

A&G – Administrative and general	**IRP** – Integrated resource plan
AMA – Asset Management Agreements	**IT&T** – Information technology and telecommunications
AMI – Advanced Metering Infrastructure	**ITC** – Investment tax credit
AMLO – Andrés Manuel López Obrador	**JTIP** – Job Training Incentive Program
AMR – Automated Meter Reading	**LDC** – Local distribution company
bbl – Barrel	**LEDA** – Local Economic Development Act
Bcf – Billion cubic feet	**LFC** – Legislative Finance Committee
Bcf/d – Billion cubic feet per day	**LIE** – Electric Industry Law
C&I – Commercial and industrial	**LNG** – Liquified Natural Gas
CAGR – Compound annual growth rate	**M&A** – Merger and acquisition
CAP – Corrective action program	**MAOP** – Maximum allowable operating pressure
CapEx – Capital Expenditure	**MDth** – Thousand dekatherms
CIS – Customer Information System	**MMcf/d** – Million cubic feet per day
CFE – Federal Electricity Commission of Mexico	**NESE** – Northeast Supply Enhancement
Client – Emera / New Mexico Gas Co.	**NMAG** – New Mexico Attorney General
CO_2e – Carbon dioxide equivalent	**NMGC** – New Mexico Gas Company, Inc.
Commission – New Mexico Public Regulation Commission	**NOx** – Nitrogen oxides
CCN – Certificate of Convenience and Necessity	**NPV** – Net Present Value
CT – Combustion turbine	**O&M** – Operations and maintenance
DIMP – Distribution Integrity Management Program	**OCD** – Oil Conservation Division
Dth – Dekatherm	**OpEx** – Operating expenses
ECMD – Energy Conservation and Management Division	**PA** – PA Consulting Group, Inc.
EDD – Economic Development Department	**PGA** – Purchased gas adjustment
EE – Energy Efficiency	**PHMSA** – Pipeline and Hazardous Materials Safety Administration
EIA – Energy Information Administration	**PNM** – Public Service Company of New Mexico
EMNRD – Energy, Minerals and Natural Resource Dept	**RECS** – Residential Energy Consumption Survey
EPNG – El Paso Natural Gas	**RNG** – Renewable natural gas
FERC – Federal Energy Regulatory Commission	**ROE** – Return on equity
FEUS – Farmington Electric Utility System	**RPS** – Renewable portfolio standard
FY – Fiscal Year	**RRA** – Regulatory Research Associates
GDP – Gross domestic product	**RSV** – Remote shut-off valves
GHG – Greenhouse gas	**T&D** – Transmission and distribution
GRC – General rate case	**TIMP** – Transmission Integrity Management Program
H_2 – Hydrogen gas	**TW** – Transwestern Pipeline
HDD – Heating Degree Days	**UESC** – Utility Energy Service Contracts
ILI – In-line inspection	**UPC** – Use per customer

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IMP – Integrity Management Program	**VDD** – Vendor due diligence
IOU – Investor-owned utility	**VOCs** – Volatile organic compounds
IRA – Inflation Reduction Act	**WRRF** – Water resource recovery facilities

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License Agreement

- PA Consulting Group, Inc. (PA) has prepared this Report (the Report) for Emera Incorporated / New Mexico Gas Company (the Client) solely with respect to the evaluation of a Natural Gas Utility (the Transaction). PA has agreed that the Client may share this Report with their officers, directors and employees; the officers, directors and employees of their subsidiaries and affiliates; their advisors; and certain other third parties, namely, potential debt and equity investors, and their respective advisors, in each case who have a need to review the Report for the purpose of their participation in the Transaction (collectively Authorized Third Parties). Review or use of this Report by any other party or for any other purpose, including but not limited to use of the Report in a transaction to which the Client is not a party, is strictly prohibited and must be authorized by PA in writing. All use and reliance on this Report by any Authorized Third Party is subject to the following terms and conditions:

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2. Authorized Third Parties acknowledge that the Report is not an audit and was not undertaken to express a financial opinion or to provide investment advice, and that PA does not express an opinion on the financial information (or any other information) contained in the Report. Authorized Third Parties further acknowledge that had PA performed additional due diligence beyond the agreed-upon scope of work, other matters might have come to its attention that would have been reported.
3. Authorized Third Parties acknowledge that: (i) some information in the Report is necessarily based on predictions and estimates of future events and behavior; (ii) such predictions or estimates may differ from that which other experts specializing in the electricity industry might present; (iii) PA's analysis and findings are current as of the date of the Report and, where applicable, incorporate underlying market data as of September 2023; (iv) the provision of a Report by PA does not obviate the need for potential investors to make further appropriate inquiries as to the accuracy of the information included therein, or to undertake an analysis on their own; and (v) the Report is not intended to be a complete and exhaustive analysis of the subject issues and therefore will not consider some factors that are important to a potential investor's decision making. Nothing in the Report should be taken as a promise or guarantee as to the occurrence of any future events.
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1 Executive Summary

1.1 Opportunity

Emera Incorporated (Emera) is a publicly listed multinational energy holding company (TSX:EMA) headquartered in Halifax, Canada and is pursuing the 100% sale (the Transaction) of New Mexico Gas Company, Inc. (NMGC or the Company). NMGC is the largest natural gas distribution company in New Mexico, serving approximately 61% of the state's population (1.3 million people) through more than 540,000 meters.

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PA Consulting Group, Inc. (PA) has been retained to provide an independent review of the Company's natural gas supply and demand markets, regulatory environment and capital investments pertaining to the Transaction. NMGC is in a unique position to enhance its existing service to customers and add economic value within the communities served. Natural gas is and will continue to be the economic option for heating of New Mexico's homes and businesses for the foreseeable future, as well as the fuel of choice for the commercial and industrial facilities driving New Mexico's economy. This, along with the Company's investments in reliability, security of supply, technology, compliance with increasing regulations, and potential investments relating to energy transition (including renewable natural gas and hydrogen), will continue to drive long-term growth.

1.2 Organization of Report

PA prepared this Vendor Due Diligence (VDD) assessment of the Company's business, including an emphasis on the role of natural gas in New Mexico. Throughout this VDD Report (the Report) we discuss the Company's natural gas markets, regulatory environment, cost recovery mechanisms, anticipated O&M and CapEx programs, and highlight the Company's business prospects over a twenty-year horizon. Specifically, our VDD assessment covers the following major topics:

- Introduction and Overview of NMGC
- Natural Gas Markets and Supply

- Role of Natural Gas in New Mexico
- Regulatory Overview
- Customer and Sales Forecasts
- Capital and Operating Expenditures Forecasts

PA's findings are based upon on a combination of third-party data sources/databases, primary research, and working extensively with NMGC and Emera management to obtain necessary data and information that PA relied upon to develop our assessment of the Company and the following long-term forecasts:

- PA obtained and analyzed NMGC's sales and customer forecast models and used the data in our development of our independent, twenty-year forecast of customers and sales by sector.
- PA obtained NMGC's CapEx forecast, including details of the Company's anticipated customer growth investments and long-term pipe replacement programs. PA reviewed NMGC's detailed five-year CapEx forecast and adopted that as a reasonable estimate for the five-year period 2024-2028, with adjustments to Distribution CapEx as described below.
- PA used a combination of historical CapEx expenditures, the five-year budget, PA's own experience, and discussions with management as the basis for our CapEx forecast for 2029-2043.
- PA reviewed historical OpEx expenditures in combination with discussions with the Company to develop a long-term forecast that factored in estimates of expenses, ongoing activities related to routine system expenses, and the OpEx component of safety programs.
- PA developed the regulatory outlook based upon discussions with the Company, review of regulatory filings and commission orders, external regulatory assessments, and our independent analysis.
- PA developed our long-term outlook for retail natural gas in New Mexico and at NMGC based upon our analysis of New Mexico policy, the regulatory outlook, the role of natural gas in the New Mexico economy, and the competitiveness of gas heating.

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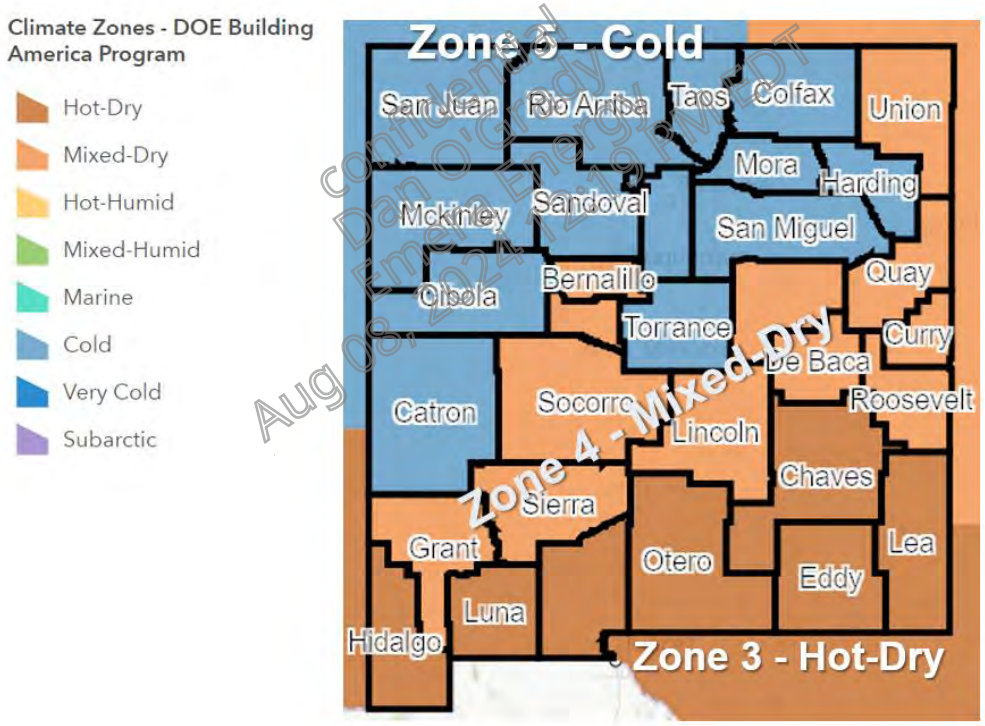
1.3 Overview of New Mexico

New Mexico is located in the southwestern US and is known for its wide range of geography and climates from the Southern Rocky Mountains to the Chihuahuan Desert and has abundant energy resources, including the San Juan and Permian natural gas basins. Elevation within the state ranges from 2,800 ft. in the southern Rio Grande Valley to 13,200 ft. on Wheeler Peak in north central New Mexico. With an average elevation of 5,700 ft., New Mexico ranks fourth highest in the US, in terms of mean elevation. New Mexico's Mountain and intermountain northern region includes some of the coldest areas in the US. Approximately 25% of the utility's customers are in the mountain zones, i.e., cold zones, including the cities of Farmington, Santa Fe, and Taos. The southern region of the state is a hot-dry climate. Table 1-1 below defines the three climate zones contained by the New Mexico and Figure 1-1 below illustrates the three the zones by county.

Table 1-1: NMGC Service Territory Climate Zones[1]

Zone	Description
Zone 5 Cold	Coldest mountain and intermountain areas of the contiguous states. Generally defined as approximately 5,400 heating degree days (65°F basis) or more and fewer than approximately 9,000 heating degree days (65°F basis).
Zone 4 Mixed-Dry	Cold mountain and intermountain areas. Approximately 5,400 heating degree days (65°F basis) or less, and where the average monthly outdoor temperature drops below 45°F (7°C) during the winter months.
Zone 3 Hot-Dry	High desert areas of Arizona and New Mexico. Region receives less than 20 inches of annual precipitation and where the monthly average outdoor temperature remains above 45°F (7°C) year-round.

Figure 1-1: New Mexico Climate Zones[2]



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Many of NMGC's customers reside in regions that experience cold conditions during the winter months and thus have significant heating needs. Winter month weather is often quantified via

[1] Department of Energy Office of Energy Efficiency & Renewable Energy, DOE Building America Program Climate Zones, https://www.energy.gov/eere/buildings/climate-zones
[2] Ibid.

Heating Degree Days (HDD).[3] A 20-year average of monthly HDD is commonly used to evaluate the need for space heating in the winter months, under normal weather conditions within a given area. The heating needs of the Albuquerque and Santa Fe regions are illustrated Table 1-2 below and compared with Denver, Colorado.[4]

Table 1-2: 20-Year Normal HDD

	Albuquerque	Santa Fe	Denver
January	889	1,017	1,043
February	703	825	955
March	520	655	725
November	593	707	726
December	884	1,001	1,052

Natural gas use in buildings is predominantly used for space heating, followed by water heating with a small fraction being used for cooking. Based upon an analysis of average residential monthly consumption, approximately two-thirds of residential gas use is associated with space heating. Energy affordability is an important consideration in New Mexico. The median income in the state is $50,822 – the third lowest U.S. state. NMGC's customers span a large income range with the median income of Taos at $37,063 and Santa Fe at $60,517. Heating with natural gas is the affordable option for many customers given New Mexico's overall access to low-cost natural gas and that natural gas has compelling end-use economics.

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Due to New Mexico's rich oil and natural gas resources, the state produces a significant amount of energy compared to surrounding states. Natural gas and oil production is a foundation of the state's economy through the jobs it provides, and revenues generated (almost 40% of the 2024 state budget). New Mexico is one of the top ten natural gas producing states in the US, with 6% of US natural gas withdrawals, and produced over 2,500 trillion Btu of natural gas in 2021 from the San Juan and Permian Basins, both partially located in New Mexico. New Mexico is also the second largest state for crude oil production accounting for over 13% of U.S. production.[5] New Mexico relies heavily on oil and gas for its economy, creating challenging dynamics among stakeholders for balancing economic prosperity with the state's clean energy aspiration. While there are a handful of states that are aggressively pursuing the reduction and ultimate elimination of natural gas consumption, New Mexico is not among those states. Although New Mexico's Energy Transition Act requires electric utilities to supply an increasing amount of electricity via zero carbon resources, natural gas will continue to play an important role in providing reliable low-

[3] A heating degree day (HDD) compares the daily average outdoor temperature for a given location over a 24-hour period to a standard temperature, say, 65 degrees Fahrenheit and is measured as the difference between the two. So, the lower the temperature, the higher the HDD; e.g., a day with an hourly average temperature of 35 degrees implies 30 HDD. The colder a day is, the higher will be the HDD Correspondingly, cooling degree days (CDD) is calculated as the difference between the hourly average temperature on a given day and 65 – i.e., an average temperature of 80 degrees on a day translates into 15 CDD, i.e., 80 – 65 = 15 and the warmer the day, the higher the CDD.

[4] The historical daily temperature data for each of the locations used to calculate these HDDs were obtained from the National Oceanic and Atmospheric Administration's National Centers for Environmental Information. (www.ncdc.noaa.gov/cdo-web/datasets)

[5] Where our oil comes from - U.S. Energy Information Administration (EIA)

cost electricity and replace retiring coal generation in the interim as well as provide a cheaper method of space and water heating for residents for the foreseeable future.

1.4 Overview of NMGC

NMGC originated as the Albuquerque Gas and Electric Company, founded in 1917. The business as it is known today began when Southern Union purchased Farmington, Santa Fe, and Albuquerque franchises in 1930. NMGC is the largest natural gas distribution company in New Mexico, serving approximately 60% of the state's population including the major metropolitan areas of Albuquerque, Rio Rancho, and Santa Fe. NMGC serves customers in 23 of New Mexico's 33 counties. Of NMGC's over 540,000 customers, 93% are residential customers who consume over 318 million therms annually, which is approximately 33% of NMGC's projected 2024 total throughput volume. While the customer base is heavily residential, the system throughput is diverse, with 15% of annual throughput delivered to commercial and industrial sales customers, and the remaining 52% consumed by transportation service customers who purchase their own gas and use the NMGC system to transport that gas to their facilities, as well as off-system customers who transport their gas out of NMGC's system.

NMGC owns nearly 12,500 miles of transmission and distribution pipeline assets which deliver over 77 Bcf of natural gas each year and have the capability to deliver up to 1 Bcf on a design day. The majority of NMGC's pipeline network is distribution scale and consists of nearly 11,000 miles of mains; the Company's transmission system is made up of nearly 1,500 miles of mains. Approximately 75% of the distribution mains have been installed since 1970 (with more than 60% having been installed since 1980). As of the end of 2022, all but 2.5 miles of distribution mains are either plastic or coated, cathodically protected steel.[6] The Company's leak experience is a strong indicator of the safety of the system; during the 5-year period 2018-2022, the Company repaired an average of slightly more than one leak on its distribution mains per 100 miles of mains in service. The transmission system is also relatively modern, with nearly 50% of transmission mains having been installed since 1970.[7] NMGC continues to improve and upgrade its pipeline delivery network, including approximately $150 million in investments in the 2019 rate case, with an additional $278 million of various upgrades proposed in the ongoing 2023 rate case. These investments have included reliability improvements, integrity-related replacements, and adding or rebuilding other delivery infrastructure, among others.

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NMGC brings a history and track record of success along with well-maintained, safe, and reliable assets. Over the past five years, the Company has focused on maintaining and improving the safety and reliability of its gas delivery infrastructure, and access to regional gas supplies, driving significant portions of NMGC's capital investments. Additionally, the Company has utilized asset management agreements (AMA) with third parties to optimize its capacity on interstate pipelines, where parties take advantage of periodic price differentials between the San Juan and Permian Basins in New Mexico allowing for additional margin sharing with customers and earns management fees on utility energy service contracts (UESC) contracts with federal agencies for providing energy efficiency projects.

NMGC's retail rates are regulated by the New Mexico Public Regulation Commission (PRC or Commission). Gas costs are recovered through a Purchased Gas Adjustment (PGA) clause and energy efficiency program costs are recovered through a separate tariff rider. In addition, NMGC

[6] The Company's percentage of post-1970 distribution mains is consistent with those of other LDC systems with similar mileage. The remaining 2.5 miles of unprotected steel main is forecast to be retired by the end of 2024.
[7] System data presented here is sourced from the Company's Annual Gas Distribution Reports to PHMSA for calendar years 2018-2022.

is the only utility in New Mexico with a Weather Normalization Adjustment Mechanism to mitigate the impact on earnings, cash flows and customer bills due to variations in heating degree days.

NMGC's proximity to production basins, coupled with its significant intrastate transmission system allows it to move gas to its customers without needing to utilize interstate pipelines, leading to a low overall cost of gas for its customers. New Mexico's overall low-cost natural gas translates into compelling economics of natural gas for space and water heating versus electricity. The Company has a large number of lower income residential customers and natural gas heating is the economical choice for managing energy costs.

1.5 Summary of Capital Investments

PA analyzed historical data, information available from the Company, and industry trends while building upon discussions with management and our industry experience to project NMGC's capital investments over the next 20 years. PA reviewed the Company's five-year investment plan and discussed with Management their view of the rate of distribution pipe replacement beyond the Company's five-year investment horizon. Working with Management, PA has developed a reasonable view of CapEx based upon a combination of PA and management's view for that period.[8] PA then developed a forecast of CapEx through 2043. The five-year forecast of $637 million, combined with PA's long-term forecast, results in $3.23 billion in CapEx to be invested over the forecast period.

The primary drivers of the 20-year Capital Investment forecast are:

- More than $1.5 billion in replacement and improvement of the distribution system
- More than $800 million in replacement, improvement, and other compliance investments in the transmission system
- $550 million in projects to improve and replace facilities, fleet, security systems and information systems
- More than $350 million investments related to customer growth
- $10 million for the satellite LNG providing back feed and secondary service of supply project, that will better ensure reliability for customers in a remote area of the Company's system that currently relies on a single source of supply.
- Upgrade of the Company's customer information system, and modifications to asset management systems
- Several decarbonization investments assumed to be RNG make up more than $200 million of the overall forecast.

The final decision on the Company's application for a Certificate of Convenience and Necessity (CCN) with the PRC for the LNG peaking facility near Rio Rancho was issued on March 14, 2024. Based upon the Commission's decision, the Rio Rancho LNG facility is not included in the CapEx forecast. However, we note that the Company's justification of the facility is in-part based upon long-term project gas price projections. As gas prices are volatile, the PRC's perceived value of the facility may change over time and the project may be revisited in the future.

These investments are discussed further in Section 7.

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[8] PA did make two modifications to the Company's five-year forecast. Adjustments were made to distribution growth in 2026-2028, and additional risk-based replacement distribution investments were included beginning in 2025.

2 Introduction and Overview of NMGC

This VDD report outlines the many programs in place or under development to continue and improve NMGC's history of providing reliable, and safe service and affordable rates to customers. Specifically, our VDD assessment covers the following major topics pertaining to NMGC:

- Overview of the Company's territory, operations, and service levels;
- Natural gas markets, supply sources, customer count and volume forecasts and capital and operating expense forecasts;
- Balanced regulatory construct and cost recovery mechanisms; and
- Additional investment opportunities in natural gas operations as well as decarbonization initiatives.

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2.1 Overview of NMGC

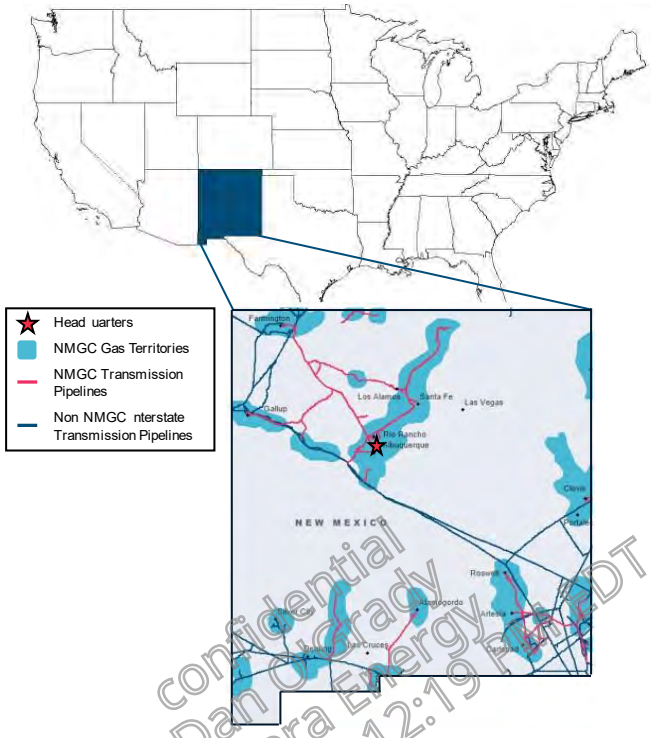
The Company has its headquarters in Albuquerque, New Mexico and the service territory is located between and within two natural gas production basins, San Juan and Permian, has facilities in 27 counties, and serves customers in 23 out of the 33 counties in New Mexico. NMGC's proximity to production basins, coupled with its significant intrastate transmission system, allows it to move approximately 70% of its throughput to its customers without needing to utilize interstate pipelines, leading to a low overall cost of gas for its customers. New Mexico's overall low-cost natural gas translates into compelling economics of natural gas for space and water heating versus electricity. The Company has a large number of lower income residential customers and natural gas heating is the economical choice for managing energy costs.

Service Territory

NMGC owns over 12,500 miles of transmission and distribution pipeline across New Mexico, as illustrated below in Figure 2-1. These networks are divided into the Northwest and Southeast systems, as well as a variety of independent systems throughout the state. The Northwest system is the largest, accounting for nearly 80% of NMGC customers and 69% of NMGC pipeline by

mileage. The Northwest system includes the Albuquerque, Santa Fe, and Farmington areas, with Albuquerque representing 55% of NMGC's total customer base.

Figure 2-1: NMGC Service Territory and Pipelines



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The Company's pipeline delivery network consists of nearly 11,000 miles of distribution mains and nearly 1,500 miles of transmission mains. 75% and 48% of distribution and transmission mains were installed since 1970, respectively. As discussed in Section 7, the Company is making significant investments in replacing certain transmission mains. The Company's gas delivery system is served by a number of interstate pipelines including Transwestern, El Paso Natural Gas, TransColorado, OkTex, and West Texas Gas.

NMGC relies primarily on the San Juan and Permian Basins to source natural gas. The Company is situated between and within the two basins and holds firm transportation capacity on interstate pipelines that connect both basins with its service territory. The Company sources roughly 60% of its annual gas supply from the San Juan and 40% from the Permian, with incremental volumes coming from the Piceance and Green River Basins in Colorado. While the Permian is substantially larger than the San Juan, pipeline capacity coming out of the Permian and across New Mexico is typically more constrained.

Additionally, there is substantial demand downstream of the Permian from Arizona and California, which places New Mexico in direct competition for transportation capacity with these two key markets. Prices in California and Arizona are typically higher, making them more desirable markets if producers and marketers are able to access them. This price pressure and ability to access the San Juan basin without interstate transportation leads NMGC to rely more on the San Juan for supply and is driving diversification to the Piceance and Green River as well.

In addition to contracting for capacity on interstate pipelines Transwestern, El Paso, TransColorado, OkTex and West Texas Gas, NMGC also procures supply directly from processing plants interconnected to its system, obviating the need for interstate transportation

and lowering costs for a substantial portion of its supply portfolio. The combination of proximity to supply basins and NMGC's intrastate transmission system has led to lower costs for customers. According to data collected by the EIA, the state ranks 4th in the US in terms of lowest cost of gas delivered to commercial consumers and 9th for gas delivered to residential consumers since January 2020.[9] Compared to the national average of $15.71/MMBtu, gas delivered to residential consumers in New Mexico is $3.32/MMBtu lower, with commercial prices being $2.17/MMBtu lower than the national average of $9.97/MMBtu. These costs are inclusive of transportation and distribution, as well as other charges levied by Local Distribution Companies (LDCs).

NMGC currently contracts for storage services to serve as additional supply during instances of increased demand, supply disruption, or operational balancing. The storage facility is in Winkler, Texas, with connections to both Transwestern (TW) and El Paso Natural Gas (EPNG) pipelines. NMGC has rights to withdraw up to 190,000 MMBtu/d during peak winter months. NMGC also uses linepack practices to temporarily increase pipeline pressure, typically to serve morning and evening load peaks.

NMGC Core Business and Customers

NMGC's core business consists of providing natural gas delivery to residential, commercial, industrial, and power generation customers, which is typical for natural gas LDCs. The Company also provides natural gas transportation service for some customers who purchase their own gas and who use the NMGC system to transport that gas to their facilities, as well as off-system customers who transport their gas out of NMGC's system. As shown below within Figure 2-2, NMGC primarily provides natural gas service to residential customers, with commercial, industrial, and transportation customers accounting for a much smaller share of customer counts.

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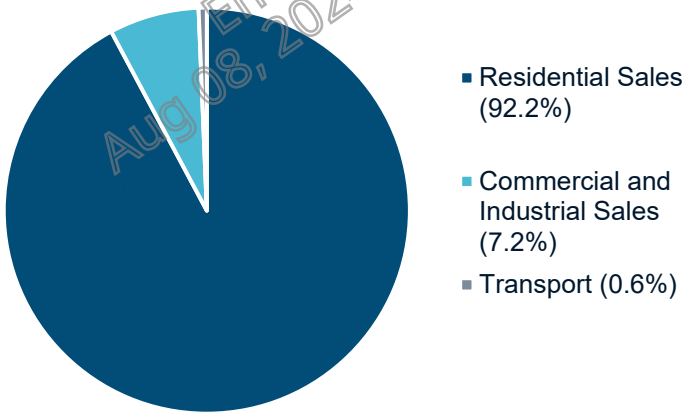
Figure 2-2: NMGC Percent of Total Customers by Segment in 2024



In terms of 2024 projected volumes, sales and transport volumes are similar at 463 and 495 million therms, respectively. Residential customers account for 90% of the projected 2024 sales customer-base. However, residential are low-volume and account for 69% of sales volumes, as illustrated by Figure 2-3 and Figure 2-4 below. Commercial and industrial sales customers constitute approximately 7% of the sales customer-base and 31% of the delivered sales volumes.

[9] EIA, average residential and commercial price of natural gas. Averages are for Jan 2020 - Oct 2023.

Figure 2-3: NMGC Percent of Projected 2024 Sales Customers by Segment

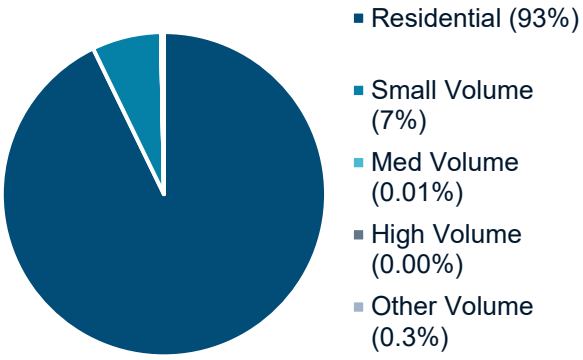
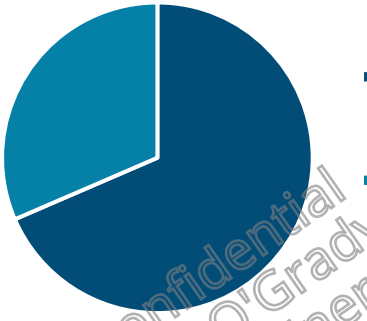


Figure 2-4: NMGC Percent of Projected 2024 Sales Volumes



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The transportation customer-base is dominated by the small volume commercial customers, constituting 93% of the total transportation customers, as presented in Figure 2-5. However, small volume commercial customers comprise only 10% of the transport volumes, illustrated by Figure 2-6. Another small fraction of the customer-base, discounted transportation and off-system transportation, together account for 61% of the transportation volumes. In addition to the above customer counts and classes, NMGC also provides natural gas service to three gas-fired electricity generators.

Figure 2-5 NMGC Percent of Projected 2024 Transportation Customers by Segment

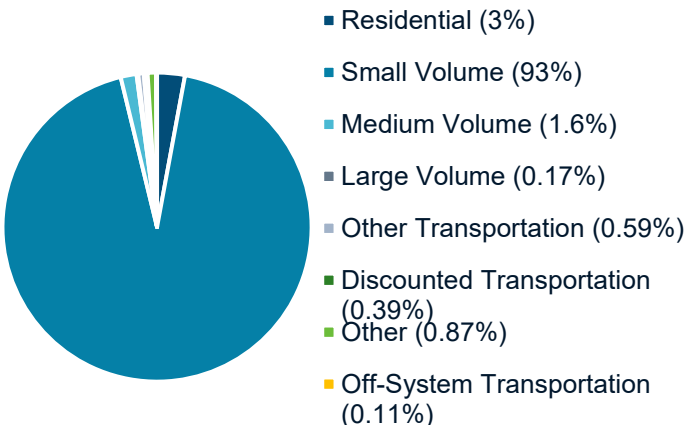
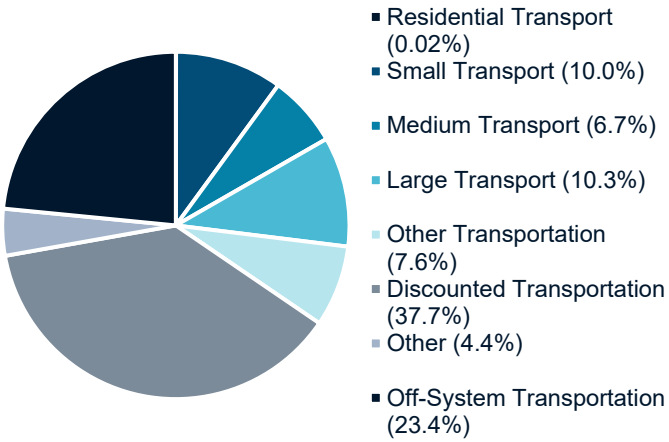


Figure 2-6: NMGC Percent of Projected Transportation Volumes



Heating of Homes and Businesses

Natural gas is an important energy source for both residential and commercial buildings. Almost 63% of New Mexico homes use natural gas as the primary heating fuel followed by 23% of the homes using electricity as the primary heating fuel, and 7% using bottled or tank gas.[10] Natural gas, used in 70% of the housing units, is also the primary residential water heating fuel in New Mexico.[11] Electricity is used for water heating in approximately 20% of the households.

n New Mexico's commercial sector natural gas provides approximately 42% of the energy used on a total delivered energy basis versus electricity that provides 46%. The primary use of natural gas is commercial buildings is space heating, water heating, and cooking.

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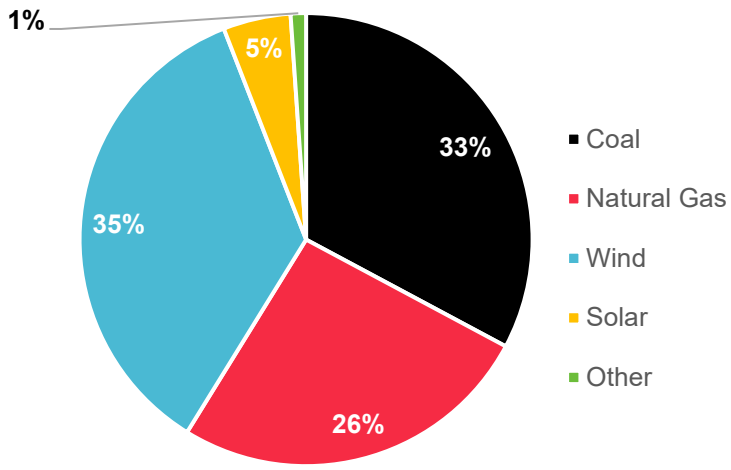
Power Generation

In 2022, natural gas, coal, and other fossil fuels accounted for 59% of New Mexico's electric generation, wind and solar accounted for nearly 40% of the electric generation. Currently there is 1.5 GW of operating coal plant capacity, Units 4 and 5 of the Four Corners Generating Station, both of which are targeted for retirement in 2031. New Mexico has a goal of net-zero greenhouse gas emissions by 2050 with the allowance for some offsets along with a Renewable Portfolio Standard target of 80% by 2040 and carbon free electricity by 2045. In addition, the Public Service Company of New Mexico (PNM) has committed to have carbon free energy by 2040.[12] Figure 2-7 shows New Mexico's 2022 electric generation mix. As the state's coal fired electric generating resources retire, the state's electric utilities are planning to replace the retiring energy and capacity with a mix of natural gas-fired and renewable resources.

[10] Grid View: Table B25040 - Census Reporter
[11] State Water Heating.pdf (eia.gov)
[12] 2023 Integrated Resource Plan, PNM, December 15, 2023.

Figure 2-7: 2022 Electric Generation in NM[13]



NMGC currently provides natural gas fuel to four natural gas-fired electricity generating plants. The Bluffview Power Station in Farmington, NM is owned by the Farmington Electric Utility System (FEUS); the Reeves Generating Station and Rio Bravo Generating Station in Albuquerque, NM are owned by PNM, and the Lea County Electric Co-Op plant in Lovington, NM. As the owners of these plants are transitioning away from their coal-fired generation facilities, these natural gas-fired facilities remain critical sources of reliable power generation. PA anticipates that gas-fired electric generating facilities will continue to have a role in delivering an affordable and reliable supply of electricity for the foreseeable future as New Mexico proceeds toward its clean energy goals. While PNM's recent ntegrated Resource Plans indicate that it plans to retire the Reeves and Rio Bravo Stations in the 2030's, FEUS plans to develop additional gas generating resources as its ownership in coal-fired resources winds down; PA projects these resources to continue to burn natural gas through the end of the forecast period. PA does project that the latter part of the next decade, the gas generation will transition to more of a reliability role and be used as a peaking resource versus an intermediate or base load resource, resulting in a decline in gas usage.

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2.2 Natural Gas in New Mexico's Clean Energy Future

New Mexico provides abundant energy resources including both renewable and conventional fuels. As discussed further in Section 4.3, while the state has decarbonization goals, those efforts have largely focused on the electric sector to date. Additionally, New Mexico relies heavily on oil and gas revenues to power its economy and fund the state budget. Natural gas is a reliable and affordable source of energy and is likely to play an important role as electric utilities are undertaking efforts to lower GHG emissions and contribute to decarbonization. Further, New Mexico's low-cost energy sources are key components of economic development efforts, helping the state attract both large and small industrial customers, with associated commercial and residential growth.

[13] Source: S&P Capital IQ

Renewable Natural Gas

RNG is emerging as a key decarbonization pathway for natural gas LDCs, including NMGC. New Mexico's clean energy goals fundamentally support RNG demand and provide tailwinds for RNG development and market LDC expansion in the future. There are multiple opportunities in New Mexico for RNG and biogas development; as a one for one drop-in fuel that can offset traditional brown gas, RNG can effectively help decarbonize existing natural gas end uses without the need for equipment conversion or upgrades, which distinguishes RNG from other electrification solutions.

The compatibility of RNG with the existing natural gas system provides a cost-effective way to meet the needs of the segment of customers who are amenable to paying a premium on a voluntary basis for RNG to reduce their carbon footprint and/or meet corporate GHG reduction commitments. PA expects increased customer interest in participating in voluntary tariffs for RNG similar to the growth of voluntary green tariffs for electric customers.

There are four major feedstock categories contributing to RNG production: landfill gas (LFG), livestock and agricultural (L&Ag), food waste, and water resource recovery facilities (WRRF). Historically, landfill gas has dominated as a RNG feedstock in the U.S. For NMGC, with prior approval from the PRC, there may be substantial potential for outright ownership and partnering with livestock RNG production facilities; New Mexico's dairy farm industry has the largest average herd size in the U.S. Because methane is a more potent greenhouse gas than CO_2, it is likely that the incentives associated with the capture, collection, and beneficial use (i.e., other than flaring) of methane will continue, which in turn is likely to support the production and consumption of RNG.

As the RNG market evolves, NMGC is well-positioned to pursue opportunities for potential development of RNG facilities, or to utilize its pipeline network to transport RNG produced by other owners. Dominion Energy is pursuing an RNG project involving four farms in southeastern New Mexico which is projected to reach operation in 2025 and which will utilize the NMGC transmission system.[14]

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Hydrogen

Hydrogen has emerged as potentially playing a central role in decarbonization pathways across the U.S. and the world. Blending hydrogen into natural gas pipelines taps into NMGC's ability to leverage its existing infrastructure and, as hydrogen demand increases, may be a cost-effective way of introducing a mix of hydrogen into the gas supply to customers; US natural gas utilities have announced at least 26 hydrogen pilot projects since 2020.[15] Further, hydrogen has the potential to decarbonize hard to electrify industries requiring high temperature processes in manufacturing including heavy vehicle transportation, steel making, fertilizer production, and others. In addition, utilities evaluating investment in new peaking gas turbines for power generation are increasingly looking at hydrogen capable turbines. Power generation and fertilizer production currently account for over 12% of NMGC's throughput volumes.

These customers may potentially use hydrogen as a fuel replacement for natural gas. In the future, to deliver hydrogen to these different types of customers, NMGC may supply hydrogen to their customers by either developing a new dedicated hydrogen pipeline using existing gas pipeline rights of way, or by blending hydrogen into its existing pipelines.

[14] The transmission system is part of the Company's existing rate base.
[15] S&P Global

There are challenges with using natural gas infrastructure to deliver hydrogen, primarily associated with pipeline embrittlement resulting from elevated levels of hydrogen transport. NMGC has begun to address this challenge with a hydrogen blending project, and the Company believes that hydrogen blending in its infrastructure could ultimately result in as much as a ten percent reduction in emissions.

NMGC has been conducting hydrogen blending tests at its technical training center in Albuquerque. Blends of 5%, 10%, 15%, and 20% have been tested to determine potential impact on pipeline segments, fittings, and appliances. A third-party expert, GTI Energy, has been involved in the project and provided analysis of the blending tests.

NMGC has committed to the NMPRC that it would not proceed with blending on the Company's customer-facing distribution system without receiving prior approval from the Commission.

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3 Natural Gas Markets and Supply

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Natural gas is a key home heating and power generation fuel in markets across the US, particularly in New Mexico and throughout the Southwest. Demand for natural gas is expected to continue to grow through the early part of the next decade before plateauing and eventually declining marginally. Demand destruction is expected to occur primarily in markets with strong decarbonization efforts and policies aimed at limiting incremental demand growth – New Mexico is not such a market and natural gas demand is expected to remain stable over the study period. In neighboring Texas, natural gas demand is expected to continue to grow materially, driven by increased LNG exports along the Gulf Coast.

The Permian and San Juan Basins, both of which lie at least partially within New Mexico, are expected to continue to be key supply sources for Texas, New Mexico, and markets throughout the Southwest and west coast. The Permian Basin in particular is expected to continue to see substantial production growth, growing from a current average dry gas production of roughly 16 Bcf/d to over 24 Bcf/d by the early 2030s.[16] Production in the San Juan Basin is expected to decline steadily throughout the study period but will continue to produce substantial volumes of natural gas, averaging over 1 Bcf/d through 2042. While NMGC is expected to continue to source volumes from the San Juan, declining production and favorable economics along with winterized production in the Piceance and Green River Basins are leading the Company to contract for supply from these basins as well and decrease reliance on supply from the San Juan.

In addition to procuring traditional natural gas supplies to serve demand, NMGC is also exploring options to procure RNG to serve customer demand and decarbonize a portion of its supply. The Company is well-positioned to pursue RNG procurement or development of its own production facilities. New Mexico is home to large livestock and dairy cattle herds, which offer significant potential for either procurement or partnership in RNG development.

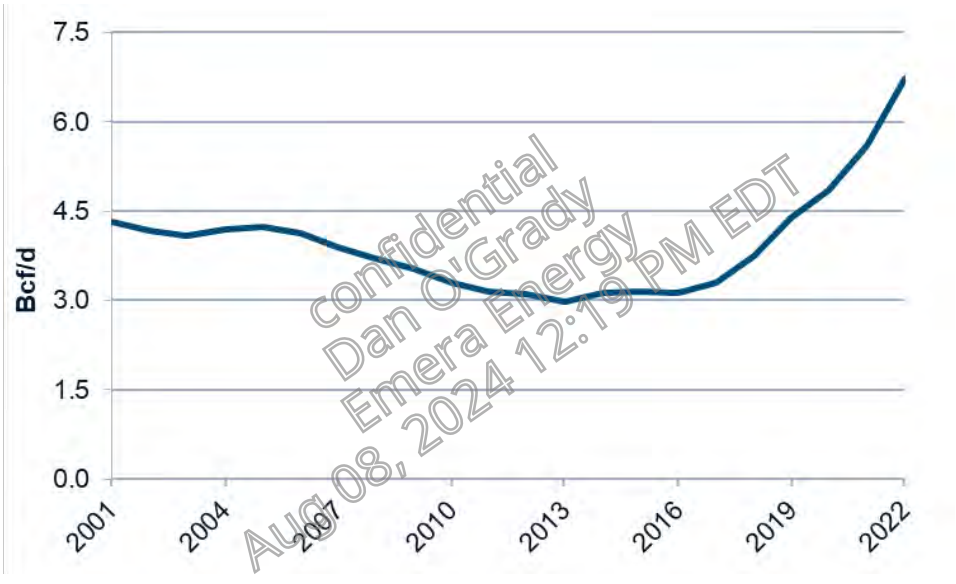
[16] Note: production figures represent dry gas volumes. Total production volume including liquids can be higher – estimates for the Permian range from 20-22 Bcf/d including liquids, depending on the data source, while total production from the San Juan Basin is estimated between 1.8-2.2 Bcf/d.

As the RNG market evolves, NMGC is well-positioned to pursue opportunities for potential development of RNG facilities, or to utilize its pipeline network to transport RNG produced by other owners.

3.1 New Mexico Natural Gas Market

New Mexico is home to substantial natural gas production, having grown from producing 4.5 Bcf/d in 2001 to 6.7 Bcf/d in 2022. See Figure 3-1. Production in the state primarily comes from the Permian Basin, which straddles the Texas-New Mexico border, and the San Juan Basin in northwest New Mexico that also stretches into Colorado. While production more or less stagnated from 2001-2016, the "shale boom" and associated advanced drilling techni u es unlocked substantial reserves and production potential from the Permian and San Juan Basins, leading to a sharp increase in production in New Mexico, as well as Texas and Colorado.

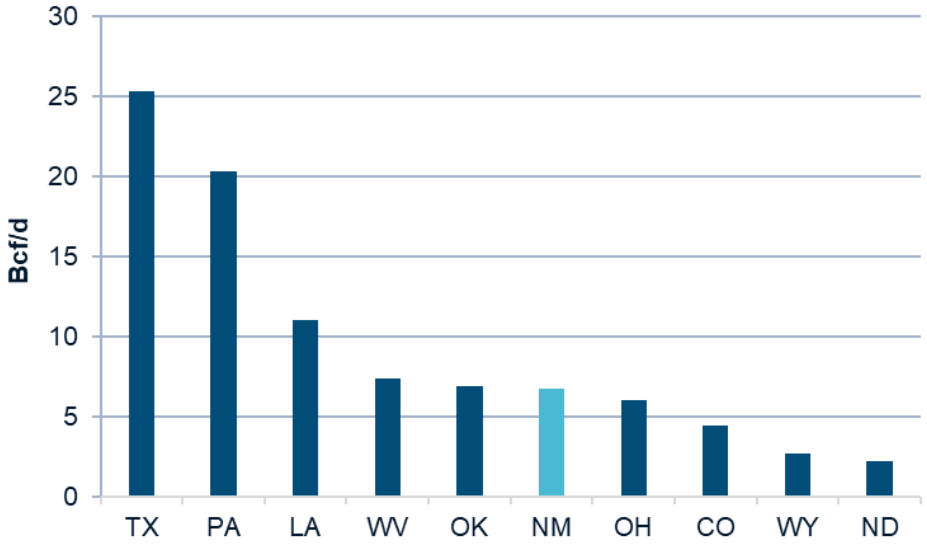
Figure 3-1: New Mexico Natural Gas Production[17]



In terms of New Mexico's production relative to other states, New Mexico ranked sixth in 2022 for total dry gas production. See Figure 3-2. The state ranks second in total oil production, behind only Texas. Most of New Mexico's production comes from the Permian Basin in the southeast portion of the state. The Permian is the second most prolific producing basin in the US, second only to the Marcellus in Appalachia. However, unlike the Marcellus, drillers in the Permian are primarily targeting oil rather than natural gas. Gas production, therefore, is rather disconnected from gas pricing and more closely follows oil market dynamics. Thus, despite low regional gas prices – for example, basis at the key Permian hub of Waha frequently prices at a $1/MMBtu or more discount to Henry Hub – natural gas production remains rather steady and unresponsive to such dynamics.

[17] Source: EIA, Dry Natural Gas Production by State

Figure 3-2: Top Ten Natural Gas Producing States, 2022[18]



New Mexico production is expected to continue to grow through the early 2030s driven by the Permian, while volumes from the San Juan Basin are expected to decline steadily throughout the forecast. Permian production is projected to grow from 17 Bcf/d to over 24 Bcf/d by the middle part of next decade, while the San Juan is projected to decline from 1.8 Bcf/d to approximately 1 Bcf/d. See Figure 3-3. Production growth from New Mexico's portion of the Permian will be more than enough to offset San Juan declines. To mitigate any potential impact to cost and security of supply due to declining San Juan production, NMGC is looking to the Green River and Piceance Basins in Colorado as a future source of supply. These basins could offer more steady production volumes and comparable cost of supply. Access to these basins played a critical role in maintaining reliability of supply during Winter Storm Uri when Permian production dropped sharply on extreme cold weather, and they are expected to be an important component of supply going forward. NMGC's ability to draw on supply from multiple basins places it in the advantageous position of not being solely reliant on just one supply basin.

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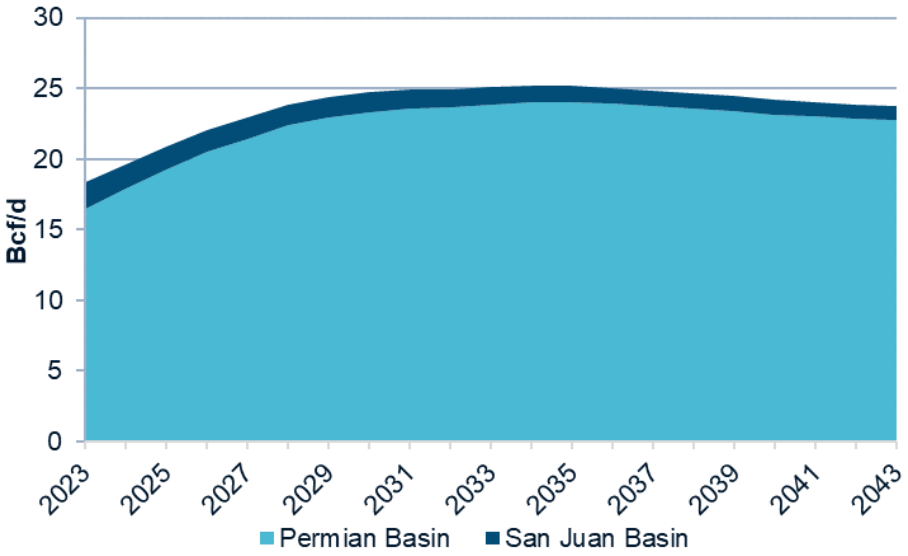
[18] Source: EIA, Dry Natural Gas Production by State

Figure 3-3: Permian and San Juan Basin Dry Production Forecast[19]



Interstate pipeline infrastructure in New Mexico (shown below in Figure 3-4) connects supply basins with demand centers, both in the state and out of state. In addition to providing gas to markets across Texas, gas produced in the Permian moves west through New Mexico to supply Albuquerque, Santa Fe, and other demand centers, and markets in Arizona and California. Both Transwestern and El Paso are key systems for supplying both New Mexico and markets to the west. These are large, long-haul systems with more than enough capacity to meet local demand. These pipelines also interconnect with key pipelines in Colorado, such as Colorado Interstate Gas and TransColorado, which allow NMGC to draw on supply from the Green River and Piceance Basins as well.

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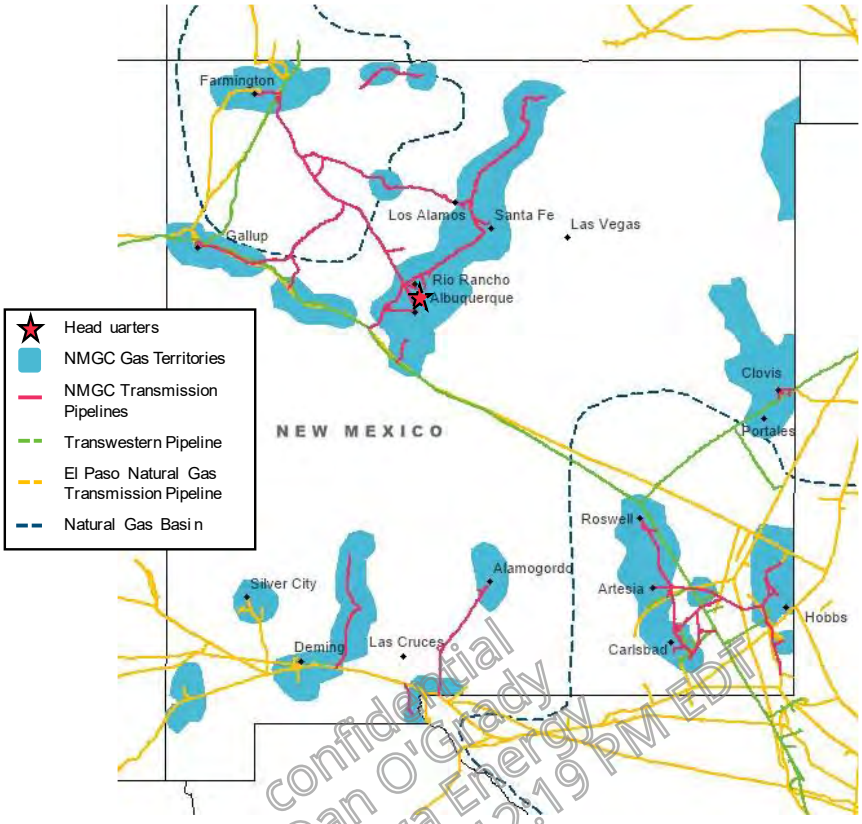
[19] Source: PA Consulting, using RBAC's GPCM.

Figure 3-4: New Mexico Interstate Pipelines and NMGC Infrastructure



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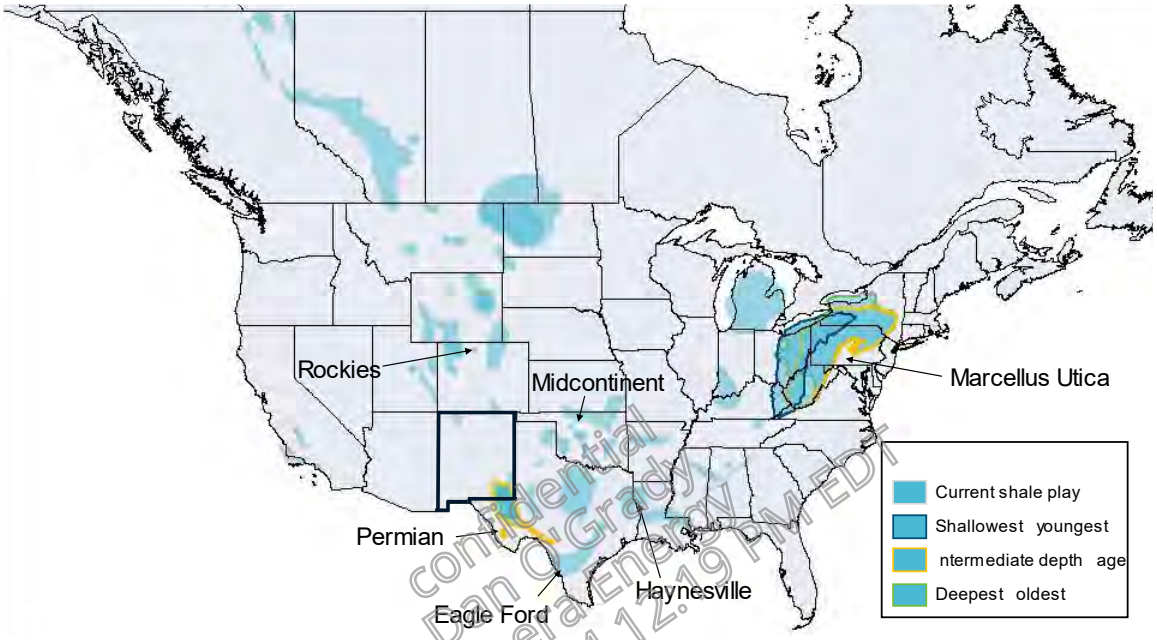
NMGC has multiple interconnects with Transwestern and El Paso natural gas transmission systems, both of which are high-capacity, long-haul pipelines that span multiple states. El Paso and Transwestern both supply NMGC service territory in the northern portion of the state while NMGC's service territory in the south is primarily supplied by El Paso pipeline. In terms of total transportation capacity, NMGC holds shaped transportation capacity that is shaped to peak at approximately 450 MMcf/d of firm transportation rights on Transwestern and 197 MMcf/d on El Paso during December, January, and February, as well as smaller volumes on the TransColorado and OkTex systems. This interstate transportation capacity, together with storage and contracted volumes, some of which is sourced directly from processing plants that connect to NMGC's system, and seasonal peaking contracts, are sufficient to meet NMGC system design day load. NMGC's most recent IRP indicated a target design day deliverability of 800 MMcf from December through February, and its current supply portfolio provides a cushion of 200 MMcf, for a peak deliverability of 1 Bcf.

3.2 US Natural Gas Market

US natural gas production comes from two primary supply pools – dry gas and associated gas. Dry gas, which comprises a little over 80% of US production, is that which is produced in basins such as the Marcellus, where production is primarily methane and other light hydrocarbons. Associated gas is produced in association with oil production, and gas is not the primary target of drilling activity. Associated gas production, therefore, tends to follow oil market dynamics. The Permian Basin, the top oil-producing basin in the US, is an example of an associated gas basin where drillers in the region are primarily targeting oil.

Figure 3-5 shows a map of key natural gas-producing basins in the US. The Marcellus and Utica in the Northeast have been the primary growth drivers for gas production, accounting for over 31 Bcf/d of combined output, up from just 3 Bcf/d in 2008. The Permian (15.1 Bcf/d) in West Texas and the Haynesville (14.5 Bcf/d) in Louisiana and East Texas are the other two primary gas producing basins. Together, these basins account for over 50% of US natural gas production.

Figure 3-5: Notable Natural Gas Basins[20]



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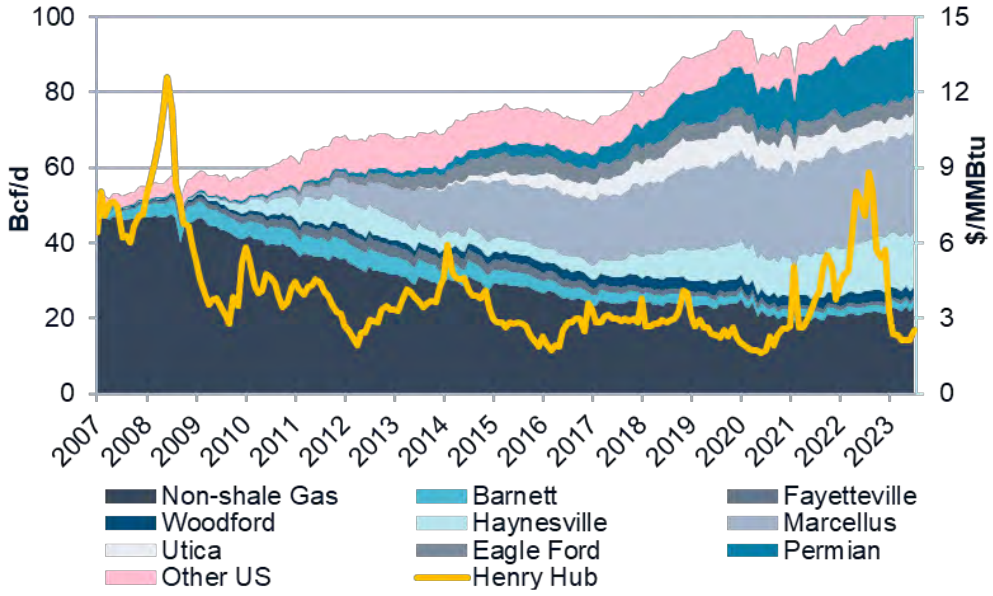
As a result of the shale revolution, US natural gas production has grown from 55 Bcf/d in 2008 to 103.5 Bcf/d at present. See Figure 3-6. Well-level breakeven costs (the price at which producers can earn a reasonable rate of return from drilling and completing a well) have declined in recent years as producers have increased efficiencies via targeted drilling techniques. Advances in technology have improved wellhead economics and made production profitable even in lower price environments. For cross-basin comparisons, breakeven in the Marcellus trend around $2.25 to $2.75/MMBtu and slightly higher in the nearby Utica, whereas the Permian has a zero-dollar gas breakeven as long as crude oil prices remain in the $40/bbl range or above. Breakeven in the Haynesville shale, formerly one of the more expensive plays to drill, has come down from $4/MMBtu in 2015 to near $2.75/MMBtu.

[20] Source: Energy Velocity and PA Consulting.

Figure 3-6: Lower 48 Dry Gas Production (Bcf/d) vs. Henry Hub Natural Gas Prices[21]



The availability of low-cost gas production has led to a decline in Henry Hub gas prices from peak levels above $10/MMBtu in 2008 to between $3 and $4/MMBtu for most of 2017-2020. The overall downward trajectory in prices since 2008 has contributed to lower power prices, and a wave of natural gas-fired generation builds, as well as coal and nuclear retirements. Despite lower prices, increased efficiencies, technological advancements, and demand growth have continued to spur additional production.

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Upward pressure on prices was seen in late 2021 and through much of 2022 on the heels of resurgent demand following the pandemic. LNG export capacity during this time was also heavily utilized due to high LNG prices, particularly in Europe where buyers were seeking alternatives to Russian gas as the EU looked to wean itself off of Russian supply following the start of the Russia-Ukraine war. However, US LNG export capacity is generally highly utilized during the winter, and the biggest fundamental shift during this time was that cargoes that would have otherwise been bound for Asian markets wound up in Europe due to more favorable pricing.

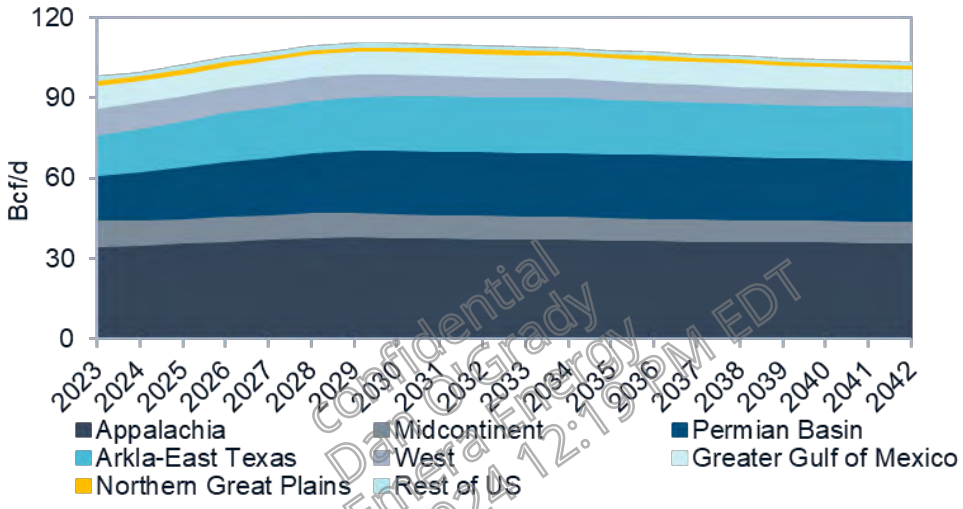
While the Russia-Ukraine war likely boosted US LNG terminal utilization to a degree and captured attention and headlines, a stronger fundamental driver was substantial year-over-year growth in demand from power generators through the summer of 2022. A raft of coal retirements and high coal prices have limited the ability for gas-to-coal switching, which previously functioned as a sort of safety valve for high natural gas prices. Historic above average temperatures and heatwaves across the US through the summer put further pressure on power generation demand and drove it to record highs across the country. This led to below average injections of natural gas into storage during the summer – national storage levels fell well below their five-year average and exerted significant pressure on Henry Hub prices.

As demand surged, production began recovering and approached previous highs, but another cold snap in early 2022, falling drilled-but-uncompleted well inventories, and material and labor shortages continued to impede a rapid and robust recovery until the latter half of 2022. Production surpassed pre-pandemic levels, topping out near 104 Bcf/d in mid-January 2023.

[21] Source: EIA and NYMEX ClearPort, using EIA data available as of September 2023.

PA expects that US production will continue post-Covid growth at a moderate pace relative to production growth seen prior to the pandemic. In previous commodity cycles, producers had relatively easy access to debt and spent significant amounts of capital on drilling programs to chase ambitious production growth targets. After the most recent downturn in commodity prices, natural gas production has been slow (relative to pre-pandemic growth) to recover despite strong commodity prices in late 2022. Large, publicly traded producers and/or producers that are highly leveraged appear to be taking a more disciplined approach to capital spending, electing to pay down debt/maintain dividends, and moderate the pace of recovery and growth in the near-term. PA projects that US production will reach 106 Bcf/d by 2026 and peak at nearly 110 Bcf/d in 2029, representing increases of 8% and 12%, respectively, over 2022 production levels. See Figure 3-7.

Figure 3-7: US Natural Gas Production Projections (Bcf/d)



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3.3 Overview of US Natural Gas Demand

Electric power makes up approximately 34% of total domestic consumption, with industrial uses making up 26%. Residential (14%), commercial (11%), and LNG feedgas exports (15%) make up most of the remainder. In addition, cross-border pipelines into Mexico are providing a growing sink for US supply, particularly as more downstream constraints in Mexico clear.

Power Sector Demand

Power sector demand is expected to shrink by nearly 3 Bcf/d to just below 28 Bcf/d by 2030 and continue the downward trend, shedding another 3.2 Bcf/d by 2042. The general downward trajectory in gas demand for electric generation is not uniform across the US, but rather varies by state depending on its own clean energy trajectory. Many states, including those the US East and West Coasts, are projected to see declines in natural gas demand for electric generation over the forecast period. Increasingly frequent heatwaves and above average temperatures, however, lend some upside risk to the forecast in markets that rely heavily on gas-fired generation.

Industrial Demand

Industrial demand for natural gas is primarily driven by its use as a process heat fuel, feedstock, and in improving process efficiency. Natural gas is a key component in the production of petrochemicals, fertilizer, hydrogen, and other compounds, with additional demand coming from the manufacturing and mining sectors.

Industrial demand in the US rose 30% from 17 Bcf/d in 2009 to just under 23 Bcf/d in 2022. Demand growth was driven in large part by surging US production volumes which provided for gradually cheaper and more readily available feedstock for US-based manufacturers. PA projects that industrial demand will add 1.2 Bcf/d and reach 24.1 Bcf/d by 2030 and slowly grow to over 25 Bcf/d by the latter half of next decade, representing a 9.5% increase from current levels. The rate of industrial demand growth is expected to slow as US production growth tapers and the domestic market becomes comparatively tighter due to growth in export demand.

Demand from Mexico

Mexico is a fast-growing source of demand for US natural gas supply. Pipeline capacity across the US-Mexico border now exceeds 10 Bcf/d, providing a substantial sink for Gulf and Permian production. PA projects that pipeline exports will increase from 2023 levels of approximately 6.1 Bcf/d to just over 8 Bcf/d by 2032.

Exports to Mexico will be largely driven by projected increases in local demand and LNG export demand from the under-development Costa Azul terminal on Mexico's west coast. The growth in demand for US supply will primarily be dictated by the pace of (1) natural gas pipeline buildout, particularly downstream of existing cross-border pipelines and (2) rising power burn in Mexico due to fuel switching away from fuel oil.

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In recent years, energy reforms liberalizing the electric power, natural gas, and oil markets in Mexico have accelerated this trend. The Electric Industry Law (Ley de la Industria Eléctrica or LIE) passed in 2013 introduced nodal electricity markets and spurred private investment into new combined cycle generating facilities as well as pipelines. Cross-border natural gas flows increased from an average of 1.7 Bcf/d in 2012 to 5.7 Bcf/d in 2022. The current administration of Andrés Manuel López Obrador (AMLO), in an effort to support state-owned entities such as Mexican Petroleum (PEMEX) and Federal Electricity Commission of Mexico (CFE), sought to undo some of these energy reforms. For example, the administration proposed dispatching CFE's generating fleet ahead of lower-cost and less-emitting alternatives, such as privately-owned CCs or renewables. AMLO's proposed reforms ultimately proved unsuccessful in April 2022 when opposition parties united to reject the reforms in parliament.

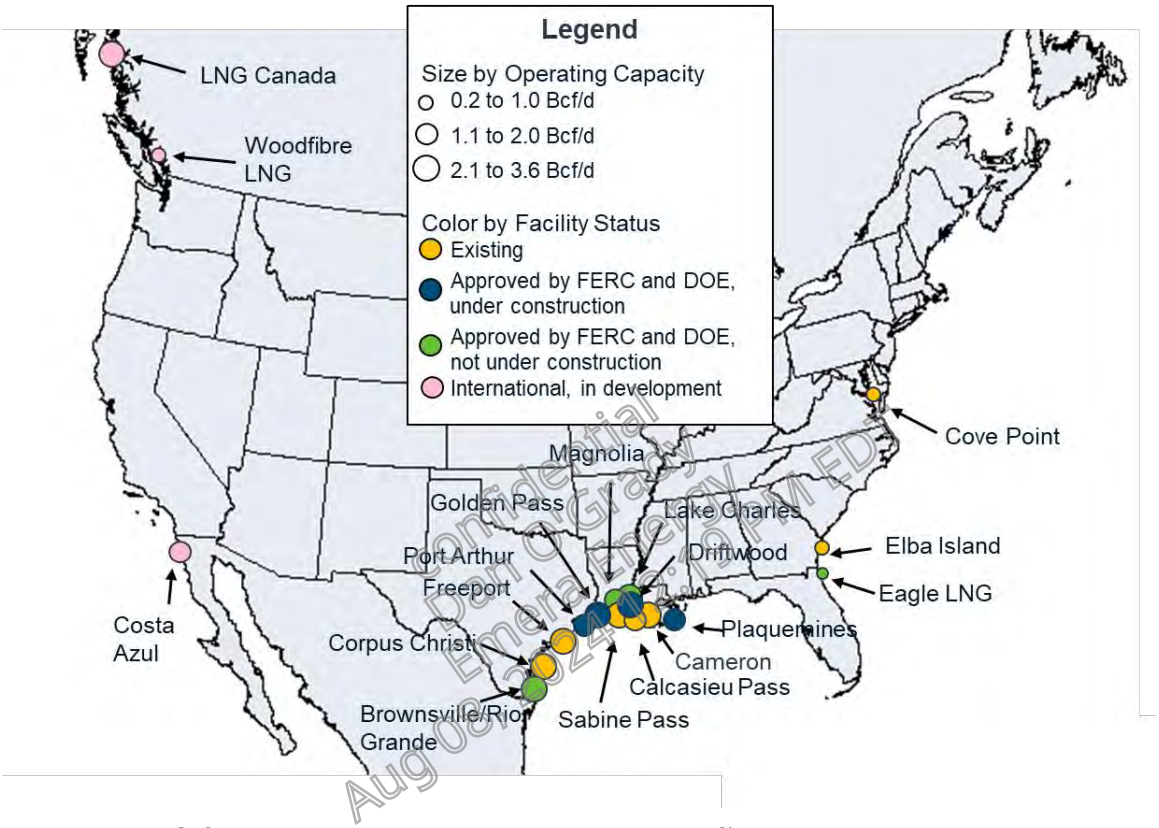
Through 2022, native natural gas production in Mexico averaged slightly over 4 Bcf/d but nearly 2 Bcf d of that is consumed by the country's oil and gas sector, meaning that the effective production level is only approximately 2 Bcf/d. This volume is insufficient to supply the 4 Bcf/d used for power generation as well as 5 Bcf/d of industrial demand in the country.

International LNG Demand

Current US LNG feedgas capacity (export capacity inclusive of losses during the liquefaction process) stands at nearly 14 Bcf/d across six export terminals currently in operation. Along the Gulf Coast sit Sabine Pass, Freeport, Corpus Christi, Cameron LNG, and Calcasieu Pass. Elba Island and Cove Point are both situated on the Atlantic. In terms of recent expansions and in-services, Cheniere brought Sabine Pass Train 6 online in early 2022 and Calcasieu Pass began

operations around this same time. Golden Pass, under construction in Texas, is projected to start operations in late 2025. In addition to Golden Pass, PA also expects additional capacity to come online in the second half of the decade, along with brownfield expansions at existing terminals Figure 3-8 below shows both active and LNG terminals that are in various stage of development. However, not all LNG terminals in the figure below are included in PA's base case LNG feedgas demand forecast in Figure 3-9.

Figure 3-8: North American LNG Export Terminals



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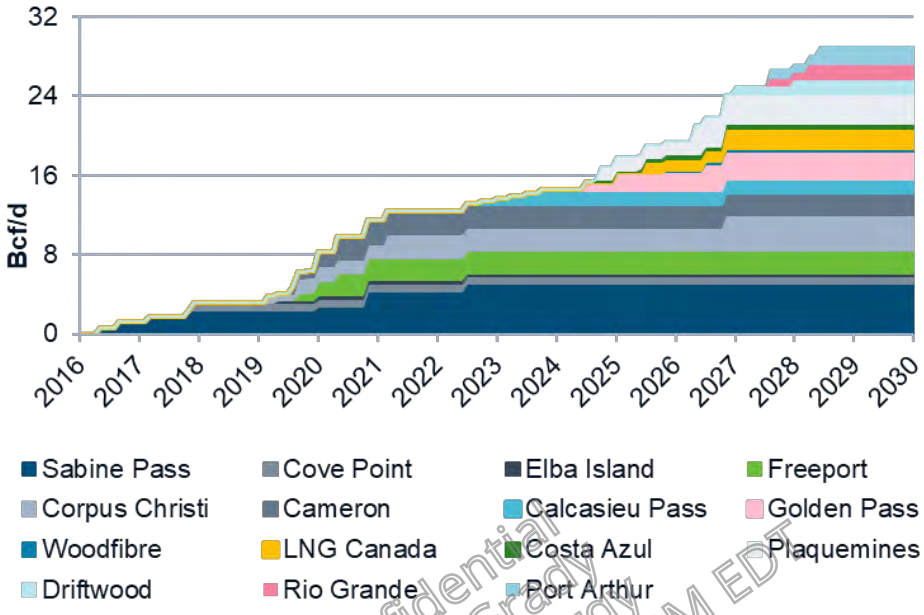
Year-to-date LNG feedgas demand has averaged 12.7 Bcf/d and peaked as high as 14.9 Bcf/d in November as exports have ramped up for the winter. Strong import and power generation demand have supported prices in both Europe and Asia and has kept netbacks well in the money for US terminals despite strong Henry Hub prices. Europe in particular has been a key driver of the recently increased (relative to previous years) US terminal utilization as it seeks to replace Russian pipeline and LNG imports. By 2030, Europe plans to replace nearly 5.5 Bcf/d of Russian imports, and nations have expressed a preference for US LNG as a substitute for Russian gas. By this point, PA projects 26 Bcf/d of LNG feedgas capacity to be online in the US, with an additional 2 Bcf/d coming online in Canada in the form of LNG Canada in British Columbia, 450 MMcf/d coming online in Mexico from Costa Azul. In terms of new greenfield terminals in the US, PA expects Golden Pass to enter service in late 2025, followed by Plaquemines, Driftwood, Rio Grande, and Port Arthur as shown in Figure 3-9. We also expect an expansion at Corpus Christi to come online in 2026. There are additional expansions and greenfield terminals that are in the early stages of development that have not yet been added to our base case, which could lend upside to the forecast in the latter part of the decade and the early part of the next decade. Utilization of North American terminals is expected to have a degree of seasonality due to

fluctuations in global demand, as well as necessary maintenance that is typically undertaken during shoulder months.

Figure 3-9: North American LNG Export Feedgas Demand Capacity at Key Terminals



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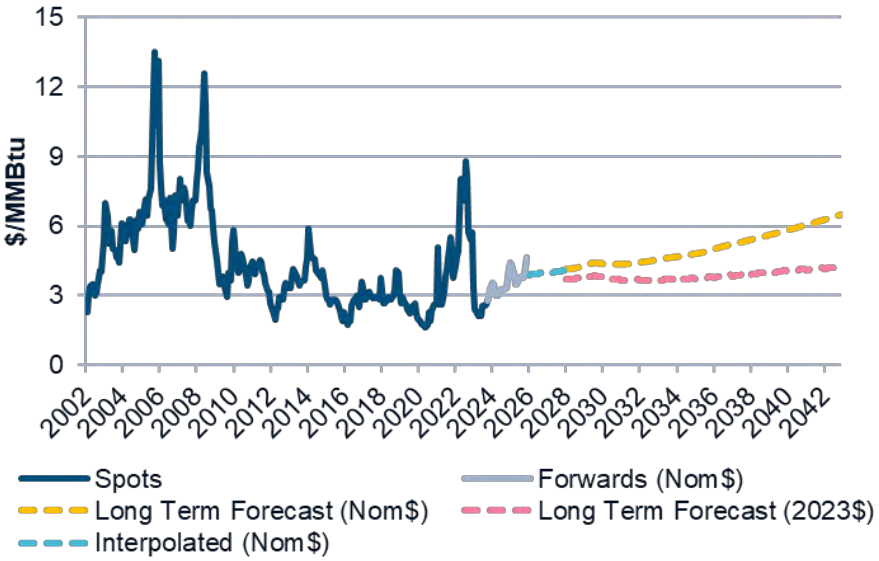
As US export capacity and LNG feedgas demand increase, PA projects that this will support domestic prices at Henry Hub and along the Gulf Coast. LNG export terminals have been the key driver of US demand growth over the past few years and will continue to be throughout the remainder of the decade.

As shown in Figure 3-10, PA projects Henry Hub prices to rise slightly over the study period. PA's Henry Hub natural gas price forecast incorporates Henry Hub futures through 2025 and a long-term forecast beginning in 2028. For the years 2026-202 , PA's forecast interpolates between the 2025 forwards price and the 2028 forecast price. By 2028, PA projects Henry Hub to rise to $4.18/MMBtu (in nominal terms) and steadily increase thereafter, reaching $6.41/MMBtu by 2042. Spot and near-term forward pricing has come down significantly as rebounding gas production in late 2022 and early 2023 boosted storage levels amidst mild winter demand, pushing storage levels to well above their five-year average. With prices recently drifting below $3/MMBtu, current gas production has pulled back from the 104 Bcf/d level, shedding about 2 Bcf/d in response to low prices. This drop in natural gas production, combined with strong LNG demand, has established an upward trend in the forward curve after trending down for much of 2022.

PA's mid-to-long-term price forecast anticipates strong LNG demand growth along the Gulf Coast. This growth begins with the completion of Golden Pass LNG in 2025 and 2026, followed by additional capacity coming online in the form of new greenfield terminals as well as brownfield expansions at existing sites such as Corpus Christi and Freeport. LNG demand growth is expected to remain through the early part of the next decade.

Figure 3-10: Henry Hub Historical and Forecast Price[22]



3.4 Natural Gas Infrastructure

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The US has a vast network of natural gas pipelines with over 3 million miles of mainline. Following the production boom in the early part of the 2010s, existing pipelines were expanded, and new ones built to move growing supply to demand markets around the country. The buildout in natural gas infrastructure has had a pronounced impact on basis around the country. In general, basis (local price differential to Henry Hub) in key producing regions, such as the Northeast and Permian, narrowed (decreased) as constraints were alleviated and growing downstream demand markets became more accessible. Basis in demand markets, on the other hand, softened as additional low-cost supply was ushered in via new pipeline capacity.

However, infrastructure, particularly long-haul interstate transportation pipelines, is becoming increasingly difficult to permit and construct. Projects such as Mountain Valley Pipeline have faced lengthy delays and prolonged litigation. Numerous projects, such as Constitution and Williams' Northeast Supply Enhancement (NESE), for example, were cancelled due to mounting delays and opposition.

Recently, however, pipeline projects have come under increased scrutiny and stiff opposition. Two projects in New York – Constitution and NESE – were cancelled following lengthy litigation delays. Atlantic Coast Pipeline, which was to run from West Virginia to Virginia, was also cancelled in 2020 after completing a significant amount of construction. Mountain Valley Pipeline has faced lengthy litigation delays and was only just recently shoe-horned through its final hurdle by an act of Congress.

Broadly speaking, public appetite for new natural gas pipeline infrastructure is waning as a result of NIMBYism and environmental groups are finding increased success in challenging pipeline projects in certain areas of the country. Such opposition, and its success, are still relatively regional-dependent, however. Projects in more "gas friendly" states face less social and political opposition and enjoy a higher success rate. The Permian in particular has seen successful infrastructure development and additions which have been necessary to support the strong

[22] Source: PA Consulting.

production growth coming out of the basin. Numerous long-haul pipelines have bene constructed to help de-bottleneck the basin and provide a downstream market for gas produced there. See Table 3-1 below.

Table 3-1: Permian and Southwest Natural Gas Infrastructure

Pipeline	Capacity	Status	Projected In-Service
Matterhorn Express	2.5 Bcf/d	Under Construction	Q3 2024
Gulf Coast Express	2.55	Proposed	Q2 2027
Rio Bravo	4.5 Bcf/d	In development	Q2 2026
Warrior Pipeline	1.5 Bcf/d	In Development	Q4 2026
Saguaro Connector (to Mexico)	2.8 Bcf/d	Approved	Estimated 2027 or later
Red Hills Lateral	0.6 Bcf/d	In Development	Q1 2025

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4 Role of Natural Gas in New Mexico

Natural gas is a high-density fuel used extensively for heating and cooking in residential and commercial buildings, as well as in a large number of industrial applications. It is the economic fuel choice in a large number of applications. While there are a handful of states that are aggressively pursuing the elimination of natural gas consumption, New Mexico is not among those states. New Mexico has a 2050 net-zero greenhouse gas emissions target that includes electrification of buildings as a pathway, but PA is not envisioning any near-term significant pressures to eliminate natural gas use. There are a number of factors that contribute to our assessment including the following.

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- Oil and gas resource extraction is an important contributor to the state's economy and gross domestic product (GDP).
- Heating with natural gas is the affordable option for many especially when considering first cost barriers.
- Affordability of energy is important as the NMGC service territory is generally characterized as low to medium income and natural gas heating is the economical choice for managing residential energy costs.
- While the state is focused on electricity decarbonization, it has not implemented specific anti-gas policies.
- NMGC is undertaking efforts to lower its GHG emissions and contribute to decarbonization.

4.1 New Mexico's Economy

A state's economy helps fund governmental functions and plays an important role in the political landscape of the state. Oil and gas extraction is the largest industry in New Mexico by revenue ($26B), followed by retail ($18B), healthcare ($16B), and public education ($8.3B).[23] Based on data from Moody's Analytics, the state GDP has been growing over the last decade and its

[23] IBISWorld, New Mexico State Economic Profile 2023

trajectory is expected to accelerate over the next decade and then grow steadily at a CAGR of 3.6% over the 2030-2040 time period.[24] See Table 4-1.

Table 4-1: New Mexico GDP Growth CAGR

Time Period	CAGR
2015-2020	2.0%
2020-2025	6.9%
2025-2030	3.9%
2030-2035	3.6%
2035-2040	3.6%

The economy historically has been driven by industries such as oil and gas, agriculture, federal and state agencies, and tourism. The sizable federal presence in New Mexico includes several military bases, most of which are Air Force bases, as well as the largest US base – White Sands Missile Range – and number of other aerospace research, development and manufacturing firms including New Mexico State University Physical Science Laboratory, UAS Flight Test Center and companies such as Jacobs Technology, Boeing, General Dynamics, Honeywell, Raytheon, and NASA. The state is also home to critical federal research facilities including two major national laboratories: Sandia National Laboratories and Los Alamos National Laboratory.

Most manufacturing output is centered in and around the Albuquerque and Borderplex regions both of which are served by NMGC. Albuquerque has been growing over the past 20 years with population growth rates trending around 1% (with a 2% spike from 2000-2010). The Albuquerque Regional Economic Alliance predicts a continuing 1% growth rate through 2028. Median incomes in the city are also slightly above state averages. The bi-national, three state Borderplex is the largest metropolitan area along the US-Mexico border. It is located at the intersection of Interstate 25 and Interstate 10, along the US-Mexico Border and comprised of the Las Cruces, NM, El Paso, TX, and Ciudad Juarez, Chihuahua, Mexico metropolitan areas. This region is home to more than 2.5 million people and is the largest metropolitan area on the U.S. Mexico border. The Borderplex is an efficient, centralized logistics hub comprised of industries from aerospace to agriculture, to manufacturing. It also includes the Santa Teresa Port of Entry, one of the fastest growing on the Mexican Border. The Santa Teresa land port is ranked sixth in total trade among the 167 land ports across the country.[25]

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Economic Contribution of Oil and Gas

Natural gas production within the state of New Mexico began in 1921 with the discovery of the San Juan Basin Aztec field, located within northwestern New Mexico. Oil was first discovered in the San Juan Basin in 1922 and within the Permian Basin in 1924. Exploration, drilling and development activities quickly followed and soon many more reserves were found. Exploratory vertical drilling in the San Juan Basin during the 1950s through 1960s resulted in discoveries of

[24] Gross Domestic Metro Product, Employment, Population and Households obtained from Moody's Analytics

[25] New Mexico: Where Efficiency Borders Success: The state's Borderplex region leverages assets to drive economic growth. (siteselection.com)

major natural gas resources. This uptick in production supported the construction of interstate pipelines to export gas to California. Then, as noted earlier within Section 3, the "shale boom" and associated advanced drilling techniques unlocked substantial potential from the Permian and San Juan Basins, leading to a sharp increase in production in New Mexico. New Mexico is the second largest state for oil production only surpassed by Texas. Natural gas and oil production is a mainstay of the state's economy through the jobs it provides, and revenues generated. The fossil fuel industry provides a meaningful contribution to employment, GDP, and state budget revenues. For fiscal year 202 , 35% of the state's budget came from oil and gas revenues.[26] As the Legislative Finance Committee (LFC) stated in a June 2023 report: "The exploration and extraction of oil and gas resources continues to contribute significant financial resources to New Mexico state government, counties, and local municipalities."[27] The FY2024 Budget Recommendations Policy and Performance Analysis opens with this statement: "An extraordinary year for state finances is turning into two, with a continuing oil boom and a strong economy."

Like most states, New Mexico employment contracted during the pandemic after reaching the employment peak in 2020 and is experiencing divergent recoveries across its industries. While overall employment has a longer road to recover, total wages and salaries have already reached pre-pandemic levels and the LFC anticipates a return to an average growth rate of over 3% through 2027.[28] Following the pandemic, a rebound in oil and gas demand caused New Mexico prices and production to surge. Prices have since declined due to more recent recessionary concerns along with declining demand expectations. However, New Mexico energy companies continue to drill at expanding rates placing New Mexico as the only top oil producing state to have recovered above pre-pandemic production levels. As a result, the number of workers in oil and gas extraction in New Mexico has been climbing over the last few years. While extraction workers account for less than 1% of New Mexico's workforce, the jobs are well paid – above the state median income.[29,30] See Figure 4-1.

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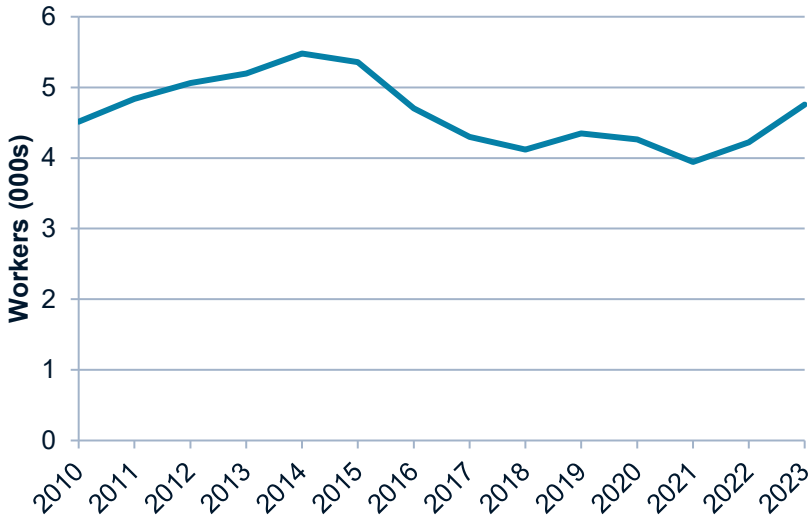
[26] "FY 202 Budget Recommendations – Policy and Performance Analysis," January 2023, Legislative Finance Committee, 2024RecommendVol.pdf (nmlegis.gov)
[27] "Money Matters," June 2023, New Mexico Legislative Finance Committee, New Mexico Royalties and State Finances FINAL.pdf (nmlegis.gov)
[28] Ibid.
[29] North American Industry Classification System code 21 – Oil and Gas Extraction workers; not inclusive of Utility workers under code 22.
[30] American Community Survey.

Figure 4-1: New Mexico Oil and Gas Extraction Workers[31]



Despite low income relative to other states, New Mexico revenues are growing amid high oil and gas production and prices. The oil and gas industry generated approximately $2,000 per resident in emergency oil and gas school tax and state share of federal mineral leasing revenue in fiscal year 2022, thus reducing the economic burden on New Mexico's residents. Resource extraction, combined with utility employment and other supportive roles throughout the fossil fuel industry, provide a meaningful contribution to employment, GDP and state budget revenues and is expected to remain as such for the foreseeable future.

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Economic Development

New Mexico provides a number of economic incentives, including job training programs, tax credits and exemptions, most of which are focused on job creation. New Mexico state and local policies, along with targeted investments supportive of business activity and expansions are a top priority for the state's Economic Development Department (EDD). New Mexico offers a number of incentives to encourage job creation and investment including but not limited to:

- The Job Training Incentive Program (JTIP) offers certain companies' reimbursements for training activities;
- Under the Local Economic Development Act (LEDA),[32] the state's EDD offers grants to county and municipality local governments and assists certain expanding or relocating businesses that will stimulate economic development and produce public benefits.

New Mexico offers favorable tax offerings and industry-specific tax incentives, including but not limited to:[33]

- Property in-transit through the state or warehoused for out of state delivery is untaxed;
- No inventory tax;
- No gross receipts tax on consumables used in manufacturing, including electricity and natural gas;

[31] Moody's Analytics.
[32] https://edd.newmexico.gov/business-development/edd-programs-for-business/finance-development/leda/
[33] https://edd.newmexico.gov/choose-new-mexico/competitive-business-climate/

- No intangible property tax;
- No tax on real estate transactions;
- One of the lowest property taxes in the US;
- Single sales factor apportion methodology for manufactures;
- Aircraft deduction;
- Biomass-related equipment and materials deduction;
- High wage jobs tax credit;
- Investment tax credit for manufacturers; and
- Technology jobs and research and development tax credit.

NMGC collaborates with many economic development organizations such as the Albuquerque Regional Economic Alliance (AREA), the Border Industrial Association, Sandoval Economic Alliance, and New Mexico's EDD. The company has a business development team of three people who focus on responses to requests for information from various economic development agencies, chambers of commerce and maintains relationships with larger associations and agencies. NMGC participates on the AREA board of directors, committees and also provides funding for business attraction activities. NMGC regularly engages with the New Mexico Partnership, an organization focused on coordination of business attraction activities for companies interested in multiple locations in New Mexico, the Economic Forum, an Albuquerque group, and the Sandoval Economic Alliance, supporting the growth of Sandoval County which includes Rio Rancho, Bernalillo, Corrales, Cuba, Jemez Springs, nine pueblos, three Navajo Nation chapters and art of the Jicarilla Apache Nation.

NMGC collaborates with the Border Industrial Association which represents businesses in the Santa Teresa area near El Paso and San Jeronimo, Mexico. As discussed earlier, this area (referred to as the Borderplex) is a growing manufacturing and distribution hub. According to the association, this region contains the second largest industrial base in the state and is the largest export base. In 2021, NMGC expanded pipeline capacity to this area and as a result anticipates new customers in the future. See section 6.4 for more discussion on this and other incremental growth opportunities within the NMGC service territory.

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Workforce Development

New Mexico's workforce is small and continues to lag, in terms of total employment, average wages and participation, compared to other states despite rebounding following the pandemic. Similarly, population in the state has been stable, apart from a slight jump in 2020 as remote work became more possible due to COVID-19. NMGC was not immune to this trend and is undertaking a number of steps to ensure an appropriate workforce level. Most recently, the Company reassessed its recruiting, resourcing, and compensation plans to ensure compensation is at competitive levels and has increased the use of external recruiters to attract top talent. Thanks to efforts over the past 18 months, NMGC is better positioned to attract and retain diverse, top talent. The Company has a comprehensive resource planning process that includes steps to determine which skillsets are needed to support growth opportunities in front of NMGC.

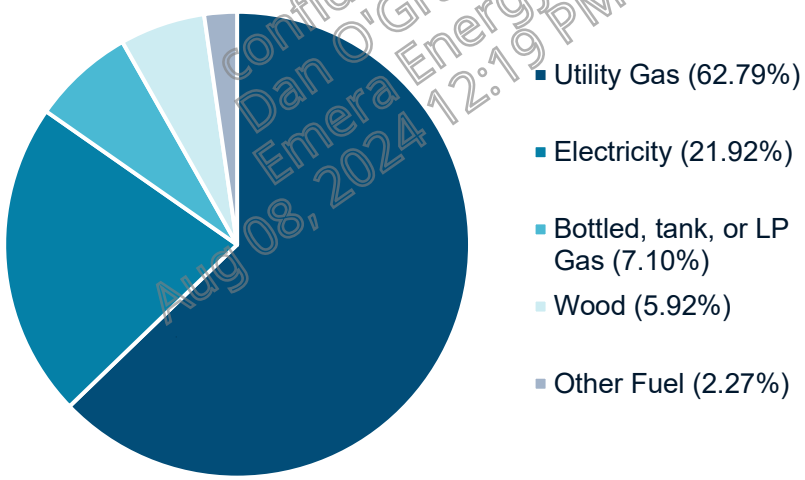
Utility Energy Service Contracts

As discussed earlier, there is a substantial federal government presence within New Mexico and NMGC is an exclusive provider of federal utility energy service contracts (UESC) in the state. A UESC is a limited-source acquisition between a federal agency and NMGC energy management services. Services include energy efficiency improvements and energy demand reduction offerings. Under the Energy Policy Act of 1992 (codified as 42 U.S.C. § 8256), federal agencies are authorized and encouraged to participate in utility incentive programs that promote improvements in energy consumption and are generally available to the utility's customers. Through these offerings to federal agencies, NMGC earns management fees on contracts for providing energy efficiency projects. For example, NMGC is discussing an opportunity to deliver UESC at White Sands Missile Range, including natural gas generation backup for existing electric service which experienced a 28-hour outage earlier this year.

4.2 Competitiveness of Natural Gas

Heating with natural gas is the affordable option for many customers especially when considering switching costs. NMGC's overall low-cost of natural gas service translates into compelling end-use economics for space and water heating versus electricity. Figure 4-2 illustrates the breakdown of household primary heating fuels in New Mexico.

Figure 4-2: New Mexico Household Primary Heating Fuel[34,35]



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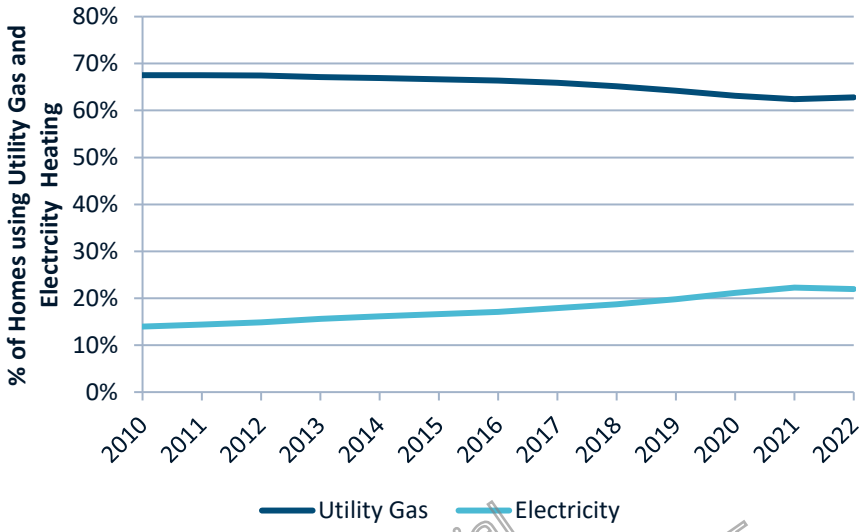
Natural gas is also typically the preferred fuel source for residential cooking as well as with restaurants. While the state's policy environment, relative affordability, and consumer preference for natural gas provide downside protection from customer switching, alternatively there is also potential to convert customers from higher cost propane and electricity to lower cost natural gas.

Analysis of data from the American Community Survey for the 2010-2022 period on heating fuels used in residences across the counties in New Mexico reveals that natural gas is the overwhelming choice – accounting for a share of just under 63% in 2022 with electric heating being used in around 23% of the state's occupied housing units. While the share of natural gas

[34] Ibid.
[35] Other fuels comprised of Coal, Fuel Oil, Kerosene, No fuel, Solar and smaller fuel sources.

has decreased since 2012, it is still overwhelmingly the dominant heating fuel as illustrated in Figure 4-3.[36]

Figure 4-3: Shares of Electric and Natural Gas and Electricity as Heating Fuel



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Over the past decade, improved electric appliances have been introduced and adopted by customers that were traditionally powered by natural gas such as furnaces, stoves, water heaters, cloth dyers, etc. Electric heat pumps and electric heat pump water heaters are a few examples of these improved electric appliances that are gaining some traction in the market. An electric heat pump powered by carbon free electricity emits less GHG emissions compared to an equivalent gas appliance (e.g., gas furnace). As a result, in some jurisdictions across the U.S. electrification of buildings is gaining momentum and becoming a major trend. However, some customers have a strong preference for natural gas, especially in light of reliability concerns of electricity. The scale, scope, and pace of electrification varies from region to region and depends primarily on a variety of drivers including state and local energy policies, economics of electric and gas appliances, and customer preference.

In New Mexico, gas is predominantly used for space heating, followed by water heating with a small fraction being used for cooking. Though industrial and commercial kitchens use gas for their cooking needs, residential space and water heating form the major demand for gas. Based upon an analysis of average residential monthly consumption, approximately two-thirds of residential gas use is associated with space heating.

Despite the increasing popularity in some regions, electric heat pumps cost approximately three times more than a natural gas furnace and even with state and federal rebate programs, this high initial cost remains a significant barrier to entry in most homes. New Mexico ranks amongst the lowest in the country in terms of per capita income (47th), which suggests that the adoption of heat pumps in NMGC's territory will be more difficult. Given New Mexico's proximity to the Permian Basin, NMGC is able to take advantage of low-cost gas which makes space heating by gas more attractive as well.

PA notes that heat pump rebates under the Inflation Reduction Act of 2022 (IRA) are likely to drive some increase in heat pump penetration. The IRA encompasses the High-Efficiency Electric

[36] A steady 17% of the remaining homes used a mix of Bottled, Tank or LP Gas, Wood, Fuel Oil, Coal etc. that could provide expansion opportunities for NMGC.

Home Rebate Act. The program includes funding for point-of-sale rebates on heat pumps for low- and moderate-income customers. Households 80% below the area's median income can get an instant rebate up to the cost of the heat pump subject to an $8,000 maximum credit. Households with median income of 81%-150% receive an instant credit of 50% of the cost subject to the same maximum credit. Funding for this program is limited and hence is unlikely to drive a significant increase in heat pump adoption. Note, higher income customers get a 30% tax credit up to a maximum credit of $2,000 under the IRA. For New Mexico, natural gas is and will continue to be the more attractive heating option. However, the availability of funding under the Inflation Reduction Act for instant heat pump rebates to low- and moderate-income households could change the current cost advantage for a subset of those customer segments who get access to those credits.

Over the next 20 years, PA analysis shows that residential customers in the NMGC service territory are estimated to save on the order of 20% by using natural gas versus electricity for space heating (gas furnace versus a heat pump), dependent on the specific technology used and the efficiency of the equipment. PA used a heat pump efficiency model to calculate the Net Present Value (NPV) of a heat pump for air and water heating and compared them to the NPV of a gas boiler for air and water heating from 2024 to 2043. In this model, PA assumes a $5,000 rebate for air-sourced heat pumps given the lower than US per capita median income in New Mexico. The primary driver for natural gas being more competitive the high capital cost of a standard heat pump and New Mexico's access to relatively low-cost natural gas service. According to the Energy Information Administration (EIA), 67% of all homes in New Mexico use natural gas furnaces for space heating with about 54% of the homes also having an electric resistance heater to augment the natural gas furnace. The number of central heat pumps in New Mexico are much lower than the US average value of 13%.[37]

For water heating, 70% of residential customers in New Mexico use natural gas and 20% use electric water heaters. From PA's analysis, the economics and lifetime savings of using a heat pump water heater turns out to be better than using a gas boiler, even with including the $600 rebate offered by NMGC. PA's analysis suggests customers would save 40% by using a heat pump water heater compared to the natural gas boiler. However, even with the savings by using a heat pump water heater, the economics for switching to an electric heat pump for space heating is not very economical. Given these reasons, appliance electrification in the NMGC territory is not currently favorable for residential customers.

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Residential Electrification

PA considered electrification of space heating, water heating and cooking to understand the potential impact on residential customers and sales for new and existing customers. PA obtained data from the Energy Information Administration (EIA) and American Community Survey (ACS) on the current status of electrification and penetration of electric heating in New Mexico.

According to the EIA Residential Energy Consumption Survey (RECS) 2020 database, there are practically no homes in New Mexico that have heat pumps installed for space heating. Roughly 530,000 out of approximately 800,000 homes use natural gas furnaces for their space heating needs and approximately 420,000 homes have secondary electric heating appliances to augment the natural gas boilers as well. Similarly, around 100,000 homes (~13%) in New Mexico currently use electricity (probably resistance heating) while around 550,000 homes (70%) use natural gas for their water heating needs. The current climate and penetration levels suggest that natural gas is the most economic space and water heating fuel in most of New Mexico's homes.

[37] EIA, Energy use in homes.

To forecast the penetration of electrification, PA used a proprietary electrification model that is underpinned by a comprehensive analysis of historical electrification levels, technological advancements, average life spans and failure rates of a gas furnace, cooking gas stove, electric and gas water heating, and electric resistance heating. PA also considered policy assumptions around potential bans on new gas hook-ups, year-on-year growth rates of electric customers and historical adoption rates. PA projected the number of electric space heating customers as a combination of new customers that don't use natural gas for heating and current gas customers who opt to switch after the lifetime of the natural gas furnace is complete.

Based upon our modeling, PA forecast the potential new customers each year, the share of new customers opting for electric heating over gas heating will increase from 11% in 2023 to 17% in 203 . This is underpinned by the National Association of Home Builder's data for heat pump penetration and a year-on-year growth rate obtained from ACS. In all, PA forecasts a total of 3,509 MMcf in residential sales lost due to new customers opting for an electric heating for their space heating needs from 2023 through 2043.

PA also modeled the number of current customers that would switch their heating fuel source to an air sourced heat pump. PA assumed a gas furnace 20-year life and upon replacement at year 20, 10% of natural gas furnaces will switch to air sourced heat pump. The resulting number of customers that switch to an air sourced heat pump remains low at 0.32% in 2029 and rises to a maximum of 0.41% in 2032, before dropping down to 0.08% by 2043 driven by the expectation that the technologies will mature over time and the replacement rate becomes low. In addition, IRA incentives for heat pump adoption (rebates ranging from $2,000 to $8,000) will end in 2032, after which economics of heat pump switching will become more challenging, especially given the low median income in New Mexico. To reflect this, PA assumes lower economically driven adoption rates within the forecast from 2032 forward. However, given continued interest in electrification PA expects overall growth in air source heat pump adoptions after 2032, albeit at a much smaller rate. In all, PA expects a loss of about 50,000 NMGC customers over the next 20 years due to fuel switching and about 7,500 customers lost due to a complete electrification of their homes (including water heating and cooking). This equates to an annual decline in sales for space heating of 291 MMcf in 2043 due to fuel switching, or a cumulative loss of 7,967 MMcf across the forecasted period.

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PA also forecasted the Residential sales lost in water heating and cooking from the full electrification of homes. Conservatively, PA forecasts a potential decline of 66 MMcf in 2029, rising to 191 MMcf in 2043 for both, totaling a loss of 4,227 MMcf across the period. Figure 4-4 and Figure 4-5 summarize the customers addition/loss and their potential sales loss respectively.

Figure 4-4: Residential Customer Count Net of Electrification

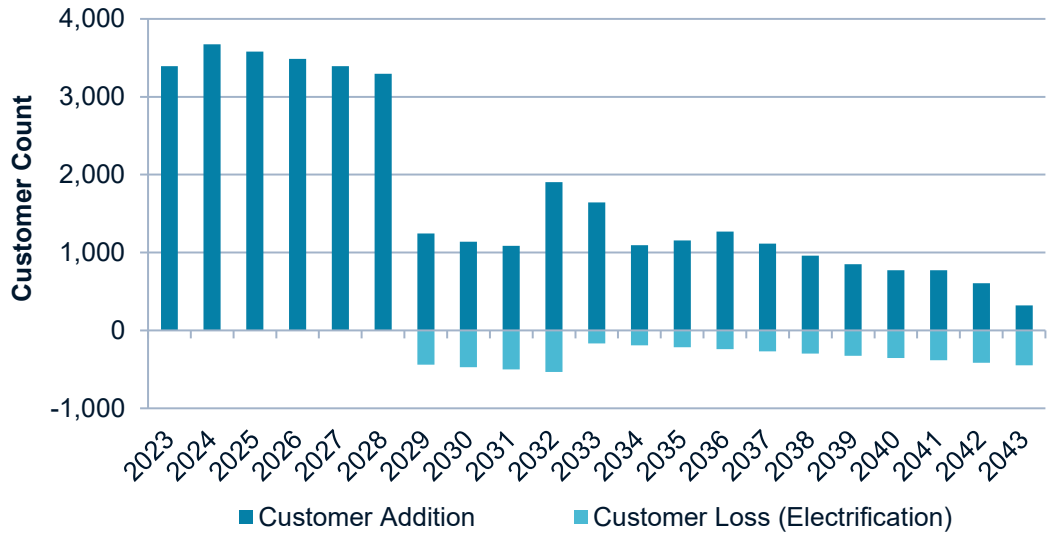
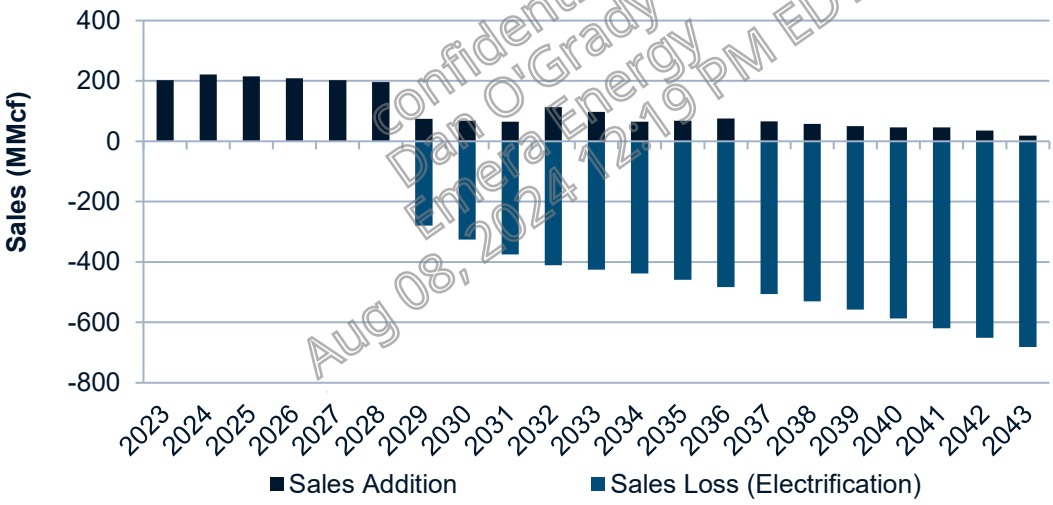


Figure 4-5: Residential Sales Net of Electrification



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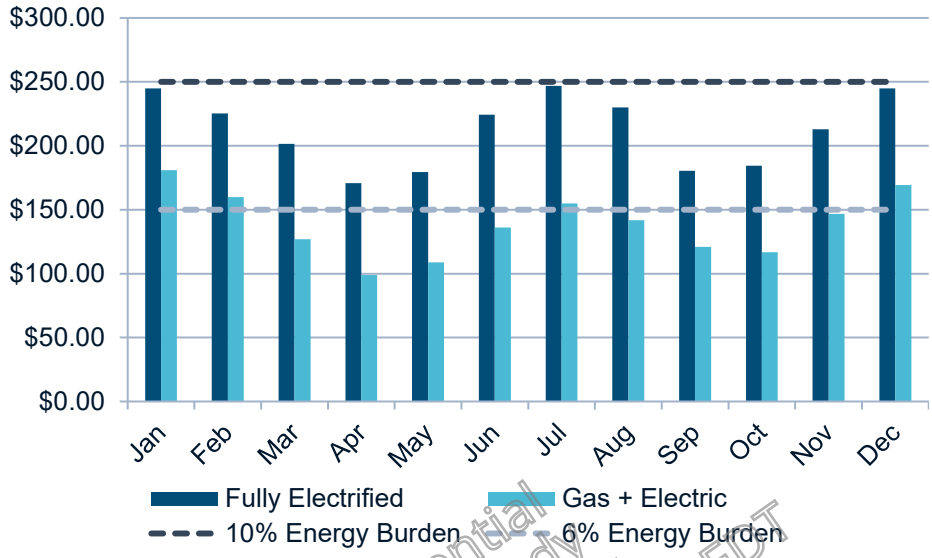
Affordability

Affordability of energy is important as the NMGC service territory is not generally high income. New Mexico is a lower income state: the median income is nearly $60,000, approximately 25% below the national average. The percentage of the population below the poverty line is about 5% above the national average.

A measure of affordability of energy costs is energy burden. Energy Burden is defined as the percentage of household income spent on energy costs such as utility bills. A high energy burden is considered to be 6% or greater, meaning that households spend more than 6% of their income on energy bills. A severe energy burden would be 10% or greater. PA compared an average residential household bill that uses natural gas for space/water heating and cooking, to a fully

electrified residential home. A fully electrified home is more expensive, from about $65 more in the winter to almost $90 in the summer months. See Figure 4-6 below.

Figure 4-6: Example 2024 Monthly NMGC Residential Energy Bill, with and without Natural Gas[38]



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The 6% and 10% energy burden lines are calculated for a family of 4 designated at the Federal Poverty Level for 2023.[39] All of the fully electrified monthly bills are above the 6% energy burden level for a FPL family, and some are approaching the 10% level. Natural gas is clearly the more affordable option for households and especially important for low-income households that do not have much disposable income.

4.3 New Mexico Clean Energy Policy

Democratic control of the Executive government, House, and Senate has helped the state advance clean energy legislation and goals in recent years. However, while the state has clean energy goals, it is also a state that relies heavily on oil and gas for its economy. To date, most clean energy activity has been aimed at the electric utilities and power supply. Proposed legislation in the past year was balanced in terms of preserving natural gas's role in the state and there have been no electrification mandates.

Important state regulatory bodies include:

- PRC – regulates electric, natural gas and water utilities in the state.
- Energy, Minerals and Natural Resource Dept (EMNRD) – the state's energy department can promulgate rules.
- Energy Conservation and Management Division (ECMD) – the US Department of Energy's designated State Energy Office. Leads the state's clean energy adoption, including

[38] PA utilized data from NMGC on average residential customer volume for NG, and data from EIA 861 (2022) for average residential electric usage for a PNM customer. PA used current PNM electric rates for calculation of electric portion of bill.
[39] For 2023, the FPL for a family of 4 is an income of $30,000/year.

implementing the following programs: energy efficiency, alternative fuels, and grid modernization. Falls under the EMNRD.

- New Mexico Environmental Department (NMED) – the state's environmental department; oversees air quality, climate change, water, waste, and public health.
- Oil Conservation Division (OCD) – regulates oil, gas and geothermal activity including permitting and enforcement. Falls under the EMNRD.

New Mexico leads the Desert Southwest region with a Renewable Portfolio Standard (RPS) target of 80% renewable energy by 2040. This means that electric providers must meet 80% of their load with renewable energy by 2040. The Energy Transition Act was signed in law in 2019, which sets interim RPS targets for IOUs and rural co-ops. These entities must source all their energy from zero-carbon resources by 2050. This Act also sets a process for closing the state's largest coal fired power plants through a securitization process. The coal retirement process has been complicated by higher-than-expected demand and supply chain issues causing delays in renewable installations. While New Mexico's RPS has contributed to increased momentum for renewable adoption in the state, the main driver is the favorable economics of renewable technologies.

In 2022, EMNRD adopted a nationally leading emission standard for the oil and gas industry, re uiring reduction of 'ozone precursor pollutants' such as VOCs and NOx. This rule also includes a requirement to capture 98% of produced natural gas by 2027. In general, Governor Lujan-Grisham continues to push a clean energy agenda in the state. There were a number of energy-related bills proposed in the 2023 Legislative Session, but notably, none of them passed. The majority of these bills did not make it out of Committee. Table 4-2 below is a summary of relevant proposed bills. None of these were outright hostile to natural gas consumption.

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Table 4-2: Relevant 2023 Proposed Legislation

Bill #	Description	Outcome
HB188	Establishes an economic transition division under the economic development department, to develop and achieve energy transition goals.	Postponed
HB12	The Advanced Energy Technology Act. Allows public partners to enter into private-public partnerships to develop advanced energy tech and creates an energy tech fund	Postponed
HB96	Amend the rural electric cooperative act and renewable energy act to include natural gas using CC technology in the definition of "renewable resource"	Postponed
HB430	Restricting local governments' ability to regulate fuel retailers and transportation infrastructure. Prohibits a fuel retailer from being required to install or invest in electric vehicle (EV) charging.	Postponed
SB77	Requires all new residential construction to include PV and electrical receptacles for charging infrastructure.	Passed in Senate, passed House Committee but did not get voted on
SB418	Changes to the Oil and Gas Act. Incorporates more protections for marginalized communities as well as environmental/public health protections including new setbacks for siting near homes, schools, businesses.	Passed Senate Committee but did not get voted on
SB520	Proposed annual monitoring and reporting of statewide greenhouse gas emissions reduction by the Department of Energy	Postponed

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The Governor's office proposed an update to the Oil and Gas Act again in the 2024 legislative session, although the proposal did not advance out of Committee. Proposed changes do not look altogether unfavorable to an LDC and included the following: phasing out using freshwater in oil and gas operations, locking the 98% gas capture target into law, increase new well setbacks from schools, homes, and hospitals, and increasing some fees and penalties.

Building Electrification

New Mexico established a Climate Change Task Force, an interagency governmental group, to consider ways to meet greenhouse gas emissions objectives articulated by Governor Michelle Lujan-Grisham in a 2019 Executive Order. The Task Force has proposed certain measures related to building electrification, including incentives to electrify space and water heating, legislation requiring fuel-switching of heating systems and adoption of stretch building codes. To date, no actions have been taken on these measures. There were no bills related to building electrification specifically that were proposed in the 2023 legislative session. Conversely, there were some proposed bills aiming to restrict a local or state authority from prohibiting a fuel retailer from providing service.[40] These bills are meant to prevent a local or regional gas ban. Those

[40] HB 430 and 431.

proposed bills did not move forward in either the House or Senate but show there is concern for maintaining protections for natural gas retailers. In fact, many states have passed laws prohibiting gas bans or electrification mandates.

The state does have a Sustainable Building Tax Credit, which provides tax credits for energy-efficient products, such as heat pumps, energy star windows, appliances, insulation, and EV chargers. However, existing residential buildings only receive a credit for $1,000 for installing a heat pump, which does not substantially defray the cost of a heat pump. The federal government provides an additional $2,000 of tax credits (the Energy Efficiency Home Improvement Credit) for a heat pump installation. The federal tax credit does allow natural gas heat pumps and water heaters to qualify. Given New Mexico's relatively low median income level, this level of incentive would likely not be enough to push consumers to switch heating systems. Under the IRA, low-income households may receive up to $8,000 for installing a heat pump. However, those rebates are being administered by each state individually, and are not yet available. PNM, the largest electric utility in the state, offers a commercial building retrofit incentive of $40/ton for heat pumps, which only translates to about $1,000 total for the largest heat pump size.

Energy Efficiency

New Mexico requires investor-owned utilities to have an energy efficiency program. In 2019, the legislature amended the state's energy efficiency rule, the Efficient Use of Energy Act, to re uire energy savings of 5% relative to a 2020 baseline by 2025. In 2025, a new savings target is expected to be adopted. Utilities can charge ratepayers up to 5% of total customer bills for energy efficiency programs. Program costs can be recovered either through a rider or base rates. A utility can petition the PRC for a rate adjustment mechanism that removes regulatory disincentives related to energy efficiency (i.e., a decrease in customer sales). Utilities can earn a return on "cost-effective energy efficiency and load management resources" that are financially more attractive than supply-side resources.

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Utilities file energy efficiency plans every three years for PRC approval. NMGC's latest plan was approved in March 2023 and is for 2023-2025. Notably, the Commission declined to require NMGC to include incentives for heat pumps in their plan. NMGC's energy efficiency programs include the following:

- Efficient Buildings Program – For commercial, schools and business customers. Offers rebates and incentives for energy efficiency measures such as installing natural gas space heaters, natural gas water heaters and high-efficiency commercial equipment.
- High Performance New Homes – For new home builders. Rebates for installing energy efficiency measures such as Energy Star space heating, water heating, smart thermostats, high performance windows, etc.
- Residential Rebates – Offer rebates for residents for the following items: smart thermostats, insulation, gas water heaters or space heaters, gas clothes dryers.

NMGC is authorized to collect 4.2% of actual customer billings for the program budget. Annual proposed savings are 4,531,970 therms. NMGC receives an incentive when a minimum amount of savings is achieved, and the incentive increases with more savings. At 1,575,000 therms, NMGC earns 5.15% of annual expenditures as an incentive. The incentive rachets up by 0.3% for each additional 225,000 therms saved, capped at 6.65%.

Efforts to Reduce Emissions

The Company has been working on efforts to reduce emissions for decades. The Company's current emission reduction efforts are focused primarily in the following areas: (1) Repairing all leaks found on its system within appropriate and reasonable timeframes; (2) Replacing infrastructure and equipment that is leak-prone or poses elevated risks; (3) operating energy efficiency programs that help customers reduce usage; (4) utilizing solar energy for company internal operations and transitioning to electric vehicles when appropriate; and (5) evaluating and eventually executing on innovation opportunities to lower customer emissions such as RNG and/or hydrogen.

- PA anticipates that a segment of NMGC's commercial and industrial customers will want RNG to meet their GHG reduction goals and commitments and that will present opportunities to further reduce the carbon footprint as well as potential investment opportunities.
- NMGC has implemented a pilot project testing the potential for hydrogen blending on its existing system to reduce emissions. The test, on a closed system not serving customers, has successfully tested hydrogen blends of up to 20%.
- NMGC offers several energy efficiency programs to customers, saving residential customers between 20 to 326 therms per year. These programs include rebates for efficiency upgrades, weatherization assistance, and associated programs for businesses. Program costs are recovered by an energy efficiency rider on customer rates.
- NMGC has installed solar panels at several company facilities. This on-site generation has reduced company electricity purchases at those facilities by about two-thirds and reduced the overall emissions of company operations.

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5 Regulatory Overview

New Mexico is a deregulated market for natural gas, meaning customers can choose their gas supplier. Customers that choose this option take service under NMGC's Transportation Service rate.[41] NMGC's retail rates are regulated by the New Mexico PRC. On January 1, 2023, the PRC shifted from a five-person elected commission to a three-person appointed commission. This change is generally perceived as a positive change for NMGC as reflected in a one-notch improvement in the Commission's Regulatory Research Associates (RRA) ranking. In the past several years, the Commission has allowed and approved Company rate cases based on a future forecasted test year. Historically, authorized returns on equity (ROEs) have been below industry averages at the time approved; while it is too early to assess whether that trend will continue with the new Commission structure, the January 3, 2024, order in the PNM base rate case was also well below the industry average. Mitigating somewhat the impact of below average ROEs, is the ability for utilities in New Mexico to retain all earnings in excess of those authorized.

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There are several significant mechanisms in place to reduce regulatory lag. First, as is the industry norm, the Company is able to bill natural gas commodity costs to customers on a near real time basis through a purchase gas cost adjustment (PGA). Second, the Commission in 2019 approved a Weather Normalization Adjustment (WNA) Mechanism that provides for deferral of incremental/lost revenues resulting from weather fluctuations (to normal) during the months of October through April of each year on a five-year "pilot" basis. This mechanism reduces the volatility of customer bills and the Company's earnings and cash flows. In the March 1, 2024, Uncontested Stipulation, the parties to the Company's general rate case agreed to make the WNA a normal tarrif without a sunset provision. Finally, the utility uses a future test year in rate cases to reduce regulatory lag.

5.1 NM Public Regulation Commission

[41] Within the subset of transportation customers there are 24 off-system transportation customers and 15 discounted transportation customers. Both the discounted and off-system transportation customers are high volume users.

State statutes also provide for the recovery of costs incurred in extraordinary circumstances outside of a general ratemaking proceeding. Most recently, the Commission approved the Company's re uest for recovery of gas costs incurred during the Winter Storm Uri Event. The order granted approval for recovery of the increased gas costs incurred during the storm over a longer period than the normal PGA reconciliation period thereby reducing the monthly bill impact to customers. The order included the approval of short-term financing required due to the extended recovery period and the recovery of the associated financing costs (up to a capped amount.

New Mexico's PRC is responsible for the regulation of rates and services of public utilities, telecommunications, and transportation companies within the state. In terms of utilities, the PRC regulates investor-owned electric, gas, and water utilities as well as rural electric cooperatives and water and sanitation districts. For the purposes of this Report the focus is mainly limited to the PRC's oversight role for natural gas utilities.

A regulated utility cannot increase its rates without PRC approval. A utility must file a request to increase rates through the PRC's rate case process, a u asi-judicial process, which provides PRC Utility Division Staff and other intervenors the ability to scrutinize requests through a contested case proceeding. Consumer interests are typically represented by the Office of the Attorney General (NMAG) (residential and small business ratepayers), and New Mexico Affordable Reliable Energy Alliance (larger commercial and industrial customers). Environmental groups such as the Western Resource Advocates, New Energy Economy and Coalition for Clean Affordable Energy now also regularly intervenes. Intervenors in the case are able to submit testimony and exhibits, cross examine witnesses, and file legal briefs on issues in the case. The Commissioners take the case under advisement following testimony and hearings and issue a final order related to the rate increase. Rate cases are either fully litigated or if some or all of the parties have reached a settlement agreement, the Commission holds a hearing to consider the settlement.

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The PRC has three Commissioners and about 155 staff, 20 of which are directly assigned to the Utility Division. The three Commissioners are appointed by the Governor and confirmed by the Senate. The Chairperson is elected by the fellow Commissioners. This format changed at the start of 2023; previously, the Commission had five elected officials. Commissioners serve up to a six-year term; Chairpersons serve a one-year term. Commissioners cannot serve more than two consecutive terms and must have at least 10 years of professional experience in energy, business administration, economics, finance, statistics, engineering, or law.

S&P's RRA ranking recently increased its ranking of the Commission from Below Average/2 to Below Average/1, reflecting some optimism on how the newly appointed Commission will proceed.[42] Table 5-1 below provides the names, affiliations, and backgrounds of current Commissioners.

Table 5-1: PRC Commissioners

Commissioner	Title	Affiliation	Term*	Background
Patrick O'Connell	Chairperson	Democrat	01/2023 - 12/2028	Engineering
James Ellison	Commissioner	Independent	01/2023 - 12/2024	Engineering/Business
Gabriel Aguilera	Commissioner	Democrat	01/2023 - 12/2026	Economics/Finance

[42] The RRA rankings are from an investor perspective and seek to indicate regulatory risk associated with investing in utilities within that Commission's jurisdiction. The risk assessment includes the probable level and quality of earnings realized by the utility.

**Note, the Commission format changed in 2023 from five elected Commissioners to three appointed Commissioners, so all terms began at the same time.*

There have been several instances in which utilities have appealed PRC rate orders. The Commission recently issued a final ruling on remand related to appeal by El Paso Electric Co. of a 2021 decision. This ruling follows a May 1, 2023, appellate ruling by the New Mexico Supreme Court in which the court overturned four aspects of the Commission's 2021 order. The result was a favorable rate change.

5.2 Ratemaking Framework Overview

New Mexico Gas Company's primary mechanism for increasing rates is through a formal rate case proceeding. There is no frequency mandate for the Company to submit a rate case; the Company applies for a rate case whenever it forecasts or experiences a revenue deficiency. In recent history, this has been about every two years.

The Company last filed for a rate case on September 14, 2023, in docket 23-00255-UT. Staff and intervenor testimony is due February 21, 2024, and a public hearing is scheduled for April 1. NMGC is asking for a 49-million-dollar revenue increase, a 10.5% ROE and a 53/47% capital structure (equity/debt). If approved, new rates would take effect in October of 2024. Notably, the Company is proposing rate increases based on a future test year, as opposed to a historical test year. The future test year for this application runs from October 1, 2024, to September 30, 2025. Using a future test year is typically more favorable to a utility, as they are able to incorporate forecasted cost increases or load changes that have not yet occurred, therefore more proactively aligning future revenues with future costs.

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In this rate case proceeding, NMGC is seeking approval of an increase of approximately 22.7% for the Company's 2024/25 cost of service revenues. This increase is partially driven by $278 million in capital investments since its last rate case. These investments are primarily related to ongoing pipeline maintenance and replacements, investments in a pipeline Integrity Management Program (MP), a total upgrade of the Company's existing customer information system, and information technology and telecommunications (IT&T) investments. In addition, the Company is experiencing increasing O&M expenses, escalating requirements regarding safety and cybersecurity, and customer service. Notable investments highlighted in the rate case are listed below; many of these are discussed in detail in Section 7.

- Mainline replacements or modifications (total of $36.1 million) – old pipelines that need to be brought up to modern standards.
- CIS upgrade ($31.2 million) – replace the outdated CIS.
- Automated Meter Reading (AMR) Devices Expansion ($18.5 million) – continuation of the AMR program. Currently 80% of NMGC's have AMR's.
- Maximum Allowable Operating Pressure (MAOP) software implementation ($8.1 million) – a new comprehensive information that will serve as a central repository for key attributes of the Company's pipeline network as re uired by PHMSA regulations.
- Operations Center construction (total of $5.5 million) – replacement of two existing regional operations centers for NMGC employees.
- West Mesa Mainline Re-route ($2.7 million) – the existing pipeline is attached to a bridge that is being replaced by the NM Dept of Transportation; a new pipeline will be installed beneath the Rio Grande River to avoid conflicts with construction and future maintenance of the new bridge.

On March 1, 2024, the Company filed with the NMPRC an Uncontested Stipulation in the 2023 rate case. The Signatories to the Uncontested Stipulation are the Company, the New Mexico Department of Justice, the New Mexico Affordable Reliable Energy Alliance, New Energy Economy, the Coalition for Clean Affordable Energy, Western Resource Advocates, and the Utility Division Staff of the Commission. The parties agreed to keep the Return on Equity and Equity thickness consistent with the prior settlement, as opposed to decreases which are also happening in the market. Los Alamos County has not signed the settlement but, is in the process of obtaining necessary authority to sign the agreement.

The following Table 5-2 presents a comparison of the Company's Application and the Uncontested Stipulation for key financial metrics.

Table 5-2: Rate Case Applications and Uncontested Stipulation

Metric	Application	Uncontested Stipulation	Difference
Revenue Increase	$48.43 Million (as revised)	$30 Million	$18.43 reduction
Overall Post-Tax Weighted	7.38%	6.79%	0.59% reduction
Return on Equity	10.5%	9.375%	1.125% reduction
Capital Structure (Equity / Debt)	53% / 47%	52% / 48%	1% reduction in equity layer[1]
Weather Normalization Adjustment Mechanism	Make normal tariff	Make normal tariff	Company request accepted

1. The settlement is not a reduction to the currently approved capital structure.

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NMGC sought approval for the following:

- Approval to establish and recover a regulatory asset related to rate case expenses for this case;
- Approval to establish and recover a regulatory asset related to unique costs incurred by the Company in the implementation of the upgrade to its customer information system (the "Hansen C S Regulatory Asset");
- Approval to recover the costs included in its existing COVID-19 Regulatory Asset;
- Approval to establish and begin crediting to customers a new regulatory liability related primarily to litigation recovery amounts;
- Approval to continue to credit customers for Accumulated Deferred Income Taxes in the same manner NMGC has been since its 2019 Rate Case;
- Approval to establish a regulatory asset for expenses related to third-party fees charged when customers use credit cards for bill payments; and
- Approval to establish a new regulatory asset for potential recovery in a future rate case related to certain expenses for the LNG storage facility proposed in Case No. 22-00309-UT in the event the facility doesn't receive PRC approval.

In the Uncontested Stipulation, the Company agreed to the following.

- Withdraw of the request to establish a regulatory asset for expenses related to third-party fees that are charged when customers use credit cards to pay bills. (Approval of a similar request by PNM was recently denied.
- Withdraw of the request to establish a regulatory asset for expenses incurred in filing for and obtaining a certificate of public convenience and necessity to construct a liquified natural gas storage facility and agreed not assert this regulatory asset in any future rate case.
- Modify its request to establish and recover a regulatory asset related to costs to implement an upgrade to its customer information system so that such costs are not sought until the Company's next rate case.
- For all remaining regulatory assets including the COVID-19 Regulatory Asset, the parties agree that the amortization and recovery of these prior to the next case are included without specificity within the $30 million base revenue increase.

The primary drivers to achieve the $18.3 million reduction in base revenues between the Application (revised) and the Uncontested Stipulation are:

- $7.2 million reduction in return on rate base due to capitalization metrics as described above and a $13 million reduction in rate base;
- $8.7 million reduction in O&M expenses; and,
- $2.4 million reduction in Federal and State income taxes.

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NMGC's 2023 rate case application asked for the largest revenue increase in recent history, although it is not much above the 2021 application. If the Uncontested Stipulation is approved, , the Company will achieve 62% of the requested base revenue increase. This compares favorably to the 2021 rate case in which the Company achieved 47% of the requested base rate increase. The 2021 rate case was also resolved by unanimous settlement between the parties, which was approved by the Commission.

Table 5-3 below provides information on NMGC's rate cases in the last 10 years, including outcomes. Since 2000, NMGC has had three general rate cases in addition to those listed below: in 2003 and 2006 as the gas division of Public Service Company of New Mexico, and in 2011 while part of Continental Energy Systems, LLC. Prior to the 2019 rate case, significant gaps between rate increases requested and rate increases authorized have since kept the New Mexico Gas Company in a near constant rate case cycle, a theme also evident for most other New Mexico utilities. The more favorable outcome in the Company's 2023 rate case as described in the summary of the Uncontested Stipulation resolves this issue.

Table 5-3: NMGC 10-Year Rate Case History

Year	Case No.	Decision	Requested Increase ($mil)	Authorized Increase ($mil)	Requested ROE	Authorized ROE
2023	23-00255-UT	Ongoing	49	Ongoing	10.5%	Ongoing
2021	21-00267-UT	Settled	40.7	19.3	10.1%	9.375%
2019	19-00317-UT	Settled	13.2	4.5	10.2%	9.375%
2018	18-00038-UT	Settled	8.0	2.5	10.2%	9.1%

Table 5-4 below shows a rate case peer comparison for NMGC against other natural gas utilities in the state. NMGC is the largest in the state. Raton is a small, privately held public utility providing natural gas service to the City of Raton, New Mexico – 3,000 customers of which 88% are residential and the remainder small commercial. Zia is a natural gas distribution and transmission utility serving over 35,000 customers in Lea, Eddy, Lincoln, Dona Ana, and Colfax counties.

Table 5-4: New Mexico Natural Gas Rate Case Peer Comparisons

Year	Utility	Case No.	Requested Increase ($mil)	Authorized Increase ($mil)	Requested ROE	Authorized ROE
2019	Zia Natural Gas	18-00018-UT	2.597	1.783	12.05%	10.06%
2015	Raton Natural Gas	15-00038-UT	0.647	0.545	10.0%	10.35%*

**2% small company premium onto an 8.35% ROE*

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Table 5-5 below provides a utility peer comparison for rate case information across several states. In New Mexico specifically, rate increases authorized by the NM Commission are typically well below the amounts requested. More often than not cases tend to be settled rather than fully litigated. It is important to note that settlements in New Mexico do not obviate the occurrence of a hearing before a Hearing Examiner and does not result in rates taking effect sooner than proposed in the original application. In New Mexico, the PRC must suspend rates within 30 days of a rate case filing, or rates become effective.[43] The PRC also has 10 months to issue a decision but can exercise a 3-month extension with cause.

Table 5-5: Utility Peers Rate Case Comparisons

State	Utility	Service Type	Order Date	Decision Type	Requested Increase ($mil)	Authorized Increase ($mil)	Requested ROE	Authorized ROE
NM	PNM	Electric	1/3/2024	Fully Litigated	63.8	15.3	10.25%	9.26%
NM	SPS	Electric	10/19/2023	Settled	75.4	33.0	10.75%	9.5%

[43] It would be very unusual for the Commission to not suspend rates. They have not failed to suspend rates in the last 10 years.

NM	SPS	Electric	2/16/2022	Settled	84.4	62.4	10.35%	9.35%
NM	EPE	Electric	6/23/2021	Fully Litigated	5.1	-4.3	10.3%	9.0%
AZ	SW Gas	Natural Gas	12/9/2020	Fully Litigated	80.7	36.8	10.15%	9.1%
CO	PSCo	Natural Gas	2/11/2020	Settled	144.4	94.1	9.95%	9.2%
TX	Texas Gas Service Co	Natural Gas	8/4/2020	Settled	17.0	10.3	10.0%	9.5%

n comparing NMGC's authorized ROE to its peers, NMGC's ROE is within the range of its peers. In 2021, the Commission authorized a 9.00% ROE for El Paso Electric, one of the lowest authorized equity returns in the country at that time. Authorized returns on equity have generally trended with risk-free interest rates during the last decade although, as noted by RRA, they have generally been below industry averages at the time approved. Authorized equity layers tend to be in line with capital structures proposed and are generally within industry averages. See Table 5-6 below.

Table 5-6: Equity and ROE Peer Comparisons

Company	Date	Service Type	Requested ROE	Authorized ROE	Requested Equity Layer	Authorized Common Equity Layer	ROE Authorized as % of Requested	Equity Layer Authorized as % of Requested
PNM	1/3/2024	Electric	10.25%	9.26%	52%	49.61%	90%	95%
SPS	11/18/2022	Electric	10.75%	9.5%	54.70%	54.70%	88%	100%
NMGC	11/30/2022	Natural Gas	10.10%	9.38%	53%	52%	93%	98%
SPS	1/4/2021	Electric	10.35%	9.35%	54.72%	54.72%	90%	100%
EPE	5/29/2020	Electric	10.3%	9.0%	51%	49.21%	87%	96%
NMGC	12/23/2019	Natural Gas	10.2%	9.38%	54%	52%	92%	96%
SPS	7/1/2019	Electric	10.10%	9.45%	54.77%	54.77%	94%	100%
NMGC	7/17/2018	Natural Gas	10.2%	9.1%	54%	52%	94%	96%

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Cost recovery

NMGC's most recent energy efficiency plan was approved in March 2023 and covers 2023 through 2025. NMGC recovers the cost of its energy efficiency program through Rider 15. Rider 15 is applicable to residential, small, and medium general service customers as well as transportation only customers. Budget for 2023 is $14,993,203 and the Company expects to save 4,531,970 therms. The Company is allowed a 5.15% incentive for energy savings of 1,575,000 therms per year, with an additional 0.3% for each additional 225,000 therms saved. The incentive level is capped at 6.65%.

Table 5-7 summarizes the adjustment clauses and riders in place at NMGC and the other two gas LDCs regulated by the PRC. NMGC is the only utility in New Mexico with a weather normalization mechanism.

Table 5-7: Adjustment Clauses / Riders

Rider			NMGC	Raton	Zia
Purchased Gas Adjustment Clause	Recovery of expected gas costs, including transportation charges	Applicable to all general service customers Includes reconciliation of over- and under-recovered amounts	√	√	√
Weather Normalization	Calculated in accordance with Rule 29. The recovery or credit of margins associated with differences between actual and normal heating degree days for the period October through April.	Applicable to residential and small general service customers Adjusted annually in October	√		
Miscellaneous Surcharge and Credits	Calculated as authorized in Commission Orders	Applicable to sales and transportation customers if so specified	√		
Energy Efficiency Surcharge / Rider	Recovery of incremental costs and program incentives associated with EE programs	Applicable to sales and transportation customers Includes reconciliation of over- and under-recovered amounts	√	√	√

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5.3 Key Stakeholders

As noted above, consumer interests are represented by:

- NMPRC Staff – Required intervenor, representing the public interest
- NMDOJ – Residential and small business ratepayers
- New Mexico Affordable Reliable Energy Alliance – On behalf of larger customers
- Federal Executive Agencies (FEA) – On behalf of national labs and other federal agencies in NMGC's service territory
- County of Los Alamos
- City of Farmington
- Western Resource Advocates (WRA) – Coalition of environmental interest groups in seven western states
- New Energy Economy (NEE) – Environmental NGO
- Coalition for Clean Affordable Energy (CCAE) – Coalition of environmental and energy efficiency interest groups

6 Customer and Sales Forecast

NMGC is projected to experience steady but moderate customer growth over the next 20 years in both the sales and transport service sectors. While the residential customer segment (almost all sales service) is expected to grow steadily throughout the 2020s, the growth rate is projected to slow by the mid-2030s. The commercial and industrial segments also follow a similar trajectory. By 2043, NMGC is forecasted to serve a total of 589,420 customers with a projected throughput of 903 million therms. PA's development of forecasts of sales and transportation volumes is based on a standard approach of developing separate sectoral forecasts of Customer Count and annual UPCs. Where feasible, the econometric modeling methodology used weather, macroeconomic and demographic variables as drivers of Customer Counts. Macroeconomic data used was provided by Moody's Analytics. For the Residential and Commercial customers segments, unadjusted UPC was modeled based on weather-normalized values of the implied sectoral levels, to remove the effect of abnormal or atypical weather in order to gain a better perspective on the patter of natural gas usage. The state, NMGC, and numerous organizations are actively recruiting new businesses. The last section of this chapter highlights some of these initiatives. However, the base case forecast presented in this chapter does not reflect this upside growth potential.

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6.1 Current Customer Profile

This section summarizes the primary tariffs that serve most of the customers and volumes. Customers are classified as either sales customers, for whom NMGC also provides the gas commodity, or transportation customers who procure their own gas to be delivered via NMGC's pipelines either independently or through a third-party provider. As is typical in the industry, large volume commercial and industrial gas users usually procure their own gas either independently or through third party marketers and are therefore transportation service customers. NMGC does not earn a profit on sales of the gas commodity and the transportation service tariff is designed so that NMGC is indifferent between the customers being a sales or transportation service customer.

NMGC's tariff structures below provide for customer segmentation according to the volumes that given customers purchase. Taken as a whole, residential customers comprise 93% of NMGC's

customer-base and approximately 0 % of NMGC's gross margin, which provides a measure of stability to NMGC's business. Table 6-1 describes the primary customer tariff classes for NMGC.

Table 6-1: NMGC Customer Classes

Customer Class	Description
Residential Service (Rate No. 10)	Available to any customer for a single-family residential unit under a single meter
Small General Service (Rate No. 54)	Available to any business customer with usage not above 200,000 therms
Medium General Service (Rate No. 56)	Available to any business customer with usage between 200,000 and 2,000,000 therms
Large General Service (Rate No. 58)	Available to any business customer with usage 2,000,000 therms or greater
Transportation Service (Rate No. 70)	Any end-use customer receiving deliveries of natural gas under a transportation contract
Irrigation Service (Rate No. 30)	Any customer for use as a fuel for a prime mover driving water to irrigate crops
Water and Sewage Pumping (Rate No. 31)	Available to any municipal or public water utility if gas is used as the prime mover to drive a water pump for water or sewage pumping
Off-System Transportation (Rate No. 700)	Available to customer in need of transportation of natural gas on NMGC's pipelines into El Paso Natural Gas Company and / or Energy Transfer Partners interstate pipeline markets
Discounted Transportation (Rate No. 702, 705, 706, 741, 742, 817)	Services provided to certain customers at a discount to the Transportation Service (Rate No. 70).

*Note: The table lists those Rate Sales and Transportation Classes that accounted for 2% or higher of the respective segment volumes.

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Overall, total sales volumes are projected to grow from 463 million therms in 2024 to 492 million therms by 2043, an average annual growth rate of 0.3%, as presented in Figure 6-1 below. PA's customer and volumetric forecast for both the sales and transportation segments reflects adoption of the Company's forecast through 2028. PA developed independent projections of post-2028 based on the implied year-on-year growth rates from PA's independent assessment of long-term weather normalized usage in the different sectors.

Figure 6-1: NMGC Total Sales Volume

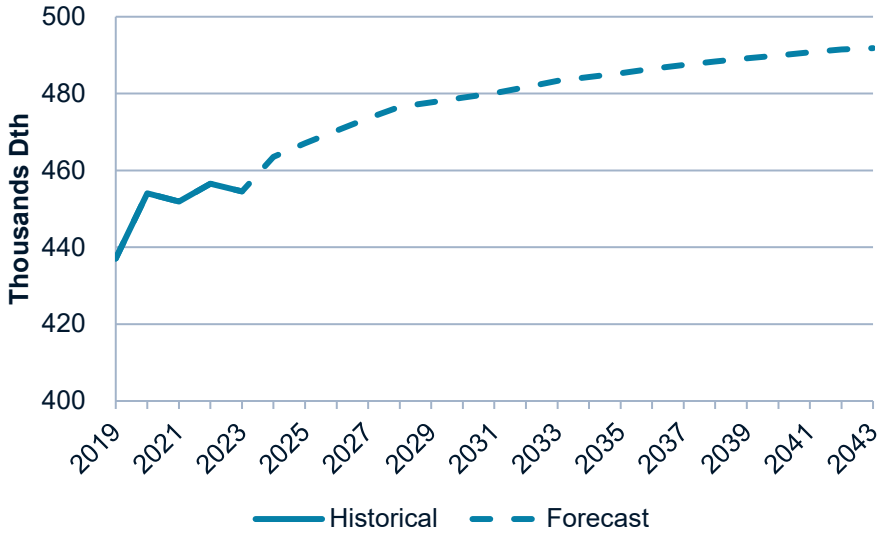

Figure 6-2 and Figure 6-3 summarize the breakdown of customers and their associated volumes based on the discrete customer segments.

Figure 6-2: Projected 2024 NMGC Throughput by Customer Type

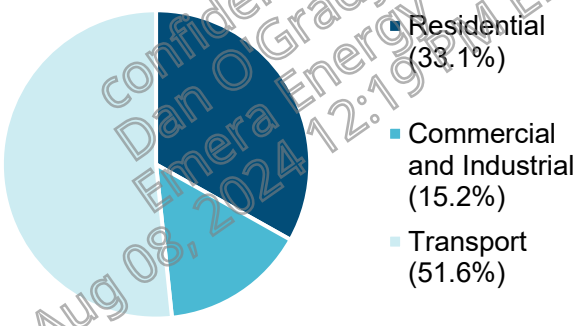

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Figure 6-3: Projected 2024 NMGC C&I and Transport Throughput

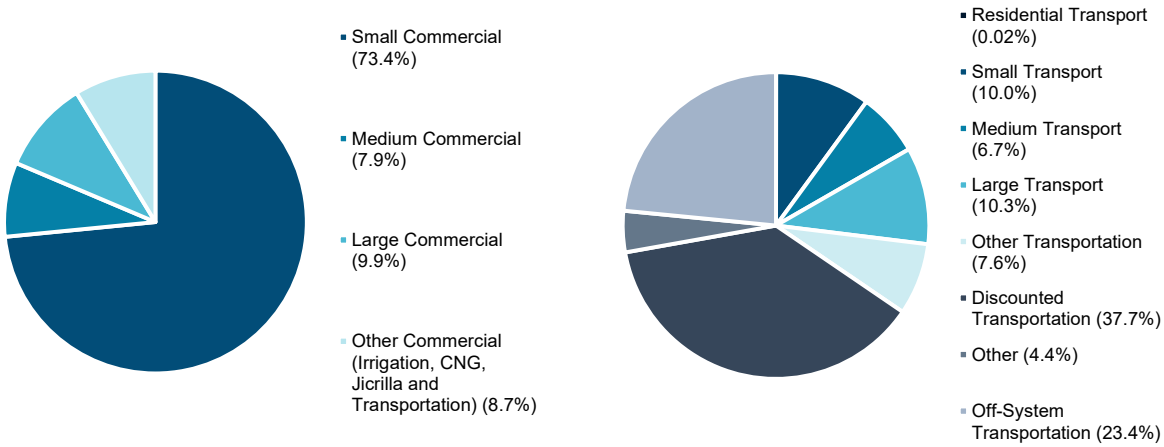

Table 6-2: 2024 Sales Customer Counts and Gas Throughput

Customer Class	Number of Meters	Throughput (million therms)
Residential	508,195	318
Small Commercial	37,821	107
Medium Commercial	45	12
Large Commercial	3	14
Other Commercial (Irrigation, CNG, Jicarilla and Transportation)	1,568	13

6.2 Basis for Forecast

PA reviewed the Company's customer and usage forecast methodology and models. The Company uses a combination of econometric models and trends to forecast customers and consumption by schedule with separate forecasts for transportation service customers. Monthly econometric forecasts of use per customer incorporate heating degree days to account for weather. Forecasts of consumption by the large transportation customers are developed in conjunction with the account representatives. Based upon PA's review of the methodology and models, we have concluded that the process is reasonable and adopted the Company's forecast through 2028. The schedule level forecasts of customer growth are based upon an exogenous user input of growth rates. PA developed independent projections of customer growth rates using economic indicators obtained from Moody's Analytics. As NMGC serves most of the urban areas, we used economic indicators at the state level.

As shown in Figure 6-4 and Figure 6-5, based on Moody's Analytics data, New Mexico's population and number of households are expected to grow throughout the 2020s after declining slightly from some post-COV D relocations. While New Mexico's total population is projected to peak in the early 2030's, the total number of households is projected to continue to grow through 2040 compared to 2022 levels.

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Figure 6-4: Population Trends

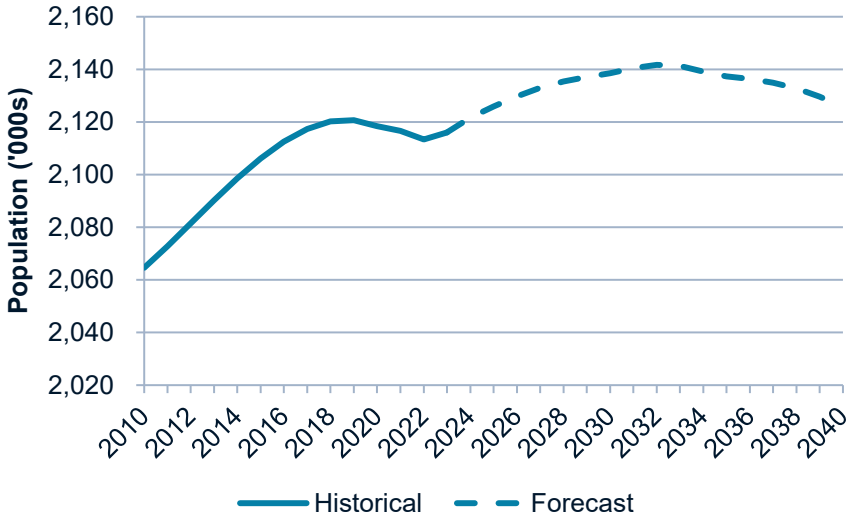
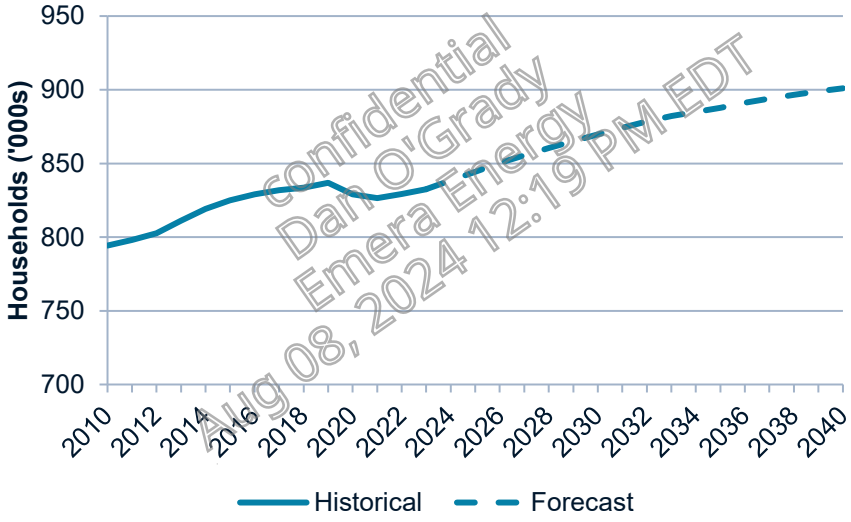


Figure 6-5: Household Trends



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For customer and load growth forecasting we have consolidated the rate schedules into the following categories: residential, commercial & industrial sales, and commercial & industrial transport customers.

6.3 Summary Of Customer and Volume Forecast

NMGC is the largest natural gas distribution company in New Mexico, serving approximately 60% of the state's population including the major metropolitan areas of Albu u er u e, Rio Rancho, and Santa Fe. This includes facilities in 2 of New Mexico's 33 counties, and customers in 23 of the 33 counties. Of NMGC's approximate 551,000 customers projected for 2024, 92% are residential. Residential customers shall consume over 318 million therms in 2024, approximately 33% of NMGC's total system throughput volume. n the Company's 2024 sales base, 15% of volumes are sold to commercial & industrial customers, and the remaining 52% delivered to transportation

customers including transportation of natural gas to PNM and the City of Farmington for electricity generation.

NMGC is projected to see growth in all three of its sales customer segments throughout the analysis period, while transport customers are projected to remain relatively flat. Table 6-3 and Table 6-4 summarize the growth rates for each of the customer segments and their corresponding throughput.

Table 6-3: Customer Growth CAGR

CAGR	Residential	Commercial & Industrial Sales	Transport
2019-2023	0.8%	0.7%	-3.9%
2024-2030	0.6%	0.4%	-1.8%
2031-2036	0.3%	0.1%	0.1%
2037-2043	0.2%	0.1%	0.1%
Total Period (2024-2043)	**0.4%**	**0.2%**	**-0.5%**

Table 6-4: Volume Growth CAGR

CAGR	Residential	Commercial & Industrial	Transport
2019-2023	0.1%	3.0%	6.9%
2024-2030	0.5%	0.7%	-0.5%
2031-2036	0.3%	0.2%	-0.3%
2037-2043	0.2%	0.1%	-0.8%
Total Period (2024-2043)	**0.3%**	**0.3%**	**-0.9%**

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Residential

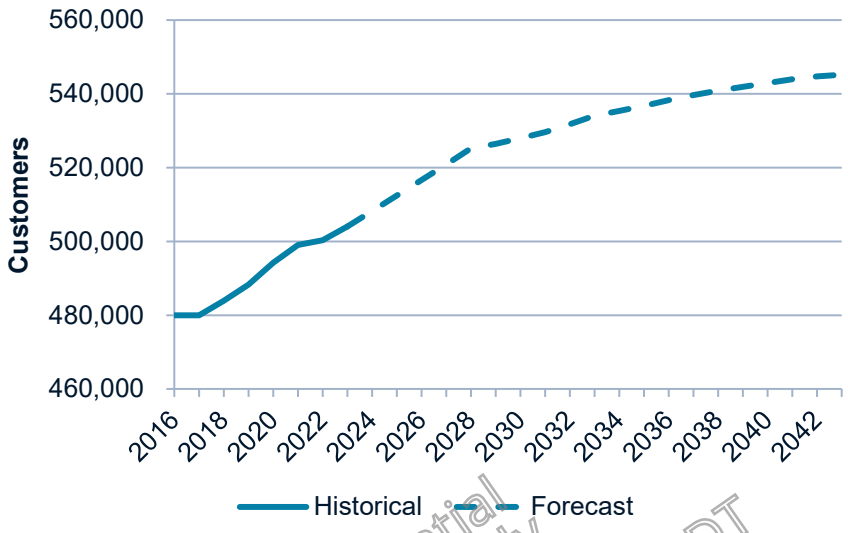
Nearly two-thirds of residential natural gas consumption in NMGC's territory is used for space heating, with the balance being a combination of cooking and water heating. Because New Mexico is located the desert southwest and winters are shorter in duration than other parts of the country, residential use per customer is expected to be lower than the national average. The counties in NMGC's territory are projected to experience steady but slowing growth in their population. Based on historical trends the forecast of NMGC's Residential customer base is driven by the number of households in the territory with a growth pattern resembling that of the population at large. With the cost consideration in electrification of housing being high, the gas residential customers in NMGC's territory are projected to rise.

Customer Count

As Figure 6-6 shows, in 2024 92% of NMGC's customers are in the residential sector. Over the 2019-23 period, the Residential customer-base grew at CAGR of 0.80% growing from just over 488,000 to 504,000 customers. Over the 2024-2043 horizon, the residential customer-base is projected to see a growth of 0.4%, given the dynamics of the region's population and households.

(These figures reflect a minor impact due to electrification of residential end-uses). Figure 6-6 reflects a near term bump in residential customers followed by a CAGR of 0.4% over the 2024-2043 horizon – reaching around 545,000 customers.

Figure 6-6: Residential Customers Forecast



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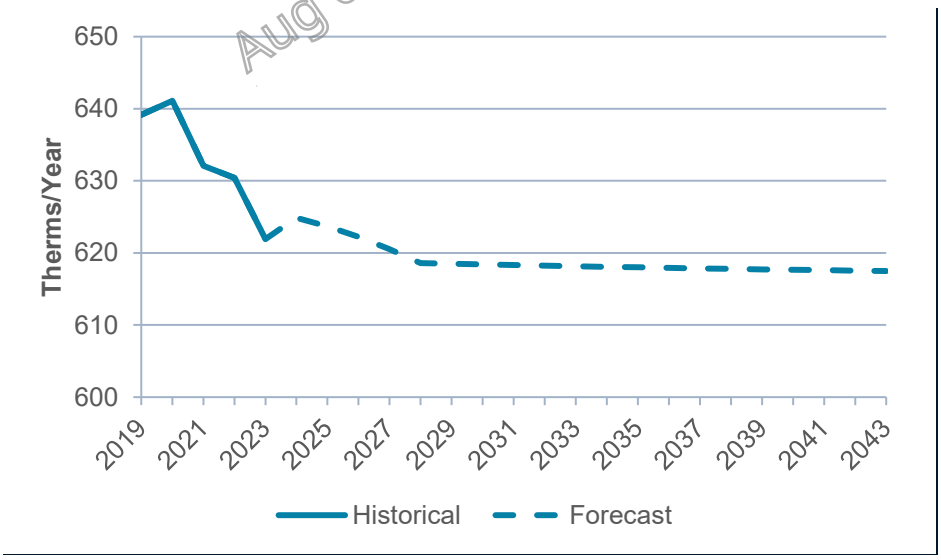
Use Per Customer

As shown by Figure 6-7, the average annual use-per-customer (UPC) has had a declining trend over the last 5 years.[44] The forecast reflects a continued decline with the average annual growth rate over the 2024-2043 period being -0.1%. This trend is common to many LDCs driven by more efficient water heaters and furnaces, shell energy efficiency measures, and building codes.

Figure 6-7: Residential Use Per Customer Forecast

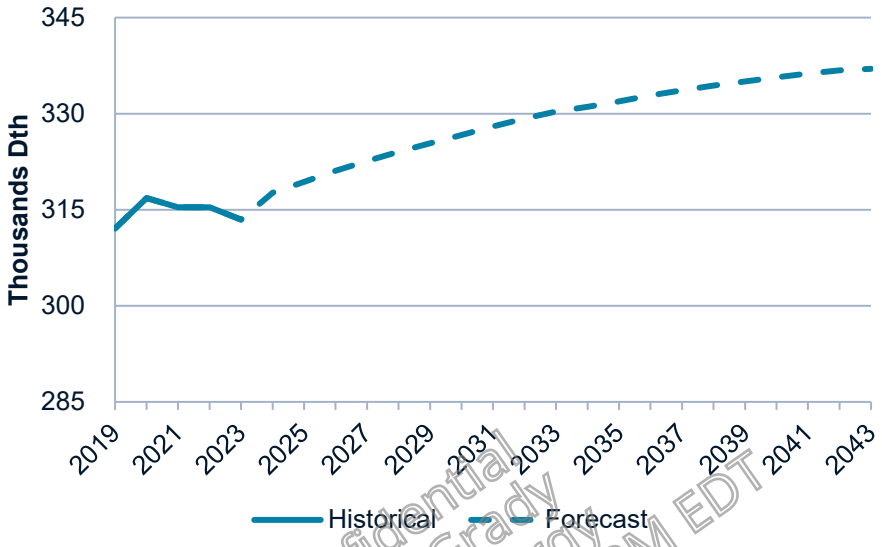


[44] This is consistent with data from EIA-176 which reveals a longer trend of a gentle erosion of the UPC over the past decade – based on weather normalized figures.

Sales Volumes

Covid-related factors and unusual weather conditions led to a bump in residential sales over the last few years as shown in Figure 6-8. However, the combination of the falling UPC and a modest growth in the customer-base is projected to yield an average annual growth rate of 0.3% over the 2024-2043 period.

Figure 6-8: Residential Sales Volume



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Commercial & Industrial

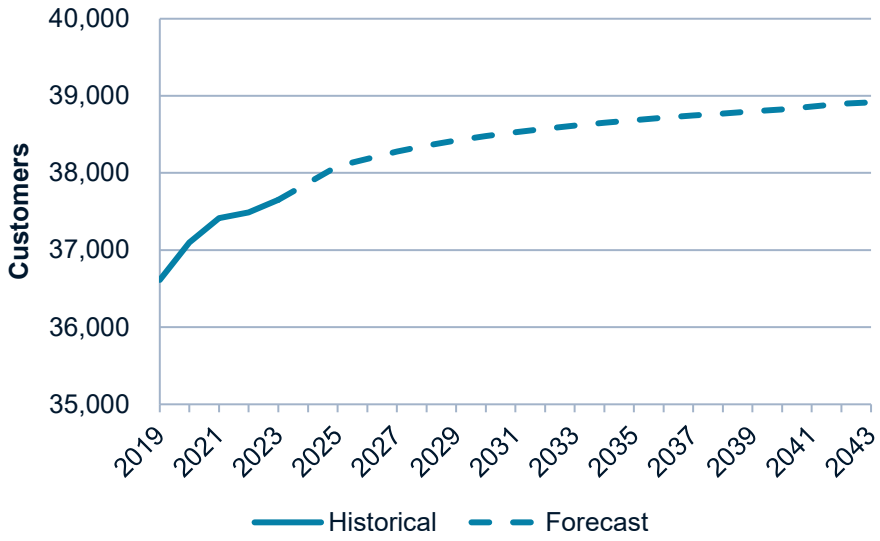
The Commercial and Industrial (C&I) customer count follows a trajectory similar to the Residential forecast. Over the 2019-2023 period, the C&I customer base grew at a CAGR of 0.7% but the corresponding rate for the 2024-2043 period is 0.2% reflecting reduced growth in expected household growth as discussed above. The sales volume forecast is for a growth rate through the 2030[45] and average at a 0.3% CAGR from 2024-2043. Given the sizable contribution, Small Volume customers account for 96% of all customers in this segment, illustrated by Figure 6-9. As shown in Figure 6-10, C&I UPC is forecasted to be relatively flat, growing at an average annual rate of 0.1% over 2024-2043, driven primarily by the Small Volume customers.

Customers

The C&I segment accounts for 7% of total customers, most of which are small volume. In 2024, we project that there will be around 38,000 customers, with the overwhelming bulk being in the Small Volume category. There are 45 customers in the Medium Volume category and 3 in the Large Volume category. As Figure 6-9 shows, the customers are expected to grow over the near term, then moderate at a trend similar to the residential segment. The average annual growth rate of the C&I customer-base is 0.2% over the 2024-2043 period, reaching a total count of nearly 41,000 by 2043.

[45] This is ostensibly due to the adoption of the NMGC forecast through 2028.

Figure 6-9: Commercial and Industrial Customers



Use Per Customer

As shown in Figure 6-10, the average use per C&I customer is projected to be fairly stable over the 2024-2043 horizon, exhibiting a minor rising trend. This growth is attributed to a steady pattern of rising average gas usage among both the Small and Medium Volume customers.

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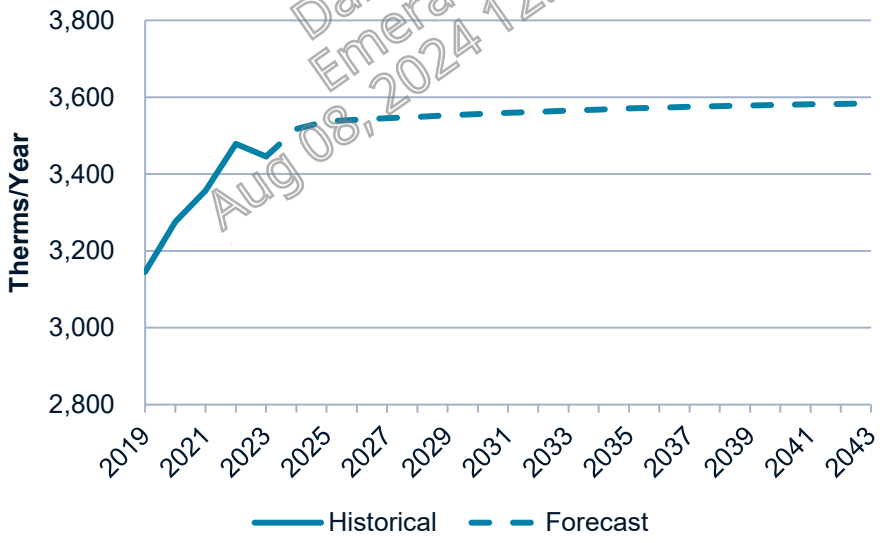
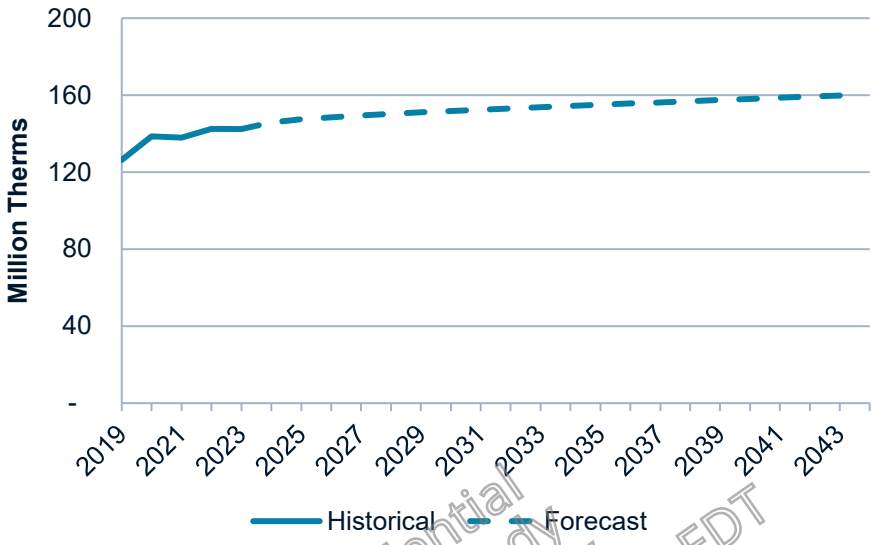
Figure 6-10: Commercial and Industrial Use Per Customer



Volumes

The combination of increasing number of customers and UPC drives total commercial and industrial growth at an average annual rate of 0.3% over the 2024-2043 period, as shown in Figure 6-11.[46]

Figure 6-11: Commercial and Industrial Volumes



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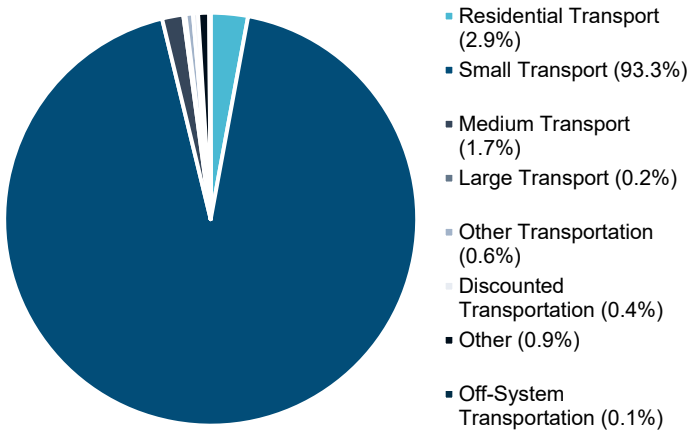
Overall, total sales volumes are projected to grow from 463 million therms in 2024 to 485 million therms by 2043, an average annual growth rate of 0.2%.

Transportation

This section summarizes NMGC's transportation customers including those with discounted rates and those utilizing off-system transportation service. Transportation customers constitute approximately 0.6% of the total projected 2024 customers but comprise the largest share of delivered volumes, at 52% of the total throughput. Off-system transportation involves third parties that use NMGC's transmission pipelines to ship gas to mid-stream pipelines or interstate pipelines rather than deliver it to end-users on NMGC's system.

[46] While customer counts were provided for only the Small-, Medium- and Large-Volume categories, C&I sales also include an 'Other' category that contributes to segment's sales growth.

Figure 6-12: Transport Customers by Segment in 2024



Over the 2019-23 period, the Transportation customer base decreased from 4,284 to 3,660 customers driven by a steady decline in the Small Volume segment. However, the delivered volumes went up at an average annual rate of 6.9% largely driven by an up-tick in Off-System level in 2023. PA treated this as a one-time increase and did not incorporate it into any trends.

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Transportation Customer Counts and Volumes

Table 6-5 below shows the projected 2024 transportation customer counts and throughput. As shown, the bulk of NMGC's Transportation customer base is within the Small Commercial category and that is also the only segment that is projected to show any growth over the horizon. However, with customer counts in all other segments projected as being unchanged, the overall trajectory for this segment is flat.

Table 6-5: 2024 Gas Transportation Customers and Throughput

Customer Class	Gas Transport Customers	Gas Transport Throughput (million therms)
Residential	104	0.10
Small Commercial	3,335	50
Medium Commercial	59	33
Large Commercial	6	51
Other Transportation	21	37
Discounted Transportation	14	186
Other and Off-System Transportation	35	138

NMGC transports natural gas to four natural gas-fired generating plants under two discounted transportation sales rates. The rates and power projects are Rate No. 817 serving the PNM Reeves and Rio Bravo Generating Stations and Rate No. 741 serving the FEUS Bluffview power plant. Specific retirement dates for the PNM plants are not identified in the 2023 PNM IRP. tHowever, our forecast assumes the retirement of the Reeves Station at the end of its depreciable life in 2030. Additionally, our forecast assumes that the Rio Bravo Station will ramp down its production between 2034 and 2039, its planned retirement year; however, our forecast then assumes that the plant will remain operation through the end of the forecast period in a reliability role with an assumed 5% capacity factor and that GHG emissions from this generation in the post-2040 time period will be offset through the use of allowances until the time that it is cost effective to burn hydrogen. The FEUS 2022 IRP identifies a continued role of gas generation for reliability. Our forecast assumes that FEUS' Bluffview plant will continue operations through the end of the forecast period and assumes the development of a 48MW combined cycle plant and an 18 MW reciprocating engine plant, both natural gas-fired using gas transported on NMGC's system and both beginning operations at the beginning of 2028.

NMGC also serves 40 MW of peaking generation, five Wärtsilä generators, owned by Lee County Electric Cooperative. These units went into service in 2012 and are expected to remain in service for the long-term as peaking units.

The combined effect of these gas generation additions and retirements will have a relatively small impact on total delivered volumes. Because the power generation customers are served on a discounted transportation rate, the impact on margin is smaller. The total Discounted Transportation throughput forecast is shown below in Figure 6-13.

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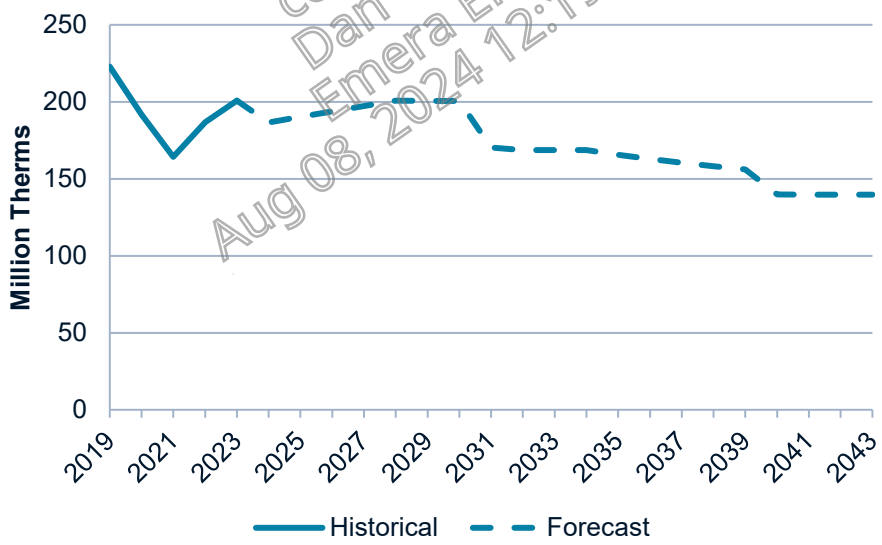
Figure 6-13: Discounted Transportation Throughput



6.4 Upside Potential for Delivered Natural Gas

As previously discussed in Section 4.1, NMGC actively collaborates with a number of economic development organizations and is continuously discussing potential new customers. The EDD's economic development plan is supported by recurring and nonrecurring investments from state

legislative sessions and federal grants. EDD designates nine target industries[47] for further economic growth; within Table 6-6, PA summarizes four industries which may translate into additional growth opportunities for NMGC demand growth.

Table 6-6: New Mexico Growth Industries

Industries Targeted for Growth
Aerospace Three national research laboratories, three US Air Force Bases, Spaceport America, several testing facilities and 15,000 square miles of restricted air space. Offers 4 separate deductions connected with the operation of a spaceport in New Mexico., along with aircraft maintenance, sales, and manufacturing deduction.
Cybersecurity / Data Centers US Department of Energy labs, Air Force Research Lab, White Sands Missile Range, New Mexico Tech and University of New Mexico support extensive research and a growing cybersecurity industry.
Intelligent Manufacturing Tech industry companies find the low weather event risk, stable and dry climate attractive. This, combined with incentives, make it an attractive option for advanced, intelligent manufacturing. New Mexico has one of the most competitive business environments in the region for manufacturing.
Sustainable & Green Energy Climate and natural resources supportive of renewable energy generation growth. Offers a number of tax credits and incentives.

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Under LEDA, the EDD offers grants and assistance to certain expanding or relocating businesses that will stimulate economic development and produce public benefits. Of the twenty completed projects in 2021, nine were located within NMGC's service territory and represented $600M of LEDA and private funding.[48] Other opportunities include supplying large industrial parks, such as the Santa Teresa Logistics Park (located in the Borderplex region and is potentially undergoing expansion), the La Plata Industrial Park (located in the Farmington area) and the McKinley County Industrial Park. Any new customers in those parks would be considered NMGC customers.

NMGC also works closely with regional economic development groups, such as the Albuquerque Regional Economic Alliance, the Border ndustrial Association and New Mexico's EDD. In particular, NMGC participates on AREA board and committees, and has funded a business development activity focused on attracting out of state large gas users that may be interested in re-locating to New Mexico. The Border Industrial Association represents businesses in the Santa Teresa area near El Paso and San Jeronimo, Mexico. According to the Border Industrial Association, this is the second largest industrial base in the state and is a growing manufacturing and distribution hub. NMGC expanded pipeline capacity to that area in 2021. Other economic development organizations that NMGC is involved with include the Sandoval Economic Alliance,

[47] "New Mexico's Target ndustries", Economic Development Department, https: edd.newmexico.gov/choose-new-mexico/key-industries/
[48] "LEDA Overview", Economic Development Department, https: edd.newmexico.gov business-development/edd-programs-for-business/finance-development/leda/

the Mesilla Valley Economic Development Alliance, the Roswell-Chaves Economic Development Corporation and the New Mexico Partnership.

NMGC also is aware of clean energy manufacturers interests, including two RNG facilities, a wind tower manufacturer and two solar PV manufacturers, all of which would bring significant new load. Maxeon Solar and Arcosa Wind are two of the publicly named companies to which NMGC is having discussions. Other potential new and expanding customers include Manna Capital aluminum can rolling and recycling mill (approximately 11,500 mcf/d new load), a data center near Albuquerque Sunport (7,000 mcf/d) and McKinley Paper (2,500 mcf/d). Additionally, Albuquerque, a region that NMGC serves, has been growing over the past 20 years. Population growth rates have been around 1% (with a 2% spike from 2000-2010),[49] and the Albuquerque Regional Economic Alliance predicts a continuing 1% growth rate through 2028. Median incomes in the city are also slightly above state averages. Although PA's sales forecast does not contain these upsides, they do present opportunities for potential sales growth as well as additional CapEx.

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[49] FRED: (link)

7 Capital and Operating Expenditures Forecast

This section of the Report presents an overview of recent historical CapEx and OpEx, Management's five-year CapEx plans, and PA's CapEx and OpEx forecast for years 2024 through 2043.

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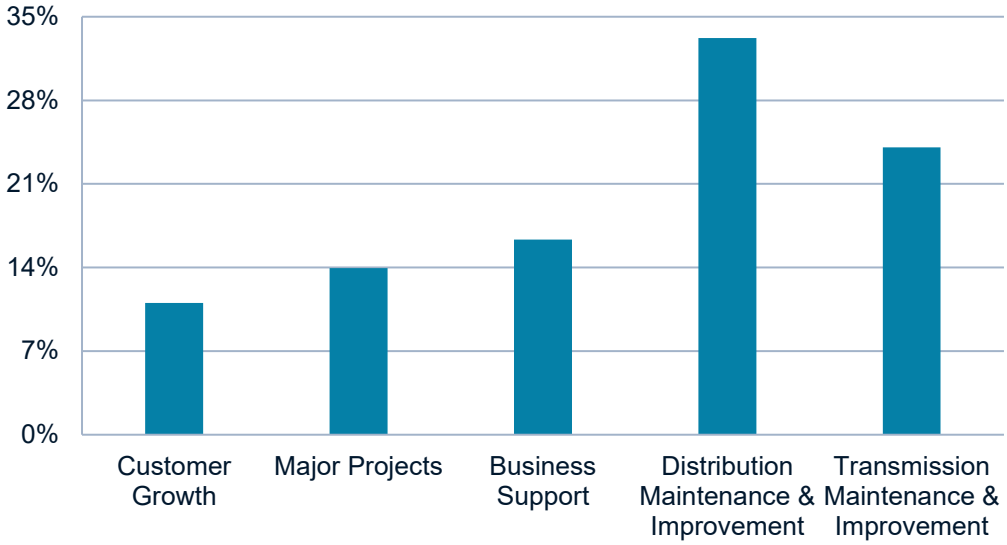
7.1 Capital Expenditures

PA reviewed NMGC's characterization of its CapEx budget forecast for the next five years and concluded using the same categories is a reasonable approach for developing a long-range forecast.

At a high level, the forecast can be summarized within four major areas of investment: Customer Growth, System Maintenance and Improvement, Major Projects, and Business Support (consisting of investments in facilities, fleet, security, IT, and general plant. The relative contribution of these four areas to the 20-year forecast is summarized in Figure 7-1 below.

Figure 7-1: Summary of Total CapEx



The more CapEx categories listed below are further discussed within this section of the report. The forecast for each category considers the drivers that will likely influence each component of capital spend.

- **Distribution Facilities**: inclusive of facilities to serve new customers, as well as emergent investments in replacement facilities.
- **Distribution Integrity & Reliability**: inclusive of risk-based replacements, including targeted programs to replace Bare Steel Main, DC-X-trube services, PVC/ABS pipelines, and certain legacy steel and plastic mains and services), system reinforcements, other Distribution IMP investments, and the Company's Sewer Camera Inspection Program (SCIP), and other Distribution IMP investments.
- **Transmission Integrity**: inclusive of In-line Inspection (ILI) projects, a program to install Remote Shut-off Valves (RSV), PHMSA MAOP Reconfirmation requirements (material verification, hydrotesting, and pipeline replacement), remediation of soil erosion, and new and replacement corrosion control investments.
- **Major Projects**: inclusive of the proposed investment in a satellite LNG facility providing backfeed and secondary service of supply, completion of the AMR project, future investments in advanced metering infrastructure (AMI), upgrades to the Company's C S, improvements to the Company's enterprise asset management systems, and decarbonization investments RNG investments.
- **Facilities & Fleet**: inclusive of new facilities, facilities maintenance, fleet vehicles and power operated equipment.
- **Security**: inclusive of both facilities and pipeline security.
- **Information Systems**: inclusive of business support services/technology operations for infrastructure and operations.
- **Compression**: investments in the Company's compression facilities.
- **General Plant**: inclusive of tools and equipment.

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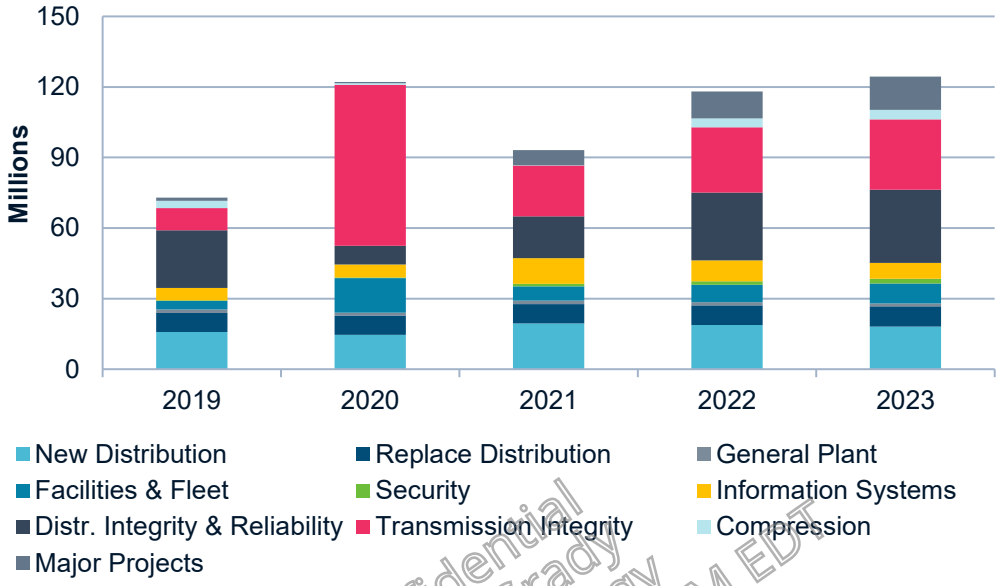
7.2 Historical CapEx

Over the past 5 years, NMGC has invested $643M in CapEx. Figure 7-2 shows historical CapEx by category from 2019-2023. As with the CapEx forecast, NMGC has focused their recent historical CapEx investments in distribution integrity & reliability, as well as transmission integrity projects.

Figure 7-2: Historical CapEx by Category, 2019-2023E



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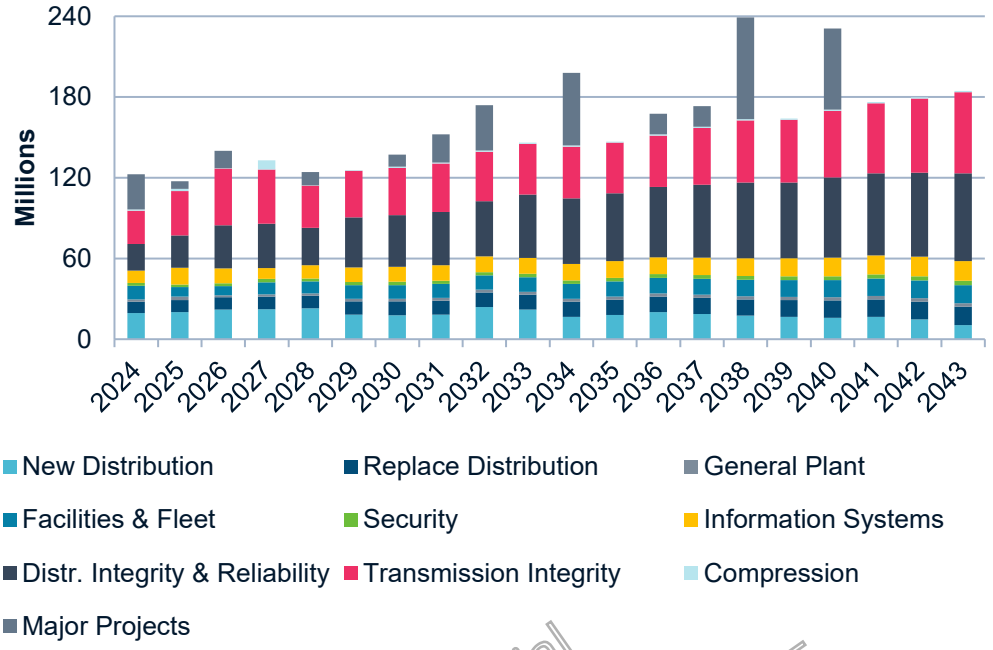
7.3 Capital Expenditure Forecast

PA analyzed historical data, information available from the Company, and industry trends while building upon discussions with management and our industry experience to project NMGC's CapEx over the next 20 years. PA reviewed the Company's five-year investment plan and, having concluded it appears to be reasonable, adopted management's view for that period. After discussing Management's thoughts on distribution pipe replacement going forward, PA then developed a forecast of Capex for 2029 through 2043. Management's five-year forecast, combined with PA's long-term forecast, results in $3.23 billion in CapEx to be invested over the forecast period as shown in Figure 7-3. Below are key highlights of certain investment types, including an explanation of the forecasting methodology and results.

Figure 7-3: Forecasted CapEx by Category, 2024-2043



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Transmission Integrity/Maintenance

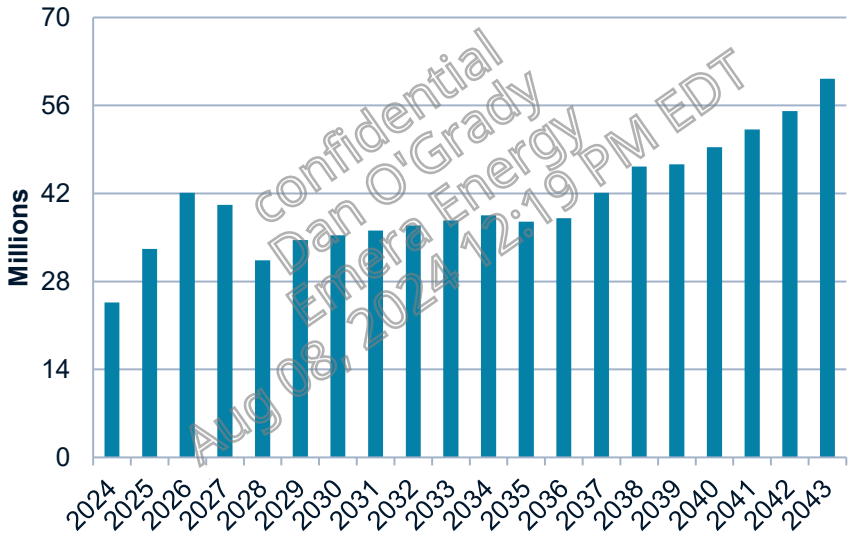
The Transmission Integrity/Maintenance category consists of several safety, reliability, and compliance investments. Collectively, Transmission Integrity and Maintenance represents 25% of the overall forecast, as follows:

- Replacement, retesting and materials verification of segments of the transmission system to comply with PHMSA's MAOP Reconfirmation re uirements. PHMSA recently enacted rules that discontinue the former practice of establishing, in the absence of traceable, verifiable, and complete records, the MAOP of a pipeline segment based on its actual operating pressure during a defined period of time.[50] Gas operators across the country are addressing these requirements, which include a completion deadline of mid-2035 (with 50% of the required work to be completed by mid-2028). Approximately 38% (568 miles) of the Company's transmission mains currently in service do not have the required records. Collectively, investments in MAOP reconfirmation make up more than 7% of the overall forecast, as reflected in Figure 7-4.
- In addition to compliance-driven replacement of transmission pipelines, the forecast also contemplates future replacements of remaining older transmission pipeline segments. Upon completion of the MAOP Reconfirmation requirements, an estimated 200+ miles of transmission main installed prior to 1970 will remain in service; as of 2035, the newest of those facilities will have been in service for 65 years. While well maintained, it is reasonable to assume that further replacements will be required as those pipelines age – which may increase the risk of continuing to operate those facilities. The forecast reflects replacement of 50% of those remaining pre-1970 pipeline segments by the end of the forecast period. Totaling more than $350 million, these investments make up nearly 11% of the overall forecast.

[50] Prior to 1970, retention of pressure test and other records was not required.

- Retrofitting of pipelines that are not able to accommodate the passage of inline inspection (ILI) devices is also included in the forecast. Prior to 1994, there was no requirement that transmission lines be designed and constructed in this manner. The process requires replacement of fittings, valves and certain pipe segments that will not accommodate the inspection device (often referred to as a "smart pig"). Based on the Company's annual transmission report to PHMSA for 2022, approximately two-thirds of the existing transmission system may have been installed prior to 1994. While some of these pipe segments will be subject to replacement, where the required records exist (as discussed previously) the Company plans to complete these retrofits through 2035. Coupled with the cost of initial ILI of transmission lines, this category makes up more than 2% of the overall forecast.
- PHMSA also requires the installation of remote shut-off valves (RSVs) to minimize the consequence of unintended releases of gas, to enhance public safety and reduce emissions impacts on the environment. The Company's long-term plan is to modify or replace over 400 existing valves with RSVs. These investments are expected to occur primarily through 2038.

Figure 7-4: Transmission Integrity/Maintenance CapEx



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Distribution Integrity and Reliability

The Company maintains a key focus on the integrity of its distribution, placing safe and reliable service at the forefront of its business planning. In total, this category of investment represents 28% of the overall forecast. The key areas include the following:

- Targeted replacement of asset types that present risks to the safe operation of the physical system. While the Company's prioritization of replacement targets will continue to be driven by its Distribution Integrity Management Program (DIMP) plan required by PHMSA (through which the highest-risk assets in the system are identified) the forecast does contemplate replacement of 19 0's vintage steel mains and service lines as well as certain

types of plastic mains and service lines installed in the 1980s and 1990s.[51] It is appropriate that the Company retain flexibility to modify its planned replacement investments as system risks change over time.

- In the near term, the Company expects to complete the retirement of all remaining bare steel mains as well as remaining PVC and ABS mains and services by the end of 2024.
- Replacement of mechanically coupled X-trube coated service lines will continue throughout the forecast period as well. These are thin-walled steel tubing service lines installed in the 1960s and 1970s that were typically connected to the gas main with compression-style mechanical fittings, rather than being welded. As such, they tend to have higher instances of leaks associated with soil movement or outside forces in the immediate area. Replacement of X-trube service lines makes up nearly 3% of the overall capital forecast.
- The Company's Sewer Camera nspection Project will continue in order to identify areas in which installation of gas facilities over time may have unintentionally come in contact with customer sewer laterals, resulting in what is referred to as a "cross-bore". This can lead to a safety risk in the event a customer attempts repair work using mechanical cleaning machines (or "snakes") to remedy a clogged sewer line, thus severing the gas line. While this issue is not common in the Company's system, multiple cross-bores have been identified. Moreover, it is an ongoing issue the gas industry is addressing across the United States. By inserting a camera inside the sewer system, cross-bores can be identified and repaired before any damage to the gas piping occurs. This project makes up 5% of the overall forecast.
- The forecast also includes representative reinvestment in the distribution system; for example, unplanned replacement of mains, service lines, valves, and regulators. Apart from targeted replacement of certain asset types which lends itself to more specific long-term planning, this category primarily consists of emergent issues which must be addressed through the course of normal operations. It is common for gas utilities to set aside dollars for these purposes in their overall planning process. In total, these investments in replacement distribution facilities make up 7% of the overall forecast.

Figure 7-5: Distribution Integrity & Reliability CapEx

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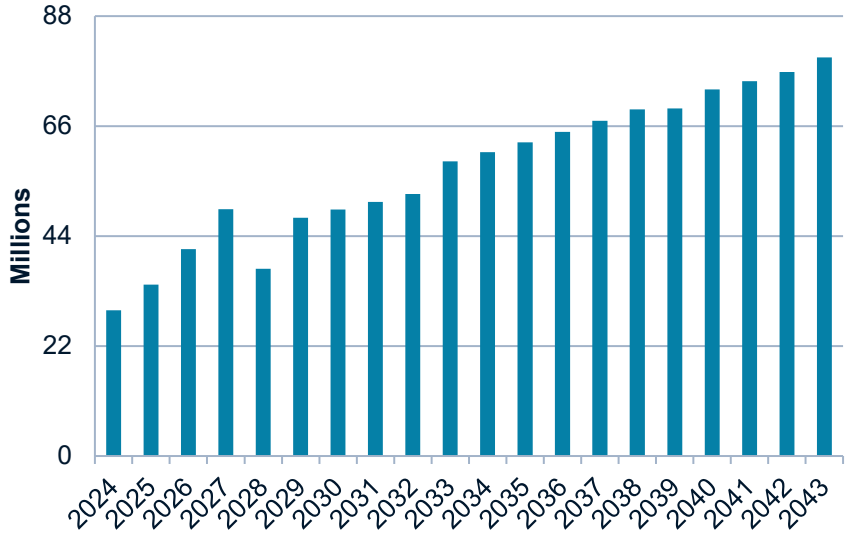
[51] The program to replace 1940s vintage steel mains would be completed in 2040. The program targeting 1980s and 1990s plastic mains would continue beyond 2043, with approximately 30% of those mains replaced during the 20-year forecast period.



New Distribution Facilities Supporting Customer Growth

New Distribution Facilities include the addition of mains, service lines and other infrastructure required to serve new customers. The forecast reflects modest annual growth similar to the Company's recent historical experience. n total, new distribution facilities make up over 11% of the overall CapEx forecast.

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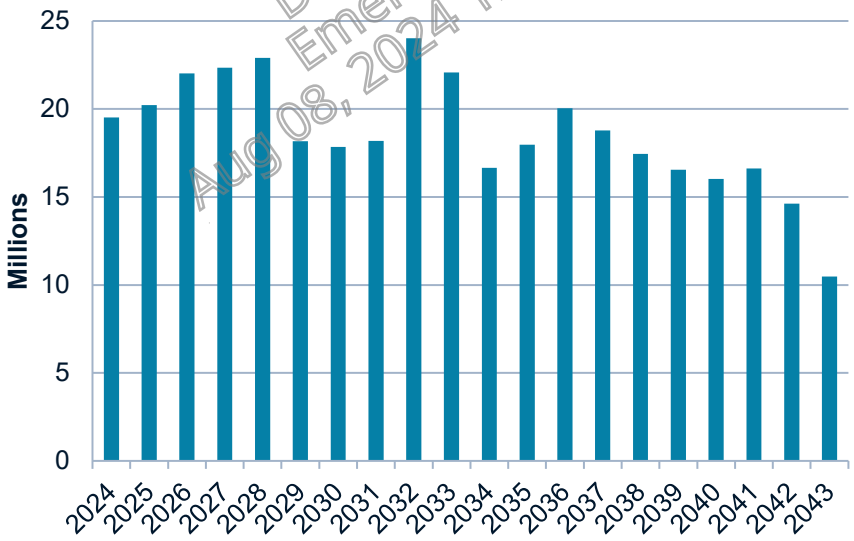
Figure 7-6: New Distribution Facilities CapEx



Major Projects

The forecast includes significant, non-recurring projects.

- As it continues to pursue sustainability and emissions reduction programs, the Company is anticipating future investments in RNG production facilities or similar decarbonization infrastructure. NMGC plans to work with state legislative and regulatory bodies to leverage

the experience gained by the industry, and Peoples Gas, an Emera-owned affiliate gas distribution utility in Florida which has developed RNG facilities, to develop RNG production facilities which would capture waste from New Mexico's dairy livestock and clean it to pipeline-quality natural gas that can be safely used by any natural gas appliance or other natural gas application. PA assumes that RNG will initially be used as a green fuel option where customers electing the service will pay a premium. In the longer term we anticipate it would be blended into the gas supply for all customers as part a comprehensive strategy to reduce emissions. Furthermore, PA's assumption is that the RNG will be procured through a combination of purchase contracts (i.e., a pass-thru expense) and Company owned equipment. Our assumption is that 25% of the RNG will be supplied through Company owned facilities. The first Company owned facility is projected to be online in the early 2030's and would be targeted to serve non-residential customers under a green tariff. We assumed the demand under the green tariff will be five percent of the delivered volumes to non-residential customers including transportation volumes, with the exception of power generation and off-system transportation. Successive facilities in 2034, 2038, and 2040 will be used to blend RNG into the gas supplied to all retail customers excluding power generation. While PA believes that successive RNG projects are a reasonable assumption to meet both customer demand for decarbonized energy and NM decarbonization goals, it is also possible that the capital investment will be directed towards other decarbonization projects such as hydrogen and carbon capture.

- The forecast includes approximately $16 million to complete the installation of AMR facilities across its service territory. Currently AMR is in place across approximately 80% of the Company's service territory.
- The forecast includes a satellite LNG facility providing backfeed and secondary service that will be situated on a remote portion of the distribution system that currently relies on gas delivery from a single source. This investment will provide a back feed and secondary supply source to ensure continued reliability for customers in that area of the service territory.
- The Company presently relies upon multiple systems for asset management activities. These systems are nearing the end of their useful lives and expected to be replaced by a single platform over the period of 2030 – 2031. The existing systems will be over twenty years old by the next decade.
- The Company's AMR meters also have a useful life of approximately twenty years. Batteries in these meters are already starting to fail; a transition to Advanced Metering Infrastructure (from AMR) is targeted for 2036 – 2038.
- An upgrade of the Company's C S, which is slated for completion in 202 . This investment is included in the Company's proposal in its pending rate case.

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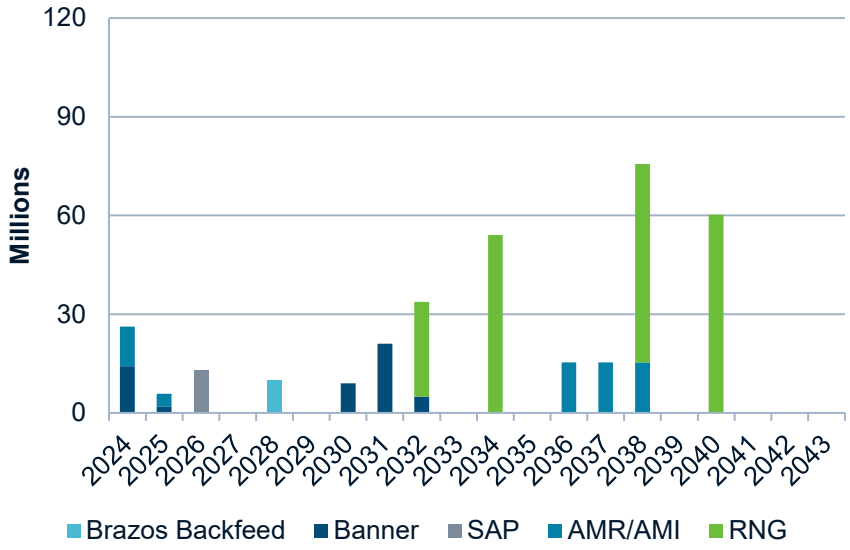
Figure 7-7: Major Projects CapEx



Information Technology

The forecast includes Information Technology investments that are made directly by the Company as well as the portion of corporate investments allocated to the Company by its parent. Inclusive of both hardware and software investments, the Information Technology category makes up approximately 7% of the overall forecast, excluding major information systems investments identified in the Major Projects category. Among these investments are a new software system to store and manage MAOP validation and material verification records as well as new and recurring replacement of advanced leak detection equipment.

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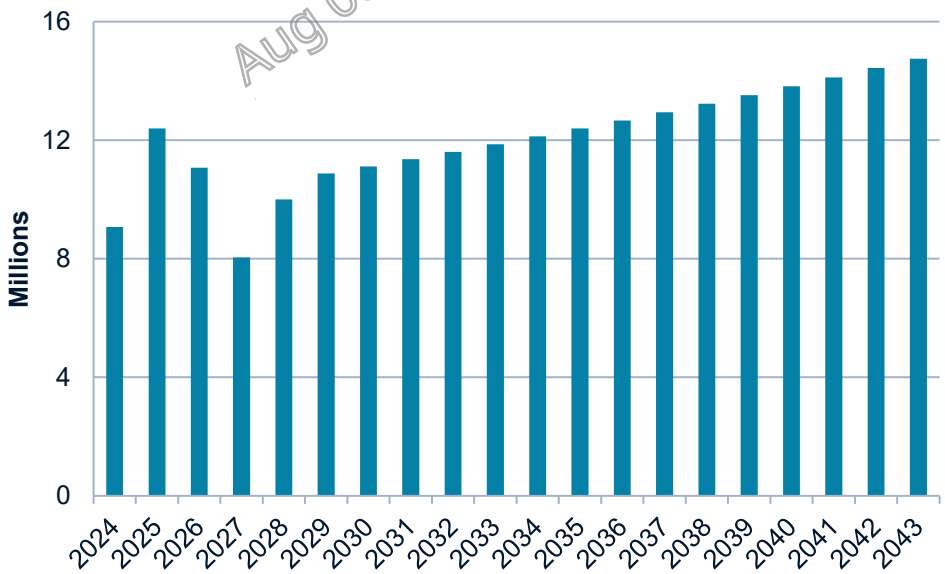
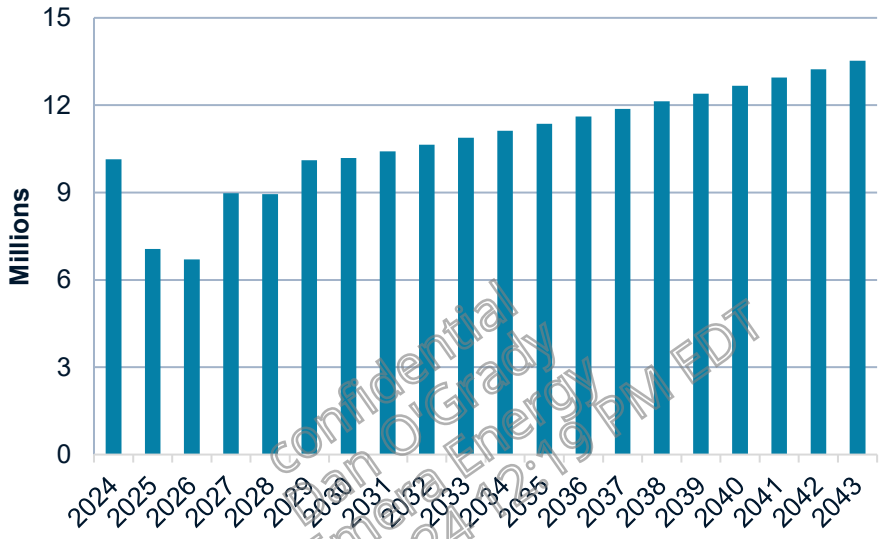
Figure 7-8: Information Technology CapEx



Facilities and Fleet

The Facilities and Fleet category includes recurring investments to maintain Company offices and other facilities, as well as new and replacement vehicles and power-operated construction equipment. In the near term, the forecast also includes major investments in new operations centers in Espanola and Farmington; these investments are included in the Company's pending rate case. The forecast also reflects an uptick in Fleet investments beginning in 2029 which is driven by an assessment of the fleet condition and identifying the need for more rapid replacements. Facilities and Fleet make up nearly 7% of the overall forecast.

Figure 7-9: Facilities and Fleet CapEx



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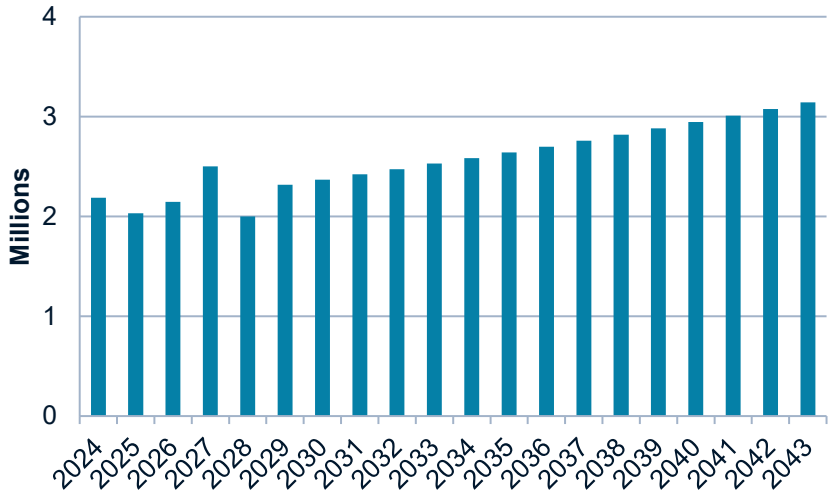
Security

The Company takes a proactive, comprehensive approach to the security of its physical facilities, including offices, pipelines, and other critical infrastructure following the Transportation Security Administration's guidelines for critical infrastructure. Through deployment of an integrated security solution, the Company is able to identify continuing needs to reinforce the security of its assets to protect employees, customers and the public in general. In total, Security investments represent approximately 2% of the overall forecast.

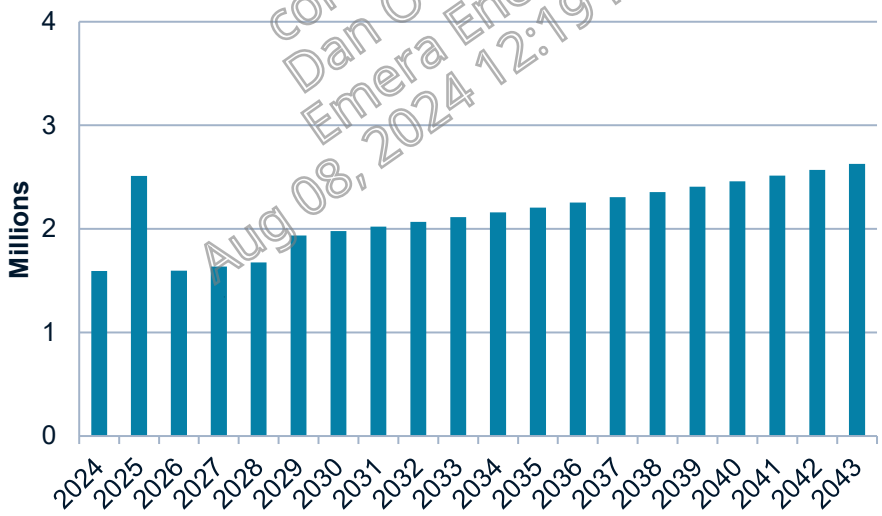
Figure 7-10: Security CapEx



General Plant

The General Plant category includes new and replacement tools and equipment required to support construction and maintenance of the gas delivery system and is typically a relatively small component of a gas utility's total investment needs. In total, general plant makes up approximately 1% of the overall forecast.

Figure 7-11: General Plant CapEx



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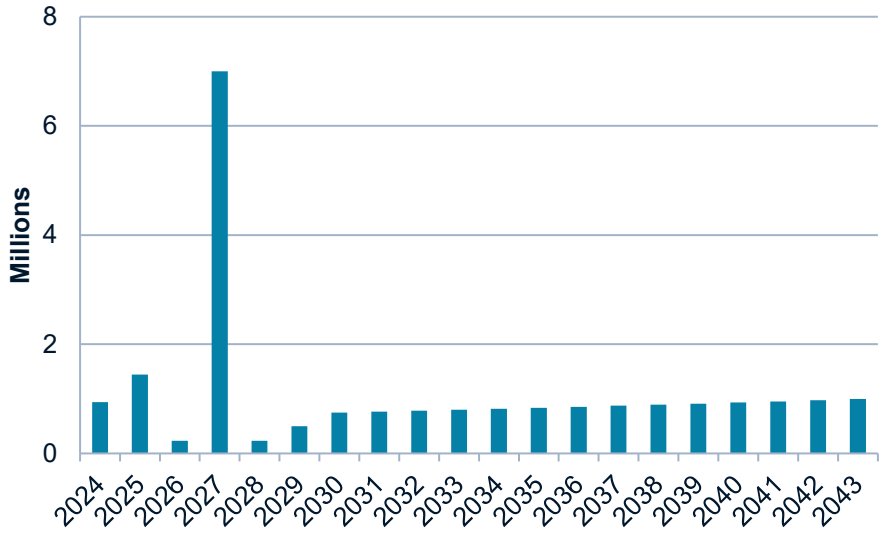
Compression

The Company is forecasting replacement of its compression facilities at [location] in order to reduce emissions consistent with EPA rules. The Company's ongoing maintenance of compression facilities entails replacements with rebuilt units, which are capitalized. Other recurring maintenance capex investments are also contemplated in the forecast, consisting of replacements of engines and other components to better ensure reliability of these facilities.

Figure 7-12: Compression CapEx



7.4 Potential Future CapEx

The February 202 Hearing Examiner's Recommended Decision was to not approve the Company's application for a Certificate of Convenience and Necessity (CCN) for construction of an LNG peaking facility near Rio Rancho. At the time of completing this report a final decision had not been made by the PRC. The proposed project with a project cost of $181million included both liquefaction and vaporization (or gasification) facilities as well as a 12 million gallon (1.0 Bcf) above ground storage tank. The purpose of the facility is to address system reliability in events such as Winter Storm Uri and to provide gas cost savings in times of significant natural gas price volatility. The gas cost savings estimates were based on long-term gas projections. While the Hearing Examiner's conclusion was that the gas cost savings were not sufficiently demonstrated, future gas prices could result in a different conclusion. NMGC Management continues to believe the project offers customer benefits. Consequentially, the project may be reconsidered in the future should the PRC follow the Hearing Examiner's recommendation.

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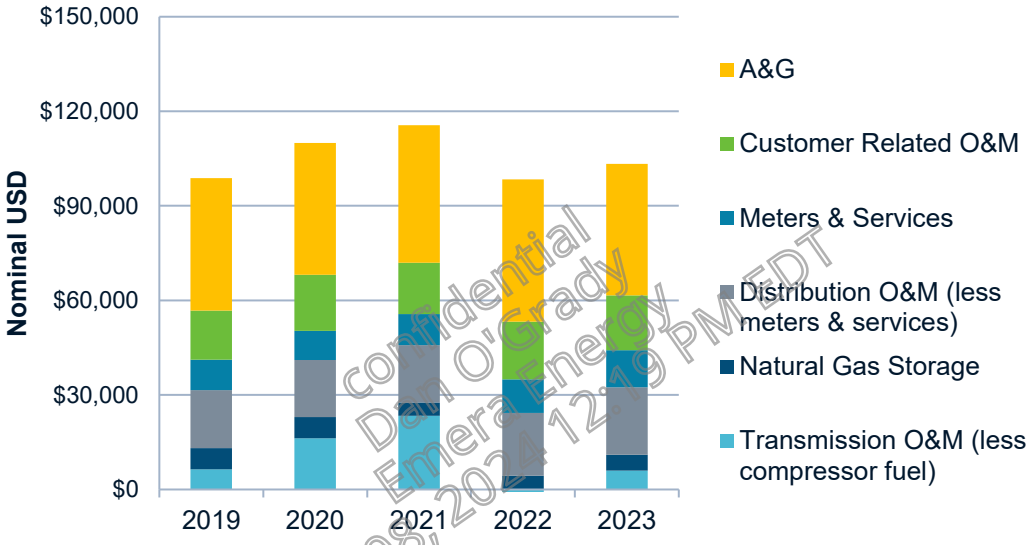
The February 202 Hearing Examiner's Recommended Decision was to not approve the Company's application for a Certificate of Convenience and Necessity (CCN) for construction of an LNG peaking facility near Rio Rancho. At the time of completing this report a final decision had not been made by the PRC. The proposed project with a project cost of $181million included both liquefaction and vaporization (or gasification) facilities as well as a 12 million gallon (1.0 Bcf) above ground storage tank. The purpose of the facility is to address system reliability in events such as Winter Storm Uri and to provide gas cost savings in times of significant natural gas price volatility. The gas cost savings estimates were based on long-term gas projections. While the Hearing Examiner's conclusion was that the gas cost savings were not sufficiently demonstrated, future gas prices could result in a different conclusion. NMGC Management continues to believe the project offers customer benefits. Consequentially, the project may be reconsidered in the future should the PRC follow the Hearing Examiner's recommendation.

7.5 Operating Expenditures

Typical Operations and Maintenance expenses at natural gas LDCs include costs to operate and maintain the distribution and transmission network, maintain customer accounts, provide customer services such as meter reading and call center operations, and other administrative and general activities supporting operation of the business. While also technically an operating expense, PA has excluded here a forecast of costs recoverable in the Company's purchased gas cost adjustment which are passed through to customers as incurred (subject to regulatory review). Gas costs are discussed in Section 3.

Figure 7-14 illustrates historical O&M spend for 2018-2022 for the major non-supply O&M categories. Historical spending by category reflects data reported in either FERC Form 2 or annual state LDC filings.

Figure 7-13: Historical OpEx by Category, 2019-2023



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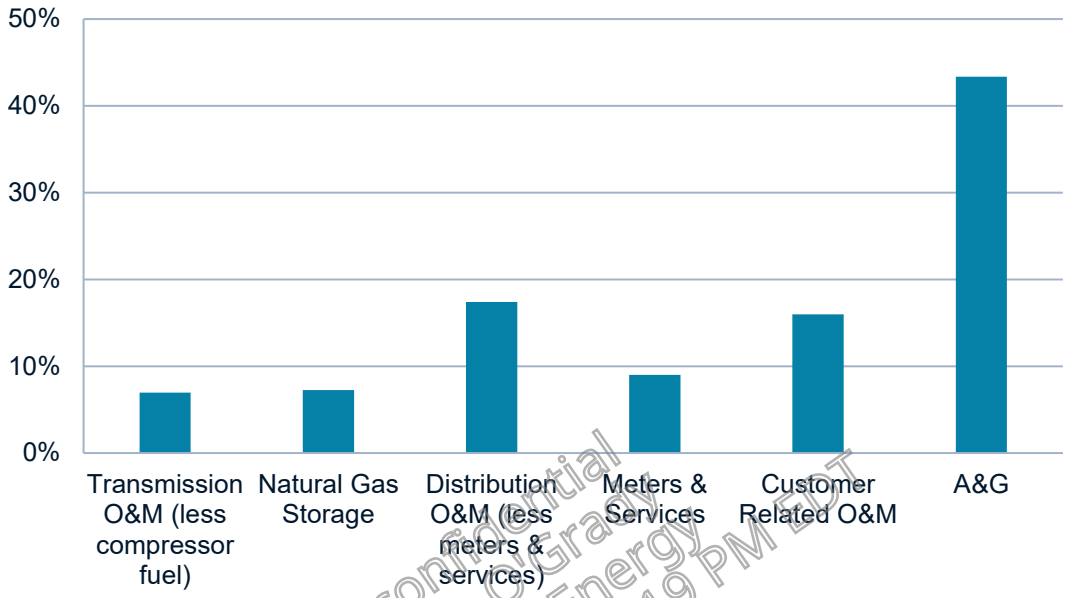
Prospectively, primary drivers of operating expenses are expected to be:

- Wages and salaries
- Pensions and benefits
- Insurance costs
- Labor and materials related to removing, resetting, testing, and servicing meters and regulators at customer premises
- Leak repair costs which, over time, are expected to decline as asset types having a greater relative risk of leaking are replaced
- Operation, inspection, and maintenance of the transmission system (including PHMSA-required periodic integrity assessments of certain pipeline segments)
- Costs related to customer applications, contracts, credit investigations, billing, accounting, collections, and complaints
- Costs related to the Transportation Security Administration's guidelines for critical infrastructure

PA developed a 20-year OpEx forecast based on historical expenses at the FERC account level, adjusting for known changes in the business. While it is typically reasonable to forecast many OpEx categories based on historical trends and adjusting for inflation, others (such as leak survey, leak repair, and meter reading) reflect those changes to operations that are anticipated. The overall OpEx forecast is depicted in Figure 7-14.

Figure 7-14: Overall OpEx by Category



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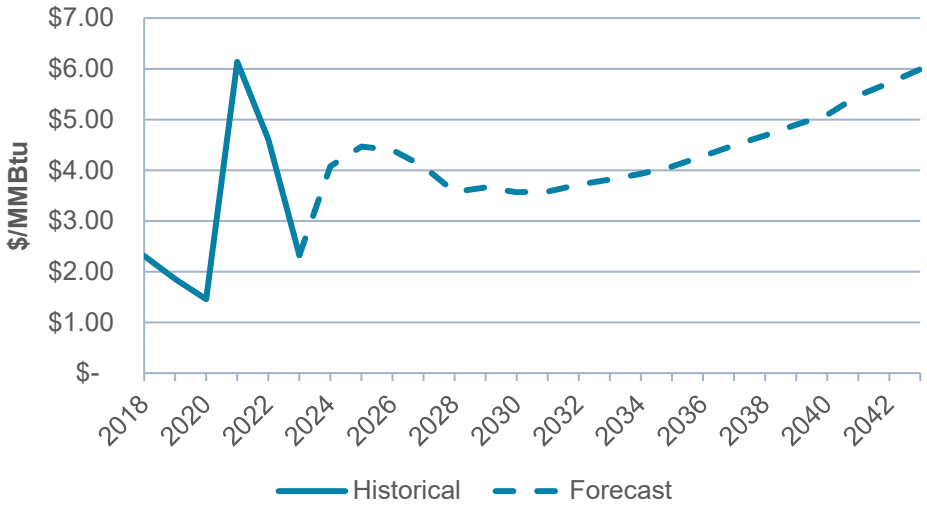
Weighted Average Cost of Gas

PA developed a weighted average cost of gas (WACOG) based on PA's natural gas price forecast for the state of New Mexico. Also included in the WACOG are transportation and storage costs, as well as optimization of transportation and storage contracts. See Figure 7-15 below.

Figure 7-15: Weighted Average Cost of Natural Gas ($nominal)



The overall shape of the PA's WACOG forecast is driven primarily by our forecast for the price of natural gas in New Mexico. PA projects that NMGC's WACOG will increase from $2.09 MMBtu in 2023 to $4.64/MMBtu in 2024 and, after increasing slightly in 2025, will follow a general downward trajectory through 2033. Early upward pressure is driven by an anticipated rebound in commodity prices from recent lows – our underlying natural gas price forecast incorporates forwards through 2025 in order to capture market expectations, before transitioning to a fundamental forecast beginning in 2027. Beyond 2033, plateauing and then declining production volumes in the Permian and other nearby natural gas basins is expected to exert upward pressure on prices, with WACOG ultimately reaching $6.33/MMBtu by the end of the forecast period.

Confidential
Dan Gray
Emera Energy
Aug 08, 2024 12:19 PM EDT

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We believe in the power of ingenuity to build a positive human future.

As strategies, technologies, and innovation collide, we create opportunity from complexity.

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We are over 4,000 strategists, innovators, designers, consultants, digital experts, scientists, engineers, and technologists. And we have deep expertise in consumer and manufacturing, defense and security, energy and utilities, financial services, government and public services, health and life sciences, and transport.

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Confidential
Dan O'Grady
Emera Energy LLC
Aug 09, 2024 15:19:11 EDT

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSE TO WESTERN RESOURCE ADVOCATES' FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants' hereby respond to Western Resource Advocates' ("WRA") First Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 1-7:

Please refer to the direct testimony of Jeffrey M. Baudier at page 30. During the transition services agreement, how will NMGC determine whether to procure previously shared services by hiring new employees in New Mexico or from third-party vendors? If services are procured from a third-party vendor, will NMGC replace them with new employees in New Mexico at the end of the transition services agreement?

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

For the sake of clarity, Joint Applicants have broken this question into parts a and b:

(a) **"How will NMGC determine whether to procure previously shared services by hiring new employees in New Mexico or from third-party vendors"?**

Response: As discussed in the Joint Application and Supporting Testimony, the Joint Applicants, based on the Accenture analysis, anticipate adding 51-61 employees through this process of on-boarding shared services, and anticipate transitioning services throughout the period of the Transition Services Agreement ("TSA"). The projection of 51-61 hires is predicated on all services being brought in-house, so if services are obtained through third-party vendors the Company anticipates that the number of in-house hires would probably be reduced. For this reason, the Company is proceeding under the stated preference of hiring in-house before retaining third-party vendors to provide support services, and will only retain outside vendors if the service cannot be provided efficiently and competently with in-house hires.

Making the detailed determination of whether to hire in-house or a third-party vendor can only be made on a service-by-service basis after having established a clear baseline of the current state and anticipated developments in each area. Accordingly, NMGC is evaluating its current state of shared services to help it determine whether each transferred support service is best provided by hiring new employees in New Mexico or by retaining a third-party vendor. This process is not yet completed. It is our intention to have this analysis sufficiently completed before the anticipated closing date (September 2025) to enable the Company to provide the support services, such as employee benefits, that need to be up and running on day one. Whether benefits will be solely handed by in-house employees or in conjunction with third-party vendors has not been determined conclusively at this time. Other replacement support services will be analyzed and established during the term of the TSA and decisions on the use of employees vs. third-party vendors will be made during the term of the TSA.

(b) **"If services are procured from a third-party vendor, will NMGC replace them with new employees in New Mexico at the end of the transition services agreement"?**

Response: For all the reasons stated above, we are not far enough along in our analysis to make this determination as of this date. Our preference is to bring services in-house, but decisions will be made on a service-by-service basis and we are still evaluating these questions for most of the shared services. Whether a third-party vendor is initially hired, or hired and replaced, or hired and retained, will depend on our analysis of each shared

service, the available resources inside and outside the Company, and timing considerations among other factors.

Exhibit BTC-14

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' First Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 10th day of February 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

Exhibit BTC-14

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' First Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 10th day of February 2025.

/s/Ryan A. Shell
Ryan A. Shell

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSES TO WESTERN RESOURCE ADVOCATES' FIFTH SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Fifth Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 5-4:
Please refer to Joint Application, p. 11, commitment 4. Please provide all responses in an unlocked Excel workbook with all formulas intact.

a. **For each year from 2009 through 2024, please identify the annual charitable contributions of cash from NMGC shareholders.**
b. **For each year from 2009 through 2024, please identify the annual charitable contributions of "in-kind donations" from NMGC shareholders.**
c. **For each year from 2009 through 2024, please identify the annual amount NMGC shareholders have contributed to low-income heating assistance programs.**
d. **For each year from 2009 through 2024, please identify the annual amount NMGC shareholders have contributed to low-income weatherization or low income energy efficiency programs.**

RESPONSE:
Ryan A. Shell

a. NMGC does not have information available to it for any shareholder charitable contributions before 2014. After 2014, NMGC's shareholders have provided approximately $500,000 per year in 2015 and 2016. From 2017 through 2020, the charitable contributions were slightly more than $800,000 per year. In 2020, largely due to COVID-19, charitable contributions were approximately $900,000. For the years 2021-2024, charitable contributions have averaged approximately $530,000 per year.

b. Pursuant to the agreement in Case No. 15-00327-UT, NMGC provided labor and material contributions to unserved and underserved communities requesting extension of gas mainlines to effectuate service in an aggregate amount of $10 million. NMGC is not aware of other in-kind donations by shareholders in New Mexico.

c. NMGC does not have records of shareholder contributions to low-income heating assistance programs prior to 2010. Please see JA Exhibit WRA 5-4c for contributions to Heat NM, NMGC's low-income heating assistance program, which is administered by the Salvation Army.

d. NMGC's shareholders have not made specific annual monetary contributions to low-income weatherization or low-income energy efficiency programs during the time frame covered by the interrogatory. However, until 2020, NMGC employees undertook an annual "weatherization day" for low-income customers, with a focus on seniors. Each year, approximately 30-40 employees would install weatherization-related improvements at 10-15 homes. Improvements included caulking and door stripping, installation of water heater blankets and outlet insulation, and plastic covering of window channeling and patio doors. These activities did not continue during and after COVID, but are being resumed in the fall of 2025. NMGC does not have an estimate of the value of materials or volunteer labor involved in the weatherization activities that occurred prior to 2020.

Currently, New Mexico Gas Company energy efficiency program costs are recovered through the Energy Efficiency Rider and are not funded by shareholder contributions.

Exhibit BTC-15

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fifth Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 14th day of April 2025.

/s/Ryan A. Shell
Ryan A. Shell

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSE TO NEW MEXICO DEPARTMENT OF JUSTICE THIRD SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to New Mexico Department of Justice's ("NMDOJ") Third Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to NMDOJ's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

NMDOJ INTERROGATORY 3-4:
Please provide any models used to determine the cost/benefit of this transaction for BCP.

Please provide these models in native format with formulae intact.

RESPONSE:
Jeffrey M. Baudier

No "cost/benefit model" was used with respect to the BCP Applicants' or Bernhard Capital Partners Management, LP's analysis of the Transaction. Notwithstanding this response, please see JA Exhibit NMDOJ 3-1 Confidential.

Exhibit BTC-16

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to New Mexico Department of Justice Third Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 24th day of February 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
JOINT APPLICANTS	)	**Docket No. 24-00266-UT**

JOINT APPLICANTS' RESPONSE
TO STAFF'S THIRD SET OF INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Staff's Third Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to Staff's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

STAFF INTERROGATORY 3-1:

Please explain why a rolling 3-year average for depreciation and amortization expense was selected as the minimum level of proposed capital investment until the next rate case. If other metrics were considered, please explain why these were not selected.

RESPONSE:

Jeffrey M. Baudier / Ryan A. Shell

The proposed regulatory commitment for maintaining a minimum level of capital investment based on a rolling 3-year average for depreciation and amortization expense until the next rate case was selected because a similar commitment was included as part of the regulatory commitments approved in Case No. 15-00327-UT involving the acquisition of TECO and NMGC by Emera. *See* Stipulation at ¶ 17, Case 15-00327-UT. The Joint Applicants wished to replicate and preserve certain of the regulatory commitments that were approved in Case No. 15-00327-UT. As stated in the proposed regulatory commitment, its objective is to help "ensure reliability and safety until the issuance of the final order in NMGC's next general rate case." *See* Joint Application, ¶ B.1. at 11. Other metrics in this regard were not considered. Please note that the referenced regulatory commitment sets a "minimum." The BCP Applicants state that NMGC management will have the ability to make capital investments in its system as necessary to ensure safe and reliable service.

Exhibit BTC-18

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Staff's Third Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 3rd day of March 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

Exhibit BTC-18

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Staff's Third Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 3rd day of March 2025.

/s/Ryan A. Shell
Ryan A. Shell

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANT'S RESPONSE TO WESTERN RESOURCE ADVOCATES' FOURTH SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Fourth Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 4-19:

Please refer to the Joint Application, p. 11, where the Joint Applicants write, "NMGC will make annual charitable contributions of cash or in-kind donations valued at a minimum of $500,000 for five years to qualified, tax-exempt organizations that are engaged in the development and improvement of communities and citizens in NMGC's service territory. NMGC will not seek recovery from customers of those contributions or in-kind donations." In its response to NMDOJ 1-25, the Joint Applicants clarified that the commitment was $500,000 per year for five years.

a. **Please explain how the Joint Applicants determined $500,000 per year for five years to be a reasonable level contributions.**
b. **Will the Joint Applicants make any commitment on the percentage of the contributions that will be cash rather than in-kind donations?**
c. **Please identify all charitable organizations that the Joint Applicants have identified that they may consider making contributions to as part of this commitment.**

RESPONSE:
Jeffrey M. Baudier / Ryan A. Shell

a. The Joint Application includes a commitment that "NMGC will make annual charitable contributions of cash or in-kind donations valued at a minimum of $500,000 for a total of five years to qualified, tax-exempt organizations that are engaged in the development and improvement of communities and citizens in NMGC's service territory." This equates to a total minimum commitment of $2.5 million over the five-year period. The

total $2.5 million in charitable contributions is essentially equivalent to a similar commitment in the Emera acquisition approved by the Commission in Case No. 15-00327-UT, where NMGC committed to contribute $800,000 per year for three years for a total of $2.4 million. *See* Stipulation at ¶ 19, Case No. 15-00327-UT. Absent this commitment, there is no requirement that NMGC make any charitable contributions. Based on the Commission's approval of a similar commitment in Case No. 15-00327-UT, the total $2.5 million is a reasonable level of charitable contributions. However, in determining whether an acquisition transaction provides benefits, the Commission should look to the transaction as a whole and not to individual components in isolation. As identified in the Joint Application and testimonies, the Transaction as a whole, will provide a variety of benefits to NMGC customers and to New Mexico.

b. The Joint Applicants are willing to consider a commitment on the percentage of the charitable contributions that will be cash rather than in-kind donations.

c. No decisions have been made concerning specific qualified organizations that may be recipients of any charitable contributions by NMGC.

Exhibit BTC-19

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF JEFFREY M. BAUDIER

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Jeffrey M. Baudier, President of Saturn Utilities Holdco, LLC and Senior Managing Director of Bernhard Capital Partners Management, LP, affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fourth Set of Interrogatories and Requests for Production of Jeffrey M. Baudier. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 28th day of March 2025.

/s/Jeffrey M. Baudier
Jeffrey M. Baudier

Exhibit BTC-19

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fourth Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 28th day of March 2025.

/s/Ryan A. Shell
Ryan A. Shell

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSES TO WESTERN RESOURCE ADVOCATES' FIFTH SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Fifth Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 5-5:
Please refer to JA Exhibit NMDOJ-137. Please identify the criteria Emera considered as part of its review buyers' proposals. Please identify where in this document, or any other document, each criterion is discussed.

RESPONSE:
Karen Hutt

Ms. Hutt testified regarding this topic in her Deposition taken on April 9, 2025. The transcript of this deposition is not available at this time.

As contained in the exhibits, Emera's primary criteria in reviewing potential buyers' proposals were as follows:

(1) purchase price, discussed at pages 3, 4, 7, 8, 9, 17, 23, 24, 41, 43, 46, 50, 51, 52, 54, 59, 61, 67 of JA Exhibit NMDOJ 1-37 and pages 1 and 5 of JA Exhibit NEE 2-43f;

(2) a potential purchaser's financial capacity to fund the transaction, discussed at pages 7, 8, 9, 61, 62, 63, 68 of JA Exhibit NMDOJ 1-37 and pages 1 and 5 of JA Exhibit NEE 2-43f;

(3) a potential purchaser's requirements for transition services, discussed at pages 3, 7, 8, 9, 23, 43, 63, 66 of JA Exhibit NMDOJ 1-37 and page 1 of JA Exhibit NEE 2-43f;

(4) a potential purchaser's plans for local management and employees, discussed at pages 7, 8, 9, 23, 61 of JA Exhibit NMDOJ 1-37 and pages 1 and 5 of JA Exhibit NEE 2-43f;

(5) a potential purchaser's due diligence requirements, discussed at pages 3, 7, 8, 9, 23, 24, 43 of JA Exhibit NMDOJ 1-37 and pages 2 and 5 of JA Exhibit NEE 2-43f;

(6) timing considerations, discussed at pages 3, 7, 8, 9, 23, 24, 61 of JA Exhibit NMDOJ 1-37 and pages 2 and 6 of JA Exhibit NEE 2-43f;

(7) other approvals required by a potential purchaser to complete the transaction, discussed at pages 7, 8, 9, 23, 24 of JA Exhibit NMDOJ 1-37 and pages 2 and 6 of JA Exhibit NEE 2-43f;

(8) the terms and conditions of the purchase and sale agreement and related transaction documents, discussed at pages 50, 51, 59, 61, 62, 63, 66, 67 of JA Exhibit NMDOJ 1-37 and pages 2 and 5 of JA Exhibit NEE 2-43f, and

(9) the prospects for regulatory approval, discussed at page 62 of JA Exhibit NMDOJ 1-37.

Emera also requested information from prospective buyers regarding their transaction, operating and ownership experience in public utilities in the Round 1 bid letter provided as JA Exhibit NEE 2-43f.

Emera considered the following when deciding to transact with Saturn Holdco:

(10) Bernhard Capital Partners Management, LP's ("BCP Management") track record of attracting capital for its managed funds and making long-term investments in infrastructure investments, including investments other BCP Management managed funds were making in other natural gas utilities. Please see Direct Testimony of Jeffrey M. Baudier at pages 7, 9-13, 40 and 48; JA Exhibit JMB-3 at pages 6, 7 and 8; and Direct Testimony of Karen Hutt at p. 6. See also, JA Exhibit NMDOJ 1-37 at page 6; Joint Application at page 4; JA Exhibit NEE 2-43g at pages 23, 24, 34 and 35.

(11) BCP Management's commitment to maintaining local management and a local board. Please see Joint Application at page 14; JA Exhibit NEE 2-43g at pages 25, 34 and 36; Direct Testimony of Jeffrey Baudier at pages 8, 9, 14, 24, 25 and 37; JA Exhibit JMB-3 at pages 2, 3, 13 and 19; 10 of the Direct Testimony of Karen Hutt, at page 10; and Direct Testimony of Ryan A. Shell at pages 6, 7, 9 and 10.

(12) Investments by other BCP Management managed funds in New Mexico. Please see Direct Testimony of Jeffrey M. Baudier at page 17; JA Exhibit NEE 2-43g at pages 26 and 37; and Direct Testimony of Karen Hutt at pages 5 and 10; and

(13) BCP Management's commitment to an orderly and efficient transition of shared services from Emera and its affiliates to NMGC, which would result in additional jobs in New Mexico. Please see Joint Application at pages 7 and 10; JA Exhibit NEE 2-43g at pages 25, 34 and 36; Direct Testimony of Jeffrey M. Baudier at pages 24, 25, 29, 30, 32, 42, and 48; JA Exhibit JMB-3 at pages 14 and 15; Direct Testimony of Karen Hutt at pages 9 and 10; and Direct Testimony of Ryan A. Shell at pages 4, 7, 8 and 9.

Exhibit BTC-20

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF KAREN HUTT

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Karen Hutt, Executive Vice President of Business Development & Strategy, for Emera Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fifth Set of Interrogatories and Requests for Production of Documents of Karen Hutt. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 14th day of April 2025.

/s/Karen Hutt
Karen Hutt

Exhibit BTC-20

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fifth Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 14th day of April 2025.

/s/Ryan A. Shell
Ryan A. Shell

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New Mexico GAS COMPANY

Overview of Round 1 process

	Dates	Stage	# of participants	Participants
1	2/9	Potential buyers contacted	45	Sponsors: 30; Strategics: 15
2	2/9 – 3/26	NDAs executed	20	Sponsors: 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2; Strategics: 2 2 2 2 2 2
3	3/21 – 3/27	Fireside chats	6	2 2 2 2 2 2
4	4/9 – 4/11	Round 1 bids submitted	5	Conforming bids: A, B, C, D, E; Verbal IOI: 2 2 2
5	[4/16]	Advanced to Round 2	TBD	

After an outreach process where 45 potential buyers were contacted, 20 executed NDAs and 8 parties submitted a Round 1 indication of interest, of which 5 were conforming bids

Exhibit BTC-21

New Mexico GAS COMPANY

Overview of indicative proposals

	Bids ranked by equity value ($mm)	Valuation ($mm) Enterprise value	Valuation ($mm) Equity value	Implied multiples P/E[1] ($35.5mm)	Implied multiples FV / LTM RAB ($902mm)	Commentary
B	$748	$1,300	$748	21.1x	1.44x	• Relied on opera ing and financial assumptions in the seller model plus own initial diligence • Focus on operating costs and capex as key valuation drivers for R2 diligence • Prepared to complete due diligence in ~8-10 weeks
A	$712	$1,262	$712	20.0x	1.40x	• Used primarily sellers assumptions • Focus of R2 diligence on shared services, operating costs, capex and regulatory matters • Anticipate 8-10 week for R2 diligence
D	$598	$1,150	$598	16.8x	1.28x	• Detailed diligence discussion during check in calls on key operating and financial assumptions • Able to complete diligence in 6-8 weeks
C	$548	$1,100	$548	15.4x	1.22x	• Noted a limited need for transition services relative to other bidders
E	2					
Only verbal IOI offered						
2	$440 – $530	$992–$1,082	$440–$530	12.4x–14.9x	1.10x–1.20x	• Noted macroeconomic and regulatory risk • Did not submit a bid as they did not believe they would be competitive on price
2	$440	$992	$440	12.4x	1.10x	• Noted macroeconomic and regulatory risk • Did not submit a bid as they did not believe they would be competitive on price
2	$348	$900	$348	9.8x	1.00x	• Did not submit a bid as they did not believe they would be competitive on price • Seeking a higher near-term cash yield and distributions were not high enough

J.P.Morgan

Note: Valua ion date of 06/30/24; Cash-free and debt-free deal; Assumed net debt of $552mm from Round 1 sell-side model if not given explicitly
[1] EMA's LTM P/E per FactSet as of 4/10/24 is 13.3x

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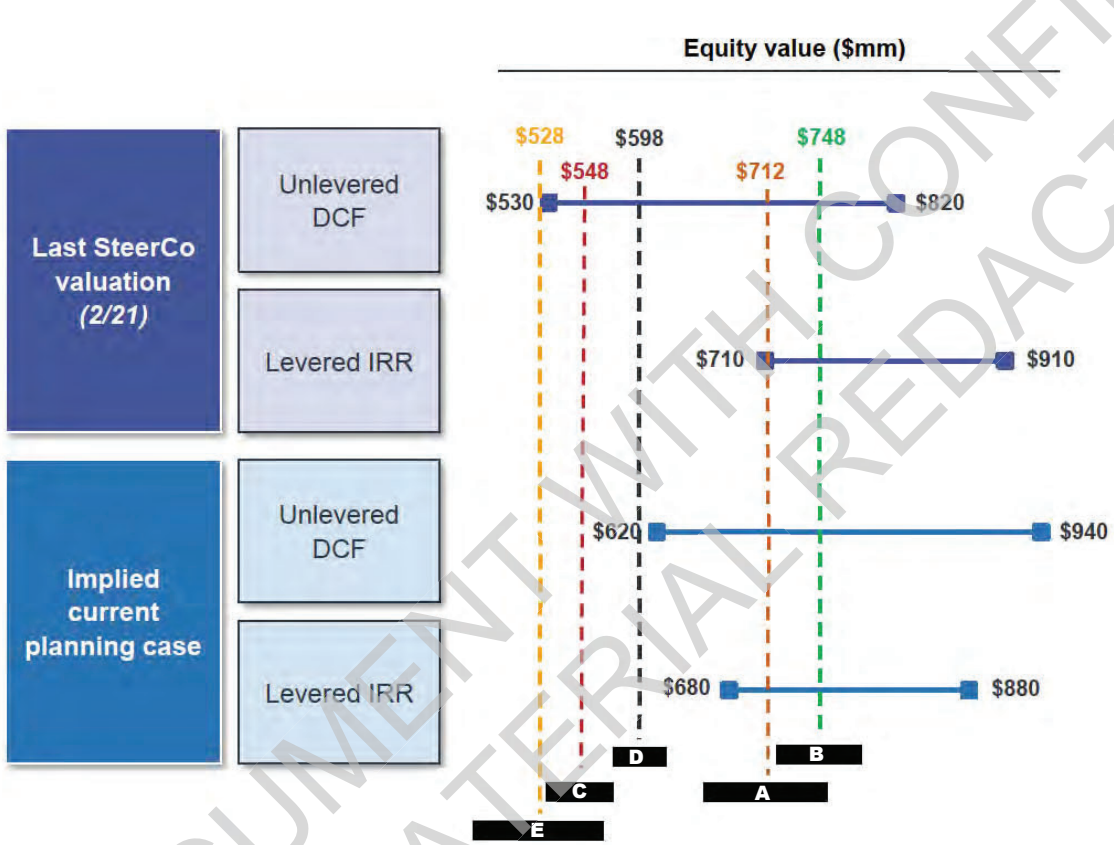
New Mexico GAS COMPANY

Comparison of NBOs to prior valuation cases



	Enterprise value[1]	LTM P/E[2]	LTM FV/RAB[3]
Last SteerCo valuation (2/21) – Unlevered DCF	$1,050mm to $1,340mm	15.5x to 24.3x	1.19x to 1.52x
Last SteerCo valuation (2/21) – Levered IRR	$1,245mm to $1,440mm	20.4x to 26.2x	1.38x to 1.59x
Implied current planning case – Unlevered DCF	$1,175mm to $1,490mm	17.5x to 26.4x	1.30x to 1.65x
Implied current planning case – Levered IRR	$1,235mm to $1,435mm	19.2x to 24.8x	1.37x to 1.59x

Both cases assume 9.375% ROE and a 52% equity layer

J.P.Morgan [1] Net debt including revolver of $530mm as of 6/30/24; [2] LTM earnings of $35mm; [3] LTM RAB of $904mm

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New Mexico GAS COMPANY

Illustrative transaction timeline

★ Key process dates

	Task	Week of:	2/5	2/12	2/19	2/26	3/4	3/11	3/18	3/25	4/1	4/8	4/15	4/22	4/29	5/6	5/13	5/20	5/27	6/3	6/10	6/17	6/24
			Feb				Mar					Apr				May				June			
1 Phase I (~6 weeks)	***Round I launch***		★																				
	Distribute teasers / NDAs		3-4 weeks																				
	Distribute Round I package						★																
	Check-in calls																						
	Fireside chats																						
	Buyer initial due diligence						6 weeks																
2 Phase II (~10 weeks)	***Round I bids due / review***											★											
	Round II Launch												★										
	Open data room																						
	Support process Q&A / DD												8 weeks										
	In-person MPs																						
	Site visits														2 weeks								
	Prepare draft legal documentation												4 weeks										
	Distribute PSA & schedules															2 weeks							
	Final bids due																			★			
	Evaluation of final bids																						
	Negotiate & finalize contract																						2 weeks
	Signing & announcement									Current week													★

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New Mexico GAS COMPANY

Overview of Round 1 indicative proposals received

	A	E
Valuation	Enterprise value $1,262 / Equity value $712	2
Key conditions and assumptions	• Valuation date of 06/30/2024 • Debt-free, cash-free	
Transition services	• Transition Services Agreement for a limited time period	
Financing services	• Combination of cash on hand, revolver, and issuance of debt/equity • Bridge loan from 2, no financing contingencies • Capital structure to remain in line with current structure	
Management and employees	• Senior management to remain in place	
Diligence requirements	• Legal, financial, tax, HR, IT diligence; site visits; management presentation; confirmatory technical and operational analysis by third-party consultants; environmental, permitting, and regulatory reviews • Specific focus will be given to transition and integration needs	
Timing	• Prepared to complete due diligence in ~8-10 weeks	
Approvals / other	• Should a binding bid be submitted, board approval will have been obtained prior to submission • External regulatory approval process • 2 2	
Advisors	2	Jefferies

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New Mexico GAS COMPANY

Overview of Round 1 indicative proposals received

	B		C	
Valuation	Enterprise value $1,300	Equity value $748	Enterprise value $1,100	Equity value $548
Key conditions and assumptions	• Assumed accuracy of operating cost and capital assumptions • Did not include a valuation date in their bid		• Valuation date of 06/30/2024 • Debt-free, cash-free	
Transition services	• Interested in arranging a "comprehensive" Transition Services Agreement • Scope and tenor of agreement to be discussed in Round 2		• Limited need for transition services	
Financing services	• Capable of providing or arranging 100% of funding requirements		• Operating company debt and holding company debt/equity	
Management and employees	• To be discussed further in R2 along with transition services and any company plans for retention		• "Largely" anticipate retaining current NMGC management and personnel	
Diligence requirements	• Finance, legal, tax, IT, HR, real estate, insurance diligence; site visits; expert sessions; capital planning; O&M and capital cost history; detailed financial model; permits, regulatory docs, and environmental reports; ESG policies, procedures, and reporting		• Finance, legal, environmental, and HR diligence; regulatory philosophy and practices of PRC; support for capital projects; ability for customers to afford rate increases; strategic and gas supply plans; pipeline integrity management; terms of contracts	
Timing	• Customary for round two processes		• Can complete due diligence in an "expeditious manner"	
Approvals / other	• Final approval from IC prior to executing a binding agreement • Governmental and regulatory approvals		• Able to obtain regulatory approvals and close transactions in a timely manner – two prior transactions closed within 9 and 5 months • Board approval will be obtained prior to submission of a definitive bid ◦ No further corporate authorizations required	
Advisors	• N/A		• Financial advisor will be engaged in Round 2	

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New Mexico GAS COMPANY

Overview of Round 1 indicative proposals received

[redacted]

Valuation	Enterprise value $1,150	Equity value $598
Key conditions and assumptions	• Valuation date of 06/30/2024 • Debt-free, cash-free	
Transition services	• Will look for a Transition Services Agreement of at least 24 months	
Financing services	• Combination of [redacted] vehicles and bank financing	
Management and employees	• Keep existing workforce and management team in place • Additional augmentation to be addressed in Round 2 diligence	
Diligence requirements	• Customary finance and tax diligence; technical review of the Company's asset base; site visits; review of current and future rate base; capex plans; regulatory relationships and strategy; environmental safety and records; ESG plans; existing contract structures and terms; review of inter-company agreements and policies	
Timing	• 6-8 weeks after beginning Round 2 diligence	
Approvals / other	• Final approval from IC prior to executing a binding agreement • Customary regulatory and governmental approvals	
Advisors	• N/A	

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New Mexico GAS COMPANY

Top 10 diligence questions

Based on check-in calls, fireside chats, and diligence Q&A

Regulatory

- Why did the Commission reject the Rio Rancho LNG facility, and is there a possibility to revisit it in the future?
- What is the relationship like between NMGC and the regulators, and how do they achieve good outcomes?
- What concessions are likely going to be required by the Commission to approve this transaction? (e.g. customer credits, rate freezes, minimum holding periods, local Board)

Finance

- Is revenue from AMAs regulated, and how does it impact overall ROEs?
- What are key drivers of over / under-earning?
- Why does management expect ROE to increase to 9.6% and equity capitalization to increase to 54.0%?

Shared services

- What services are currently provided by Emera?
- How much would it cost to replace these shared services (e.g. by a sponsor)?
- Is Emera planning to provide transition services, and at what cost?

Capex

- How confident is NMGC in being able to maintain the high capex spend, given impact on customer rates?

Responses to key diligence items will be incorporated into the Management Presentations

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New Mexico GAS COMPANY

Sample bid clarification questions

Additional value

- Were there any key assumptions in model you flexed for purposes of NBIO and took a particularly conservative view on?
  - What was underpinning that conservatism?
- What could help better inform views on those topics if you were to be put through to Round 2?
- Are there specific pockets of additional value you see a pathway to during Round 2?
  - What are they?
  - How big?
  - Rationale for not in NBIO?

Diligence

- If put through to Round 2, what would be key diligence focus areas?

Management

- Potential that 1 member of senior mgmt. team moves back to Emera – but it is an ongoing discussion – is that ok?

Transition Services Agreement

- How long do you anticipate a TSA lasting?
- Are there any services that you view as particularly essential

Financing

- Please elaborate on financing structure and roughly what % of total deal value would be funded by various sources

Timing

- How much time would you need to complete Round 2 diligence and submit a final offer?
- Are there any items that could help expedite your diligence?
  - MPs, site visits, more time with mgmt. etc?

Other

- Are you currently engaged in any competing processes?
- Discuss any resource constraints
- What are your preliminary perspectives on an investment horizon?

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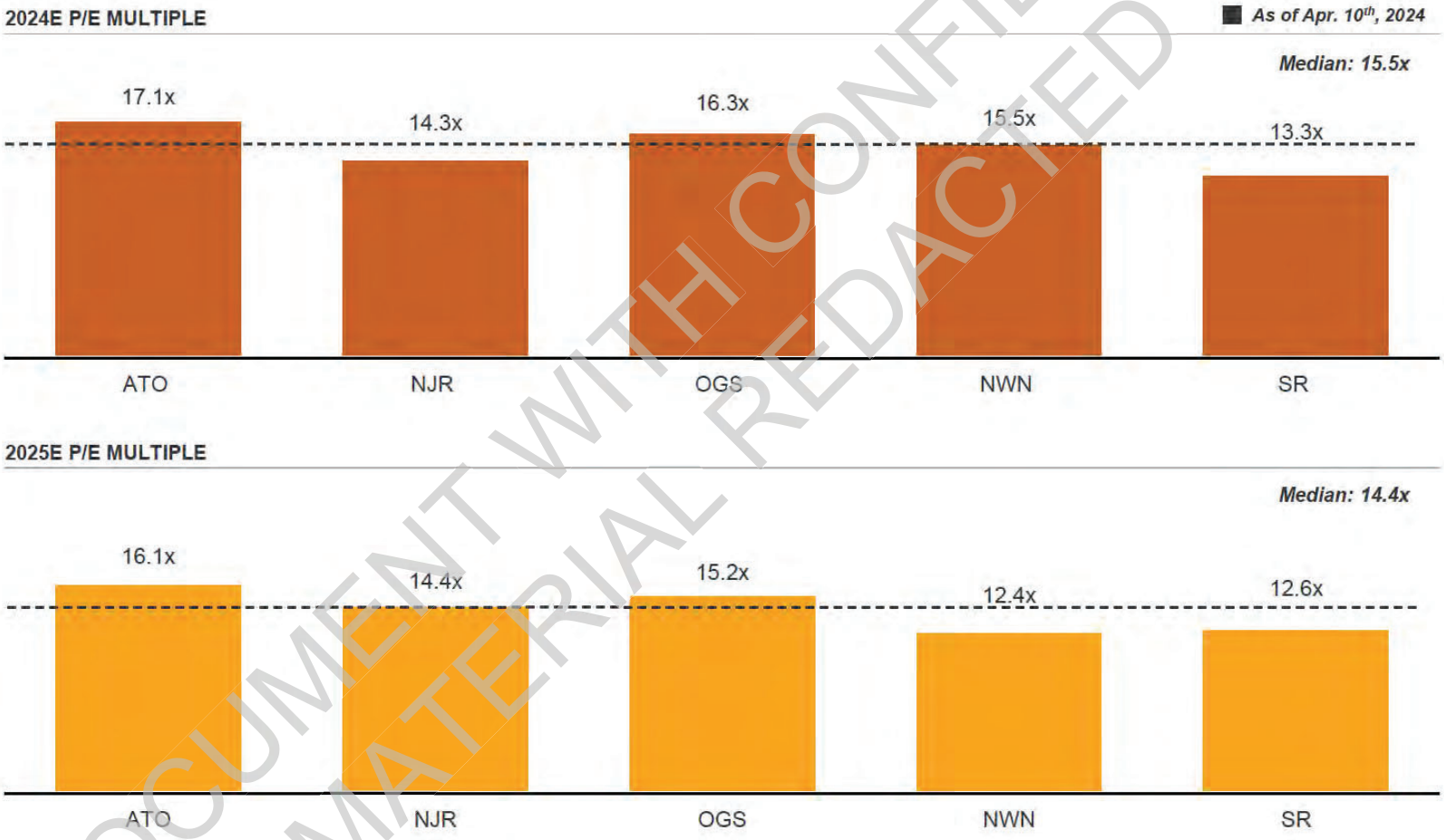
New Mexico GAS COMPANY

Gas LDC trading comparables



J.P.Morgan Source: FactSet as of 4/10/2024

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New Mexico GAS COMPANY

Gas LDC peer metrics

Updated as of 4/10/2024

	Gas LDCs and Diversified					
	ATMOS energy	New Jersey Resources	ONE Gas	spire	NW Natural	Median
Utility type	Gas	Gas	Gas	Gas	Gas	
Rate base split (% electric / % gas)	0% E / 100% G	0% E / 100% G	0% E / 100% G	0% E / 100% G	0% E / 100% G	
Market cap ($bn)	$17.4	$4.1	$3.6	$3.2	$1.4	
Firm value ($bn)	$24.6	$7.4	$6.6	$8.2	$2.8	
2023 rate base ($bn)	$16.6	$3.2	$5.2	$4.3	$2.2	
FV / 2023E EBITDA (x)	14.0x	12.9x	10.3x	11.5x	10.0x	***11.5x***
FV / 2024E EBITDA (x)	12.0x	11.6x	9.6x	10.6x	9.3x	***10.6x***
FV / 2025E EBITDA (x)	10.5x	11.2x	8.7x	9.8x	8.1x	***9.8x***
P / 2023E EPS (x)	18.3x	17.2x	15.2x	15.8x	13.8x	***15.8x***
P / 2024E EPS (x)	17.1x	14.3x	16.3x	13.3x	15.5x	***15.5x***
P / 2025E EPS (x)	16.1x	14.4x	15.2x	12.6x	12.4x	***14.4x***
FV / 2024E RAB (x)	1.33x	1.18x	1.13x	1.19x	1.35x	***1.19x***
FV / 2025E RAB (x)	1.19x	1.10x	1.07x	1.10x	1.13x	***1.10x***
Credit ratings (S&P / Moody's)	A-/A1	NR/A1	A-/A3	A-/Baa2	A+/Baa1	
EPS growth[1]	7.0%	8.0%	5.0%	6.0%	5.0%	

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Source: FactSet as of 4/10/2024; external equity research; company disclosures
[1] Reflects management guidance

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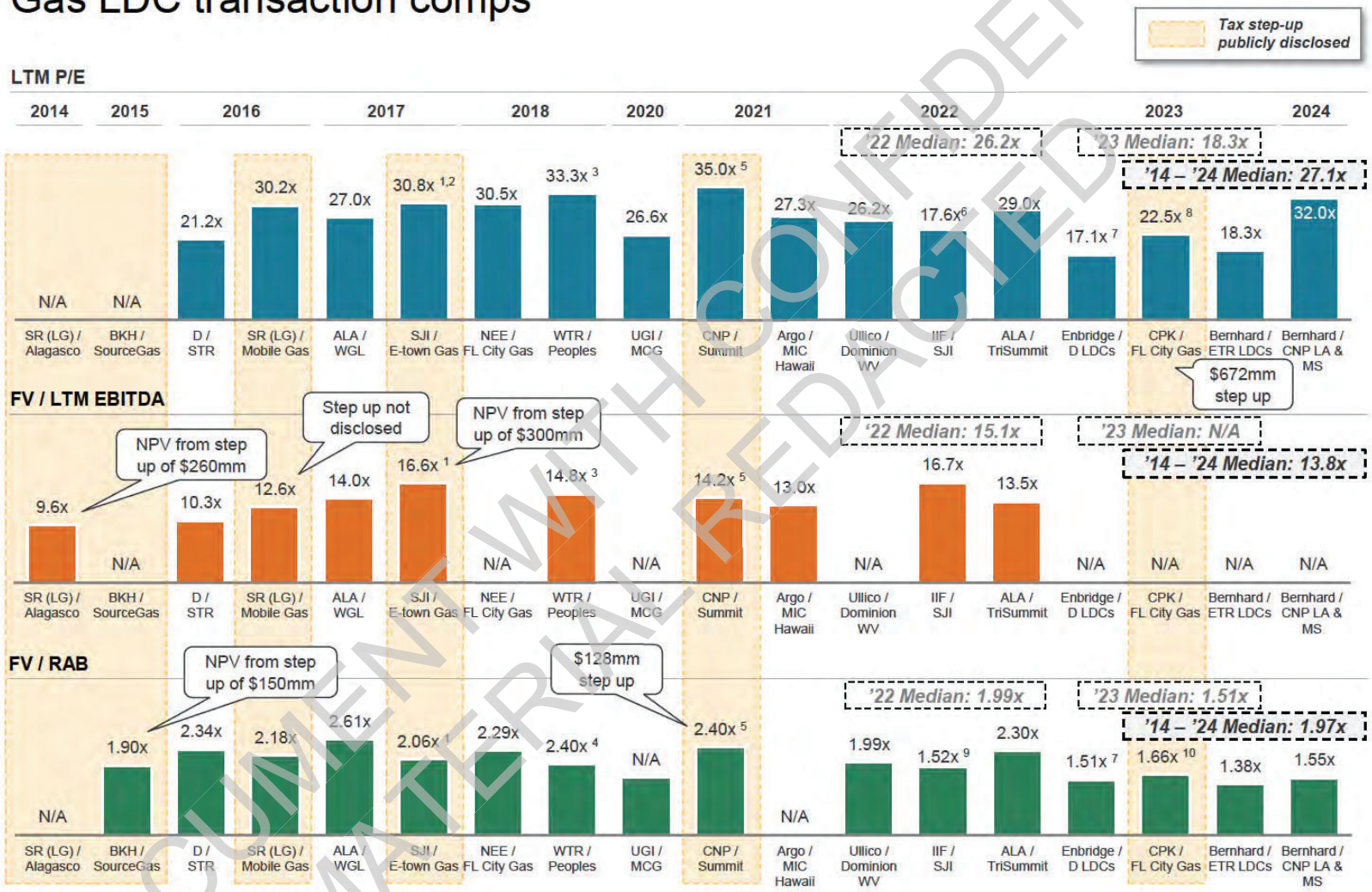
New Mexico GAS COMPANY

Gas LDC transaction comps



Source: Company filings, broker research and FactSet

[1] Shown without tax benefit; Net of pre-tax reform ~$300mm tax benefit LTM P/E of 23.4x and FV / LTM EBITDA of 13.7x ; Net of post-tax reform ~$180mm tax benefit LTM P/E of 26.4x and FV / LTM EBITDA of 14.9x, [2] P/E multiple is 2018E forward multiple; [3] Implied LTM metrics based on 5% growth rates from 2017 regulatory filings and 2019 management estimates; [4] Management disclosed 2019 RAB; [5] Net of benefit of step up and $425mm gas cost recovery, including step up results ins in 38.2x,15.4x, and 2.55x LTM P/E, FV/EBITDA, and FV/RAB multiples respectively; [6] Management disclosed LTM net income; [7] Adjusted multiples reflecting utility-only transaction value, earnings, and rate base (excluding Wexpro); [8] 2023E multiple based on 2023E regulatory net income calculated as YE 2023E RAB and 59.1% equity layer adjusted for deferred taxes, multiple net of benefit from step-up which results in 25.9x multiple when included; [9] Assumed ~$914mm value of unregulated businesses less propor ionate corporate drag based on equity research; assumes current company HoldCo debt is proportionately allocated to unregulated business based on relative size of equity value contribution; [10] Net of benefit from step-up. Including step-up value results in 1.85x

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New Mexico GAS COMPANY

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Executive Summary

- Written non-binding Round 1 bids were submitted this week from five parties. A summary of the bids can be found on slide 8. [redacted] A comparison of the bids to valuation cases can be seen on slide 9.
- The following analysis, which leverages the February 2024 LTF update and 2024 Q1F and assumes Project Amphibian proceeds as expected, considers the following:
  1. Impact of [redacted] equity bid price on forecasted EPS and credit metrics
  2. Impact of Project Saturn not moving forward (assuming Amphibian proceeds as expected) on forecasted EPS and credit metrics and sensitivity of the forecast to the 2025 share price
- [redacted]
- The outcome of Project Amphibian is an important consideration that would impact the value we are willing to accept for Project Saturn. Until this outcome is known we cannot say with certainty where we would be willing to transact. Continuing to advance the process maintains our flexibility to decide whether it is optimal to transact or to issue equity.

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Scenario Overview

- The following portfolio optimization assumptions have been used in this analysis:
  - Project Amphibian – reflects a net equity purchase price of $1.2B CAD and assumes a June 30, 2024, close.
  - Project Saturn – reflects a range of proceeds based on Round 1 bids (see summary on slide 8) and assumes a June 30, 2025, close.
- Leveraging the February 2024 LTF update and 2024 Q1F, the following scenarios have been completed for this analysis:
  - Asset Sales – assumes both Amphibian and Saturn are successfully completed as described above with no additional ATM.
  - Project Amphibian Only – assumes equity proceeds of $1.2B CAD and a June 2024 close + 2 as a replacement for Project Saturn at various share prices.

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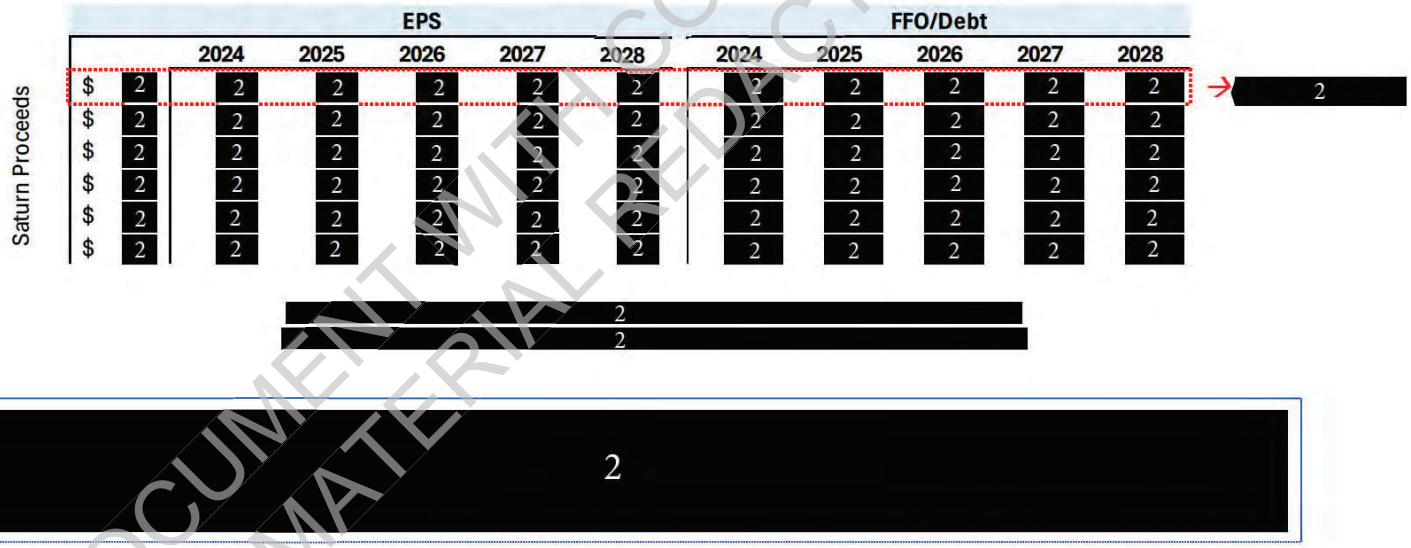
Asset Sale Scenario – Price Sensitivity



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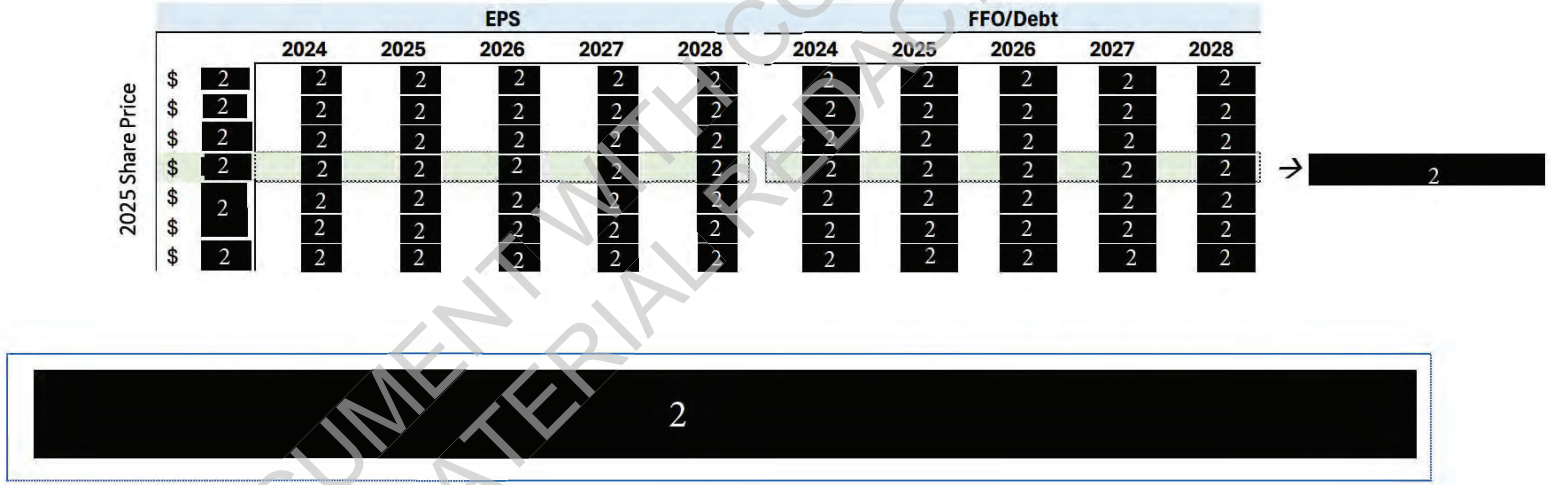
Project Amphibian Only – 2025 Share Price Sensitivity



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Key Considerations

- In addition to the impacts on EPS and credit objectives, the following additional factors should be considered:
  - Confidence in Amphibian – the analysis assumes Amphibian moves forward. If this process is unsuccessful and must also be replaced with equity, would we/should we be willing to accept a lower price?
  - Balancing transaction execution risk (speed) with cost of equity capital – Project Saturn execution risk is higher than raising an equivalent amount of equity. Are we/shareholders willing to accept some EPS dilution to reduce execution risk and accelerate deleveraging?
  - Shareholder reaction – how will share price react if we issue equity instead of selling assets?
  - [redacted]
  - [redacted]
  - Risk of a failed process – this process has been leaked and is expected by investors. Are there reputational risk, or knock on impacts to Amphibian, if this transaction does not move forward?

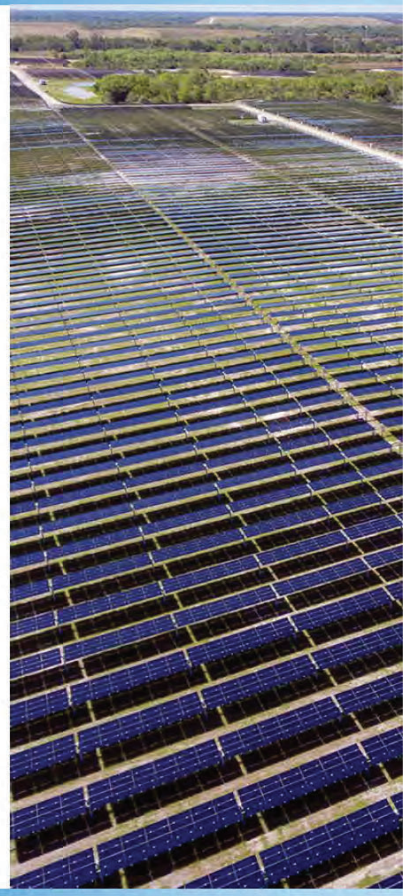

Exhibit BTC-21

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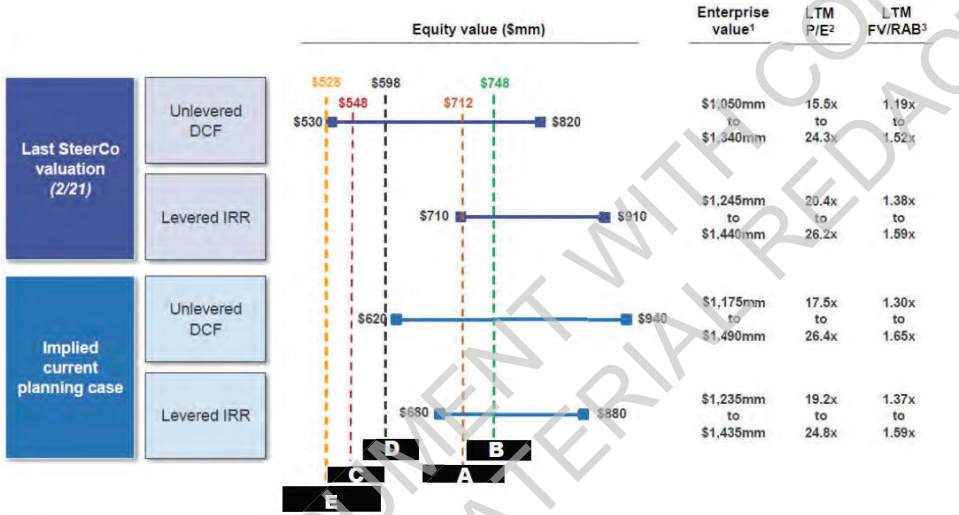
Round 1 Bid Summary

	Bids ranked by equity value ($mm)	Valuation ($mm)		Implied multiples		
		Enterprise value	Equity value	P/E[1] ($35.5mm)	FV / LTM RAB ($902mm)	Commentary
B	$748	$1,300	$748	21.1x	1.44x	• Relied on operating and financial assumptions in the seller model plus own initial diligence • Focus on operating costs and capex as key valuation drivers for R2 diligence • Prepared to complete due diligence in ~9-10 weeks
A	$712	$1,262	$712	20.0x	1.40x	• Used primarily sellers assumptions • Focus of R2 diligence on shared services, operating costs, capex and regulatory matters • Anticipate 8-10 week for R2 diligence
D	$598	$1,150	$598	16.8x	1.28x	• Detailed diligence discussion during check in calls on key operating and financial assumptions • Able to complete diligence in 6-8 weeks
C	$548	$1,100	$548	15.4x	1.22x	• Noted a limited need for transition services relative to other bidders
E	2					
Only verbal IOI offered						
2	$440 – $530	$992–$1,082	$440–$530	12.4x–14.9x	1.10x–1.20x	• Noted macroeconomic and regulatory risk • Did not submit a bid as they did not believe they would be competitive on price
2	$440	$992	$440	12.4x	1.10x	• Noted macroeconomic and regulatory risk • Did not submit a bid as they did not believe they would be competitive on price
2	$348	$900	$348	9.8x	1.00x	• Did not submit a bid as they did not believe they would be competitive on price • Seeking a higher near-term cash yield and distributions were not high enough

Comparison of Round 1 Bids to Valuation Cases



Both cases assume 9.375% ROE and a 52% equity layer

- Value ranges communicated from JPM in February 2024:
  - US$530m - US$820m unlevered
  - US$710m - US$910m levered; expectation was a financial sponsor would be the most competitive
- Mid-point of the levered range, or US$800m, was used for Emera modeling purposes
- Book value at December 31, 2023, which includes goodwill and is proforma the repayment of the NMGI debt, was US$766m

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Book Value Build-up

Book Value in USD millions	31-Dec-23
Net assets - NMGC	258
NMGI proforma debt repayment	150
Less: FXTA	(7)
Book value excluding goodwill	**401**
NMGC Goodwill - EUSHI	366
Book value including goodwill	**766**

- A proforma adjustment has been made for the upcoming repayment of the NMGI debt; the assumption of this debt was not included in the R1 bids
- Book value includes goodwill associated with Emera's acquisition of TECO Energy
  - ~8% of the total TECO goodwill was allocated to NMGI

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Emera

Memo

To: Jackie Sheppard, Board Chair, and Directors

From: Mike Barrett, EVP and General Counsel

Date: May 1, 2024

Subject: Meeting Materials – May 2, 2024 Board Meeting

Jackie and Directors,

Attached are board materials and a memo from Scott Balfour relating to Projects Amphibian and Saturn. Due to the very sensitive and privileged nature of this material, please direct any questions to me directly at mike.barrett@emera.com or by cell at [redacted].

Mike

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Exhibit BTC-21

Emera

Memo

To: Jackie Sheppard, Board Chair; and Directors

From: Scott Balfour

Date: May 1, 2024

Subject: Projects Amphibian and Saturn

I am pleased to report that we have made good progress on our asset sale initiatives.

[redacted] 2

We are also advancing Project Saturn, with three parties now part of a formal round 2 process. Bidding was more tempered than we hoped, but all round 2 participants are within 10% of our valuation target, and a transaction at this level would still be considered positive. We remain on track for a June announcement timeline.

This progress keeps us aligned with the external messaging we provided on our Q4 earnings call - that we are encouraged with our portfolio optimization efforts, with a target of announcing at least one, and possibly two asset sales by the end of June. [redacted] 2

[redacted] 2

[redacted] 2

We look forward to your input.

Scott

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Exhibit BTC-21

Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

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Exhibit BTC-21

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Exhibit BTC-21

Executive Summary

[redacted]

1

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Exhibit BTC-21

Executive Summary – cont'd

[redacted]

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Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

Executive Summary – cont'd

1

PORTFOLIO OPTIMIZATION PROCESS UPDATE 5

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Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

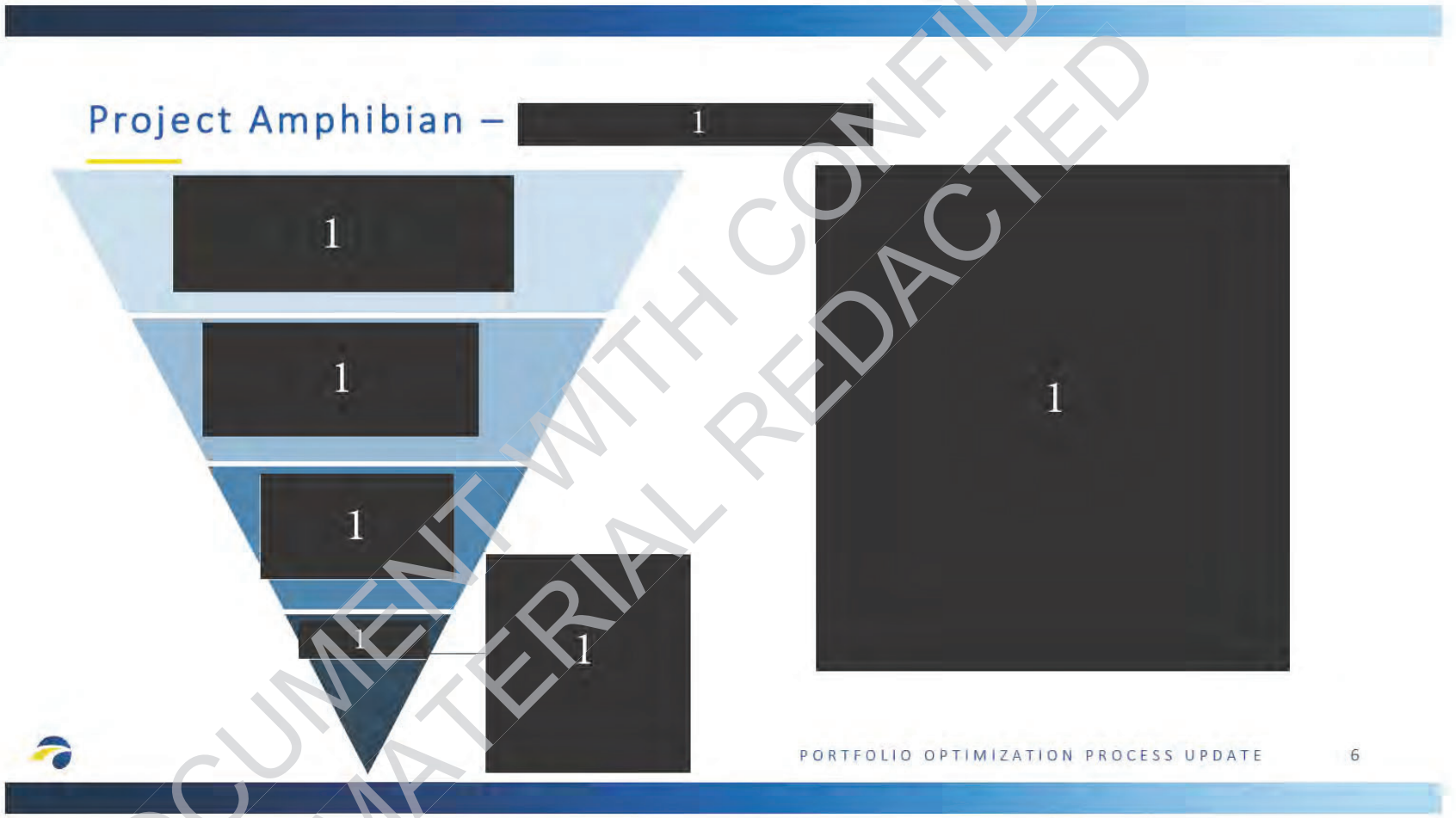

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Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

Project Amphibian – [redacted]1

[redacted]1

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Exhibit BTC-21

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Board of Directors Meeting - Item 02.0 - Project Updates

Project Amphibian – [redacted]

[redacted]

[redacted]

Exhibit BTC-21

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Board of Directors Meeting - Item 02.0 - Project Updates

Project Amphibian - [redacted]

[redacted]

Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

Project Amphibian - [redacted]

[redacted]

[redacted]

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Exhibit BTC-21

Project Amphibian - [redacted]

[redacted]

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Exhibit BTC-21

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Board of Directors Meeting - Item 02.0 - Project Updates

Project Amphibian - [redacted]

[redacted]

Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

Project Amphibian - [redacted]

[redacted]

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Exhibit BTC-21

Board of Directors Meeting - Item 02.0 - Project Updates

Project Saturn Update

- Project Saturn is the process to divest 100% of our indirect interest in New Mexico Gas Company.
- Recall from our November Portfolio Optimization discussion summarizing our strategic rationale for considering a sale: *"We acquired NMGC as part of the TECO transaction and while it has substantially improved operationally and financially, as a stand-alone LDC in a low-growth market (with limited potential to serve as an anchor for a regional growth platform), NMGC would not meet our investment criteria today..."*
- Initial value expectations in a competitive process ranged between US$1.3-1.5 Bn enterprise value, with US$800-950mm in equity proceeds.
- In early April, we received five non-binding proposals for Project Saturn, ranging in value from USD$1.08Bn E to $1.30Bn B.
  - B A, and D were invited to Phase II of the process, while C and E received feedback that their proposed values were materially off and that they were not being selected to proceed.
  - C has since stated that they will reconsider their proposal, but we and our advisors ascribe a low likelihood to resubmission.
  - E 2 2 2
  - Unfortunately, shortly after bid submission, 2 B 2 2

PORTFOLIO OPTIMIZATION PROCESS UPDATE 14

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Exhibit BTC-21

Project Saturn Update – cont'd

- While we hoped for more robust proposals, we have brought forward three credible parties and two proposals within 10% of our expected range. As shown on page 17, this shortfall vs. expectation does not materially impact the financial merits of the transaction to Emera.
- Lack of growth and the regulatory environment were commonly cited as reasons other counterparties did not proceed and are likely the reasons for softer proposals.
- Management presentations are scheduled for May 6 & 7 in NYC.
- We are targeting early June for final proposals and late June for announcement, with coordinated timing around the June Board meeting, and in conjunction with our broader capital markets re-positioning communications strategy. Recall this is a handful of weeks later than originally planned due to process delays caused by the NMGC LNG decision and successful rate settlement.
- We are taking all measures to tightly manage the timelines while also allowing bidders to fulfil their due diligence requirements.

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Exhibit BTC-21

Project Saturn Update – cont'd

	Bids ranked by equity value ($mm)	Valuation ($mm)		Implied multiples		
		Enterprise value	Equity value	P/E[1] ($35.5mm)	FV / LTM RAB ($902mm)	Commentary
B	$748	$1,300	$748	21.1x	1.44x	• Relied on operating and financial assumptions in the seller model plus own initial diligence • Focus on operating costs and capex as key valuation drivers for R2 diligence • Prepared to complete due diligence in ~8-10 weeks
A	$712	$1,262	$712	20.0x	1.40x	• Primarily used seller assumptions • Focus of R2 diligence on shared services, operating costs, capex and regulatory matters • Anticipate 8-10 weeks for R2 diligence
E 2	$623	2		2		2
D	$598	$1,150	$598	16.8x	1.28x	• Detailed diligence discussion during check in calls on key operating and financial assumptions • Able to complete diligence in 6-8 weeks
C	$548	$1,100	$548	15.4x	1.22x	• Noted a limited need for transition services relative to other bidders
E 2	$528	2		2		2

Note: Valuation date of 06/30/24; Cash-free and debt-free deal; Assumed net debt of $552mm from Round 1 sell-side model if not given explicitly
[1] EMA's LTM P/E per FactSet as of 4/10/24 is 13.3x

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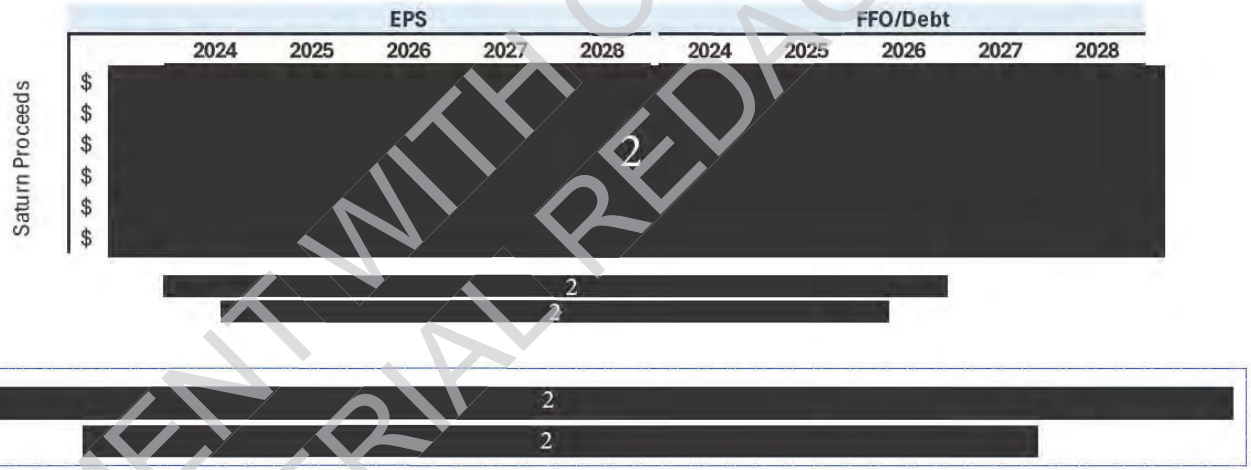
Exhibit BTC-21

Project Saturn[1] – Transaction Impact



[1] 1

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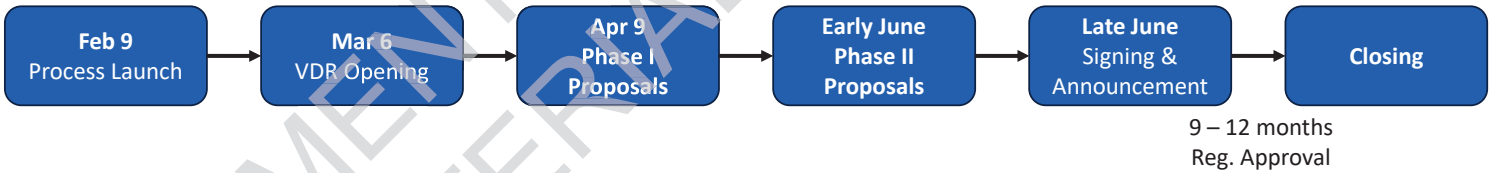
Exhibit BTC-21

Project Saturn – Process Summary and Timetable

- 45 buyers were contacted to assess their interest in the opportunity, comprised of 30 sponsors and 15 strategics. 20 parties executed NDAs, and 6 parties were given "fireside chats" opportunities as part of Phase I.
- The Rio Rancho LNG decision and the subsequent unanimous rate settlement caused a delay in finalizing marketing materials and opening the Phase I VDR.
- 5 Phase I proposals were submitted in early April, with 3 parties proceeding to Phase II.
- Phase II final proposals are expected to be received in early June with the intention of announcing a transaction with the selected buyer in late June, in conjunction with Emera's June strategy session.



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Emera

Memo

Privileged & Confidential

To: Jackie Sheppard, Chair; and Emera Directors

From: Karen Hutt, EVP, Business Development & Strategy

CC: Greg Blunden, Mike Barrett, Dan Muldoon

Date: June 20, 2024

Subject: Asset Sale Update

I am writing to update you on the status of Project Saturn in advance of our strategy discussions next week. Stepping back, as you know, our communication to capital markets last November was clear: we committed to funding up to 15% of our capital plan (~ $1.3 billion) through assets sales. Further, we relayed that we were pursuing two potential sales to ensure we were successful with one. 2

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Unfortunately, and as you heard in May, Saturn is a different story; it is improbable we will execute a sale. While we did receive one round two offer, it did not meet our value threshold and 3

3

3 Based on in-person principal-to-principal meetings yesterday with that party, 3 discussions concluded with a meaningful value gap that appears unlikely to close.

We've remained interested in advancing Saturn in addition to 2

2, but only on terms essentially neutral or positively impactful to shareholder value. So far, that has not been the outcome from the JPM lead process. 2

2

2 We've

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Exhibit BTC-21

provided candid feedback and what gap we would need closed; perhaps we still may receive a constructive response.

We are incorporating a more fulsome Saturn update for posting, 2

2

Given where we sit, we are holding off on posting the Saturn 2 decks until Saturday, which will include any news that we may receive over the next day.

Please reach out with any questions.

Karen

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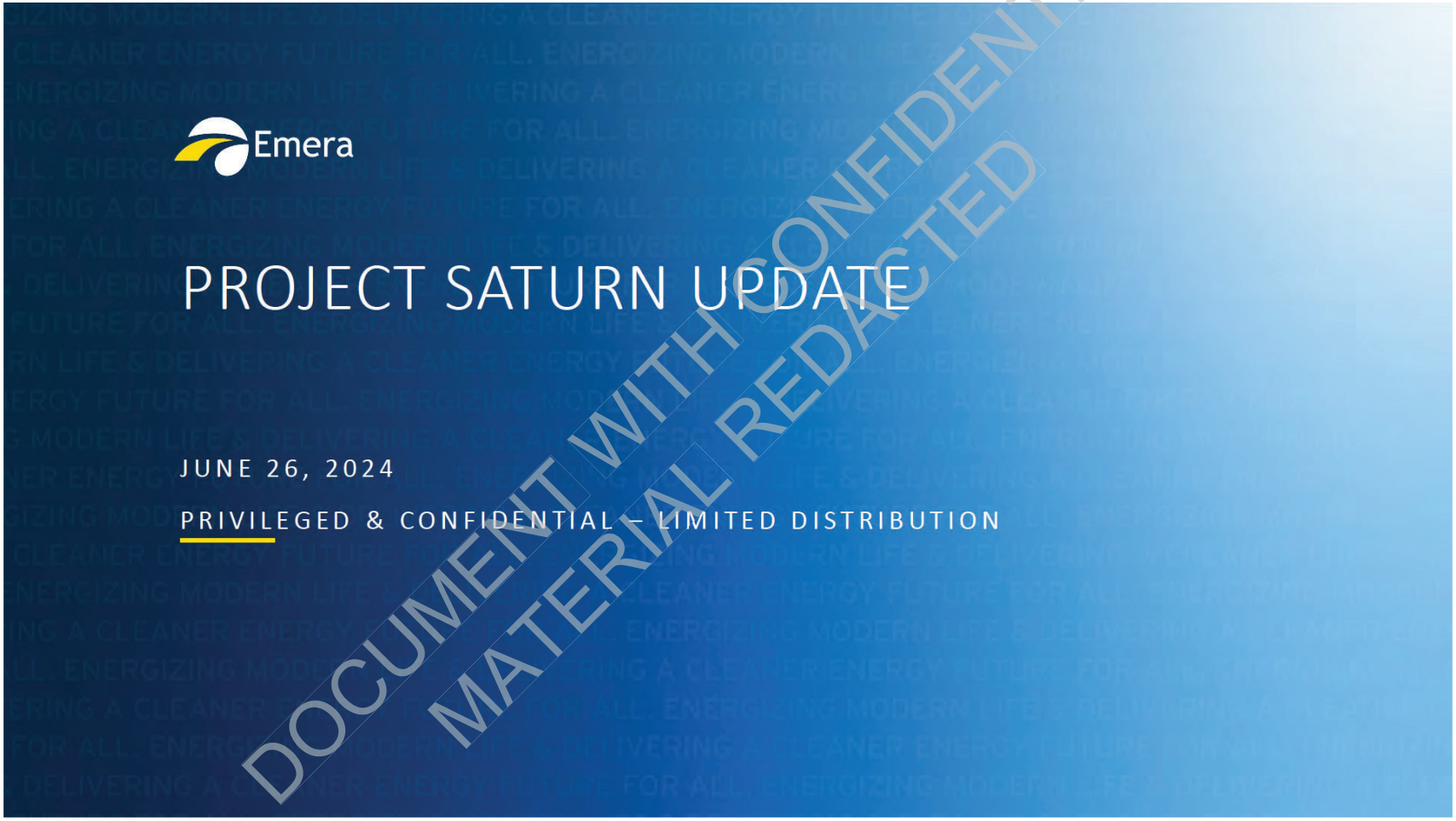

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Project Saturn Update

- Project Saturn launched in early February and represents our effort to sell 100% of NMGC.
- At the time of the last Board update (May 23), the process was in its second phase, which began with three qualified buyers ([A], [E], and [D]) receiving management presentations from the NMGC team and conducting detailed due diligence and Q&A.
- [A], the lead bidder ($1,262mm EV / $710mm equity proceeds), subsequently withdrew from the process, citing concerns around required regulatory approvals in their own current operating jurisdictions, and thus a view their execution risk was too high. [D], the lowest of bidders, also withdrew citing the small size of the opportunity, competing priorities (and their probability of success weighed against due diligence costs and work load), leaving us with one remaining counterparty in the process.
- On the final bid deadline of June 12 Bernhard Capital Partners, the remaining party, submitted a non-conforming proposal of $1,215mm EV / $663mm EV along with a complete markup of the transaction documents.
  - [2] [3] [3]
  - [2] [3], [2] [2]

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Project Saturn Update (cont'd)

- After receiving the direction that a conforming proposal was required, Bernhard revised their purchase price to $1,177, representing approximately 1.3x rate base multiple, [redacted] and requested to meet in person in Halifax, saying they wanted to reach an agreement to proceed.
- On June 19, Scott, Karen and Peter met with Jeff Jenkins and Jeff Yuknis of Bernhard. Our key messages have been consistent: [redacted] and (ii) Bernhard needed to materially improve their value.
- While keen to communicate how much they value the relationship with Emera, after some deliberation Bernhard returned with a revised, fully-conforming proposal of $1,180mm; they were told again that the value was unacceptable and a material movement was required.
- As we indicated in our recent memo, we've remained engaged in the process to determine whether we could reach satisfactory terms with a potential buyer.
  - The Bernhard proposal would represent a low-water mark for natural gas LDC transactions and, as discussed in the LTF, would be dilutive to EPS in 2026+, have a marginally negative impact on Emera's payout ratio, and be neutral or slightly positive on credit metrics – all as compared to the "equity solve" scenario, with such comparison dependent on the underlying equity raise assumptions, including achieved price.

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Project Saturn Update (cont'd)

- [redacted]
- [redacted]
- [redacted]
- Notwithstanding the significant work effort, especially by the NMGC management team, holding tight to our value range (particularly in light of the remaining gap) is the best path.
  - [redacted]
  - [redacted]
- [redacted]

Emera

Memo

To: Jackie Sheppard, Board Chair, and Directors

From: Mike Barrett, EVP and General Counsel

Date: July 9, 2024

Subject: Memo re Project Saturn

Jackie and Directors,

Attached is a memo from Karen Hutt relating to Project Saturn. Due to the very sensitive and privileged nature of this material, please direct any questions to me directly at mike.barrett@emera.com or by cell at [redacted]2

Mike

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Exhibit BTC-21

Emera

Memo

To: Jackie Sheppard, Board Chair, and Directors

Cc: Greg Blunden, Mike Barrett, Dan Muldoon, Peter Campbell

From: Karen Hutt

Date: July 10, 2024

Subject: Project Saturn Update

I am pleased to share recent developments on Project Saturn, which have us more encouraged that we might transact.

Recall at our Board strategy session at Fox Harb'r, we described the prospect of a sale as "improbable". At the time, the proposed purchaser, Bernhard Capital, had made a proposal that (i) did not meet our view of a threshold level for fair value of the business, and (ii) [redacted 3] [redacted 3].

As you know, the draft press release planned for the day after our strategy session planned to state that we were not expecting a second asset sale. However, in the hours after our session ended Bernhard made efforts to re-engage in the process. [redacted 2]

We have now successfully negotiated supportable financial terms, [redacted 3] [redacted 3] After numerous negotiation rounds Bernhard has now proposed a value of $1.252 billion, representing approximately 1.42x rate base and in the range of 16.5-17.5x 2024 forecasted earnings (range dependent on updating actual debt levels on June 30th). The equity proceeds would be approximately $740M, compared to the $675M used in the financing scenarios included in the Long-term Forecast we reviewed in June.

With our threshold deal objectives now achieved, we believe that a transaction on these terms would in fact be in the best interest of shareholders - accretive to credit metrics, accretive to our current cost of equity, and provides further assurance of returning our credit ratings to stable. We also believe that on an overall basis the transaction would be well received by our equity and capital market stakeholders.

We are encouraged by this progress. However, there remains some heavy lifting on drafting and negotiation of definitive documents, and until these have been finalized into acceptable form, we cannot be confident that a transaction will occur. External counsel has been engaged and we are aiming to complete negotiations within the coming weeks, with a target announcement timeframe at the end of this month / early August.

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In light of this progress, [redacted]2[redacted] We will also poll for a time for us to virtually meet over the coming days to provide you with a fulsome project update on negotiations and communication/stakeholder planning and to seek your approval to transact (subject to finalizing documentation consistent with such approval).

Please feel free to reach out with any questions.

Karen

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Exhibit BTC-21

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Emera

Memo

PRIVILEGED

To: Jackie Sheppard, Board Chair, and Directors

From: Mike Barrett, EVP and General Counsel

Date: July 25, 2024

Subject: Project Saturn Update

Jackie and Directors,

Attached is an update on Project Saturn for tomorrow's meeting. Due to the very sensitive and privileged nature of this material, please direct any questions to me directly at mike.barrett@emera.com or by cell at [redacted]2

Mike

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Exhibit BTC-21

Project Saturn Update - Item 02.0 - Project Saturn Update

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Executive Summary

- As noted in the July 10th board memorandum, earlier this month Bernhard Capital Partners submitted a revised proposal to acquire New Mexico Gas at an enterprise value of US$1,252 million. [redacted]
- The proposal represents approximately 1.44x rate base as at June 30 and approximately 17.6x 2024F earnings
- The transaction is expected to yield equity proceeds of approximately US$703mm ***at close*** and have a neutral to modestly negative impact on EPS and modestly positive impact to credit metrics when compared against the "equity solve" scenario.
- While modestly dilutive to EPS (1.5-2.0%) as compared to the equity solve scenario (which relies on assumptions of forward share prices), the transaction is not dilutive in the sense that the transaction P/E multiple is higher than Emera's current trading multiple of approximately 16x 2024F earnings. Further benefits to the transaction include:
  - Reduction in HoldCo debt
  - Reduction in equity financing needs by ~500mm over 2024-2026
  - Improved credit metrics and clear path to stable ratings
  - Aligns with strategic rationale to exit, high-grades Emera portfolio quality
  - Expected to be viewed favourably by capital markets

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Exhibit BTC-21

Executive Summary (cont'd)

- There is a complex stakeholder communications process that needs to be carefully managed, including regulators, NMGC employees and other employees across the business portfolio, government, regulatory intervenors, customers/suppliers and capital markets.
- Accordingly, a detailed communications plan has been developed and will be executed on the ground in New Mexico, jointly by Emera, Bernhard, and NMGC personnel starting at announcement. The communication plan has been mapped out over the course of 5 days with prioritized meetings and tailored messages through a variety of communications channels beyond the initial press release.

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Key Transaction Terms

Terms	Notes
Price	• US$1,252 million (enterprise value)
Acquiring Entity	• Newly incorporated purchase vehicle, backed by equity commitments from BCP funds III and IIIA (see page 12 for further detail)
Adjustments	• Customary adjustments for indebtedness and working capital levels [redacted] 2 [redacted]
Termination	• Termination fee of 2 % of enterprise value payable by buyer in the event of failure to close for any reason other than Emera's failure to satisfy conditions (no breach, no MAE)
Timing	• Target announcement 2 • Closing "Outside Date" 15+3 months following announcement (unilateral extension option, mutually agreement required beyond 18 months)
Financing	• Direct private placement of notes to a consortium of high-quality insurance companies, 2 [redacted] 2 [redacted] Not backstopped by a traditional bank facility or bridge • Existing OpCo debt to remain in place
Interim Period Covenants	• Normal course operations, limitations or consent on new indebtedness, capital expenditures, and changes to employee benefits • Buyer consent required in certain circumstances
Employees	• All employees and management will be transferred with the business, and buyer is required to maintain existing compensation and benefits for a period of at least 18 months
Required Approvals	• New Mexico PRC change of control approval and Hart-Scott-Rodino competition approval

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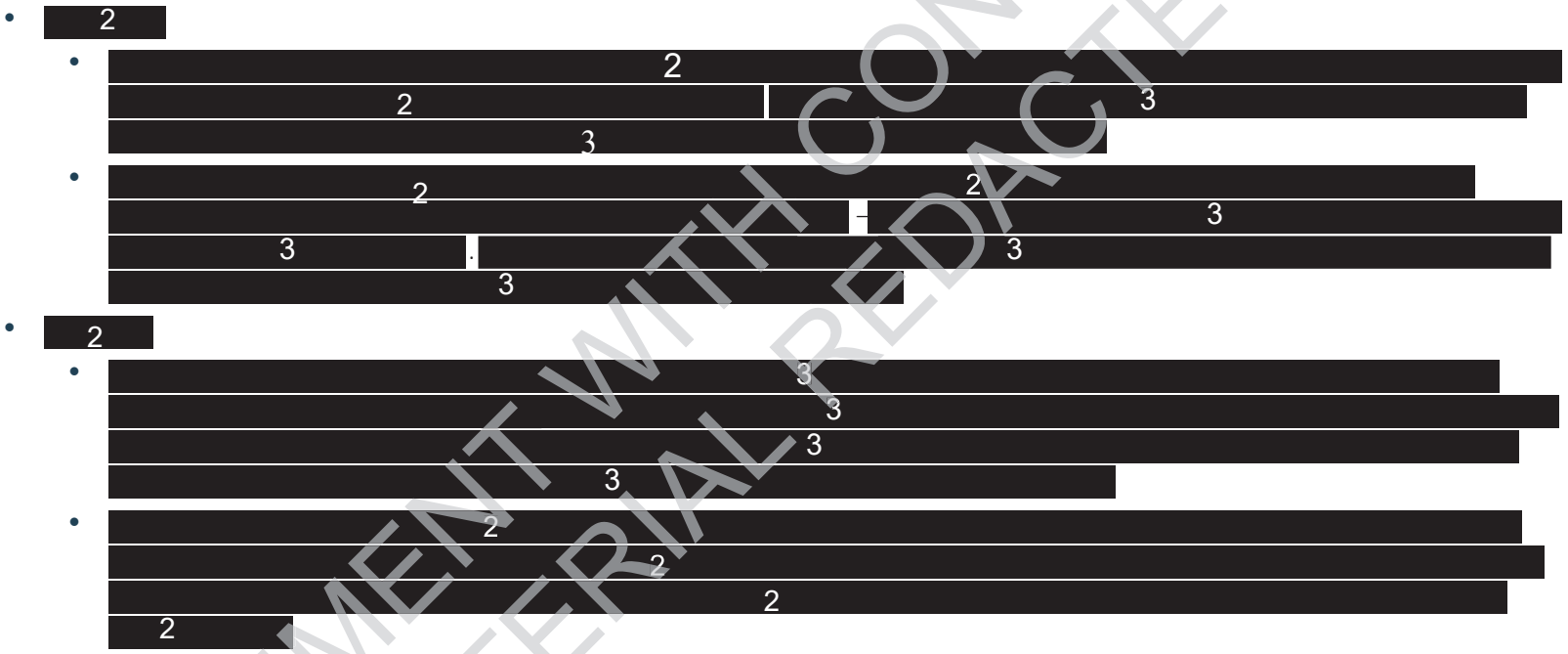
Key Risks



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Key Open Items

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Exhibit BTC-21

Project Saturn Update - Item 02.0 - Project Saturn Update

Transaction Impact – EPS and Credit

- Equity proceeds from the transaction are expected to be US$703mm and received at closing. Closing is anticipated 15-18 months following announcement, [redacted]
- [redacted]
- [redacted]
- [redacted]

EPS	2025	2026	2027	2028	2029
[redacted]		2			
[redacted]		2			

Moody's CFO / Debt	2025	2026	2027	2028	2029
[redacted]		2			

THE TRANSACTION IMPROVES CREDIT METRICS BY ~[50]-BPS OVER WHERE THEY WOULD OTHERWISE BE ABSENT A TRANSACTION OR EQUITY ISSUANCE

[1] [redacted]

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

Exhibit BTC-21

Project Saturn Update - Item 02.0 - Project Saturn Update

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

Exhibit BTC-21

Project Saturn Update - Item 02.0 - Project Saturn Update

Transition Services

- Transition Services to be provided by Emera and TECO at cost for a term of up to 12 months. Service areas include:
  - Accounts Payable
  - Audit
  - Corporate Accounting
  - Corporate Tax
  - Legal
  - Human Resources and Payroll
  - IT
- Service detail, cost and allocation method is outlined within the Purchase and Sale Agreement.
- All or part of the Transition Services can be extended beyond 12 months, for a period of up to an incremental six months upon 60 days notice from the buyer and will be subject to a 5% increase.
- Buyer may cancel any Transition Service prior to the end of the term by providing at least 30 days' notice.

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

Project Saturn Update - Item 02.0 - Project Saturn Update

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

Exhibit BTC-21

Bernhard Capital Partners

- Bernhard Capital Partners (BCP) is a Louisiana-based private equity investment manager, established in 2013 and focused on middle-market infrastructure and infrastructure services investments.
- BCP has deployed capital across four funds, with an aggregate US$4.0+ billion in assets under management and over 65 acquisitions to date.
- Recent energy infrastructure transactions include the acquisition of CenterPoint Energy's Louisiana and Mississippi Natural Gas LDCs for $1.2 billion, announced in February 2024, and the acquisition of Entergy's Louisiana LDC for $484 million, announced in October 2023.
- Due diligence around financial capacity and certainty of funds is ongoing.

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

EMERA INCORPORATED
DIRECTORS RESOLUTIONS
JULY 26, 2024

BE IT RESOLVED THAT:

1. The Board of Directors of Emera Incorporated (hereinafter referred to as the "Company"), hereby authorizes and approves the sale of all of the Company's indirect interest in TECO Energy, LLC held through its direct and indirect subsidiaries, TECO Holdings, Inc. and Emera US Holdings Inc. (collectively, the "Sellers") and any and all direct or indirect subsidiaries of TECO Energy, LLC, including New Mexico Gas Intermediate, Inc. and New Mexico Gas Company, Inc., for a purchase price of no less than **US $1,252 million** on an enterprise value basis (subject to customary closing adjustments) subject to the negotiation, finalization and execution of a purchase and sale agreement ("Agreement") with the purchaser.

2. Any two officers or directors of the Company (each an "Authorized Officer") are hereby authorized by and on behalf of the Company to negotiate and finalize the Agreement on terms acceptable to the Authorized Officers and any two officers or directors of the Sellers are hereby authorized to execute the Agreement, such execution shall be conclusive evidence that the Agreement so executed is authorized by this resolution, and to take any and all action and make such regulatory filings as they, in their sole discretion, may deem necessary or appropriate to effect the purpose and intent of the foregoing, the taking of such action to be conclusive evidence of such necessity or appropriateness.

3. The Company, the Sellers and certain other subsidiaries of the Company are authorized to perform fully their obligations in connection with the Agreement and engage without limitation in transactions, arrangements or activities, including making any required filings or applications with any governmental authority or stock exchange, and execute such agreements, authorizations, elections and endorsements (collectively, the "Closing Activities") as are contemplated thereby, including, without limitation, a transition services agreement or as may be reasonably related or incident to, or which will serve to facilitate or enhance for the benefit of the Company and the Sellers the actions and transactions contemplated by, these resolutions, including without limitation any modification, amendment or extension (collectively, the "Changes") of any of the Agreement and the Closing Activities or of any other transactions, arrangements or activities resulting from any of the Changes and to enter into such other agreements, guarantees or understandings as are necessary, appropriate or desirable to carry out the intent of, or matters reasonably contemplated or implied by, this resolution and each of the foregoing resolutions.

4. Any Authorized Officer, is authorized on behalf of the Company and the Sellers to negotiate, finalize execute and deliver, register or file such further ancillary documents, and instruments and to do all such other acts and things as are required or as the Authorized

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

Exhibit BTC-21

Officer, in their sole discretion, may determine to be necessary or appropriate in order to complete the transaction contemplated by these resolutions, such determination to be conclusively evidenced by such Authorized Officer's execution and delivery of any such ancillary documents or instruments or the taking of any such action, as the case may be.

5. Any and all actions heretofore or hereafter taken by any Authorized Officer in connection with any of the transactions contemplated by these resolutions be, and each of them is, authorized, ratified, confirmed, adopted and approved.

DOCUMENT WITH CONFIDENTIAL MATERIAL REDACTED

Exhibit BTC-21

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

JOINT APPLICANTS' RESPONSES TO WESTERN RESOURCE ADVOCATES' FIFTH SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

Joint Applicants hereby respond to Western Resource Advocates' ("WRA") Fifth Set of Interrogatories and Requests for Production of Documents ("Interrogatories").

GENERAL OBJECTIONS*:*

Joint Applicants object to WRA's instructions and directions in the Interrogatories to the extent they seek to supplement or modify the requirements of 1.2.2.25 NMAC, et seq. or the Rules of Civil Procedure for the District Courts of New Mexico.

Joint Applicants object to the Interrogatories to the extent they seek information protected from disclosure by the attorney-client privilege or the work product doctrine. Rules 1-026 and 11-503 NMRA; 1.2.2.25(C) NMAC.

WRA INTERROGATORY 5-1:

Please provide New Mexico Gas Company's annual quality of service report for each year since 2009. If the report includes workpapers, such as Excel files, please provide the underlying files in their native format. Please ensure all Excel files are unlocked with all formulas intact.

RESPONSE:

Ryan A. Shell

NMGC does not have an annual quality of service report for 2009 or 2013. NMGC filed its 2010-2012 quality of service reports in the NMPRC docket for Case No. 09-00163-UT, and has filed its quality of service reports for every year since 2014 in the NMPRC docket for Case No. 13-00231-UT. Please see JA Exhibit WRA 5-1 for NMGC's annual quality of service reports for the years 2010-2012 and 2014-2024.

Exhibit BTC-22

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	
	)	**Docket No. 24-00266-UT**
JOINT APPLICANTS	)	

ELECTRONICALLY SUBMITTED AFFIRMATION OF

RYAN A. SHELL

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, Ryan A. Shell, President for New Mexico Gas Company, Inc., affirms and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Joint Applicants' Response to Western Resource Advocates' Fifth Set of Interrogatories and Requests for Production of Documents of Ryan Shell. I further affirmatively state that I know the contents of my respective responses and they are true and accurate based on my personal knowledge and belief.

SIGNED this 14th day of April 2025.

/s/Ryan A. Shell
Ryan A. Shell

Exhibit BTC-22

New Mexico
GAS COMPANY

June 30, 2011

Mr. Nick Guillen
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, NM 87501

Re: Quality of Customer Service
Case No. 09-00163-UT
2010Annual Customer Service Report

Dear Mr. Guillen:

Pursuant to the Final Order of the New Mexico Public Regulation Commission in this proceeding issued March 24, 2011 (The "Final Order"), New Mexico Gas Company, Inc ("NMGC" or the "Company") hereby files its First Annual Customer Service Report for the calendar year 2010. That report is attached hereto as Exhibit "A".

In response to Paragraph 7(c) of the Final Order NMGC selected a target to answer 80% of calls answered within 60 seconds (the "80% Target). The 80% Target is a standard used in call centers for all types of businesses in various industries, not necessarily gas utilities. NMGC selected this target knowing that it would be difficult to achieve for a relatively new utility but believes that the 80% Target sets a "stretch goal" that NMGC should seek to meet.

The first year report indicates that NMGC was not able to meet the 80% Target in each of the 12 month periods. The challenge that faces the Company is to balance the need to have sufficient resources to handle the peak period of customer calls while not having unproductive resources during off peak periods. The gas utility is a seasonal business and customer call volumes vary during the low and high usage months. Also, NMGC has found that call volume for its customers varies at different periods of the month (higher volumes during the first and last days of the month) and during each day (morning and evening have greater call volumes than other times of the day).

Please conform the attached copy and return it to our courier for our files. If you need additional information or have any questions, please contact me at (505) 697-3832.

Sincerely,
Rebecca Carter
Regulatory Affairs

Enclosures

Cc: Jim Brack - NMPRC
Jim Williamson - NMPRC

P.O. Box 97500 Albuquerque, NM 87199-7500 p: 888 NMGASCO www.nmgco.com

New Mexico Gas Company
2010 Annual Customer Report
NMPRC Case 09-00163-UT

	Definition	Metric	Results										
			Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Utility Metric														
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the Commission and forwarded to one of the utilities for response or resolution	Complaints	10	9	12	9	9	8	6	10	2	13	8	7
		Customers	501,473	500,505	502,025	500,968	499,769	498,949	497,978	497,489	497,231	498,217	500,277	502,164
		Complaints / 1,000 customers	0.0020%	0.0018%	0.0024%	0.0018%	0.0018%	0.0016%	0.0012%	0.0020%	0.0004%	0.0026%	0.0012%	0.0014%
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill	1		2	2	2	1	2					4
		Billing - Estimate												
		Billing - Metering		1										1
		Billing - Transfer	1		1					1				
		Billing - Other		3	2	3	2	2	2	2		5	1	
		Service - Extension												
		Service - Disconnect												
		Non-Payment	4	3	3	3	3	1	1	5	1	3	2	
		Other Reasons	2	2		1								1
		Service - Interruption						1						
		Service - Repairs / Delays	2					1					1	
		Service - Dissatisfied			1							1		
		Service - Treatment			1									
		Service - Missed Commitment												
		Service - Other			2			1	1	2		2		
		Service - Easement/Right of Way												
		Danger - Gas Leak						1					2	
		Other - Fees					1							
		Other - Deposit					1				1	1		
		Tariffs										1		1
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 80% of calls answered within 60 seconds	Service Level	58.08%	50.13%	40.77%	69.86%	78.09%	81.47%	80.27%	85.67%	82.45%	70.82%	61.67%	80.61%
Average time (a) for answering calls		Average Speed of Answer	93s	148s	177s	77s	51s	35s	37s	27s	31s	61s	77s	42s
Meter reading accuracy	Number of cancelled bills/number of meters deployed in the field	Cancel / Rebills	2,089	2,985	4,120	3,950	4,724	5,062	6,705	5,768	4,487	4,291	2,822	2,457
		Meters Deployed	507,621	506,340	507,490	505,992	504,517	503,827	503,610	503,894	504,132	505,271	506,825	508,671
		Accuracy	99.59%	99.41%	99.19%	99.22%	99.06%	99.00%	98.67%	98.86%	99.11%	99.15%	99.44%	99.52%
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	36,894	40,555	47,241	44,709	43,203	42,010	32,803	25,840	24,778	23,172	21,541	30,140
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1,455	1,845	2,652	2,587	2,501	1,728	2,118	2,424	1,949	1,707	1,157	819
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	32	40	1,234	798	521	498	431	313	150	61	26	54
		Installment payment plans in effect at the end of each month	74	61	350	1,348	1,660	1,892	1,468	1,241	872	491	196	108
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance	Eligible Customers	7,244	8,307	2,936	322	63	26	15	14	6	264	5,553	2,949
		LIHEAP protected accounts in effect at the end of each month											5,852	8,556

Exhibit BTC-22

New Mexico
GAS COMPANY

June 29, 2012

Mr. Nick Guillen
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, NM 87501

NEW MEXICO
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RE: 2011 Annual Quality of Customer Service Report
NMPRC Case No. 09-00163-UT

Dear Mr. Guillen:

Pursuant to the Final Order of the New Mexico Public Regulation Commission ("NMPRC" or the "Commission") in the above-referenced proceeding issued March 24, 2011 (the "Final Order"), New Mexico Gas Company, Inc. ("NMGC" or the "Company") hereby files its 2011 Annual Quality of Customer Service Report. This report is attached hereto as Exhibit A.

In its 2010 Annual Report, filed with the NMPRC on June 30, 2011, the Company reported it selected a target for calls answered within 60 seconds at 80% (the "80% Target"). NMGC explained that the 80% Target was a standard used in call centers for all types of businesses in various industries, not necessarily gas utilities and that gas utility call centers had different challenges than other industry call centers. Because the 80% Target was not reflective of NMGC's customer focus and business needs, the Company has changed its target for calls answered within 60 seconds to 70% (the "70% Target"). The 70% Target better reflects the Company's need to balance its resources during peak periods of customer calls and better utilizing its resources during off peak periods.

Please conform the attached copy and return it to our courier for our files. If you need additional information or have any questions, please contact me at (505) 697-3832.

Sincerely,

Rebecca Carter

Rebecca Carter
Regulatory Affairs

Enclosures

Cc: Mr. Jim Brack – NMPRC
Mr. Jim Williamson – NMPRC
Mr. Tim Martinez - NMPRC
Mr. Raymond Sanchez – NMGC
Mr. Clyde Worthen – Keleher & McLeod
Ms. Diana Jaramillo – NMGC
Mr. John Fernald - NMGC

NMGCO#2504781

New Mexico Gas Company
2011 Annual Customer Report
NMPRC Case 09-00163-UT

Utility Metrics	Definition	Metric	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Yearly Total
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the Commission and forwarded to one of the utilities for response or resolution	Complaints	7	12	4	9	2	2	5	3	4	4	11	5	68
		Customers	503,053	504,193	503,874	502,856	501,821	500,437	499,451	498,925	498,864	499,891	502,252	504,293	
		Complaints / 1,000 customers	0.0014%	0.0024%	0.0008%	0.0018%	0.0004%	0.0004%	0.0010%	0.0006%	0.0008%	0.0008%	0.0022%	0.0010%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill		2	2	1			1				1		7
		Billing - Estimate													0
		Billing - Metering		1											1
		Billing - Transfer													0
		Billing - Other		3	1	4		2	2	1	2	2	1	1	19
		Service - Extension													0
		Service - Disconnect													0
		Non-Payment	3	2	1	4	1		1	1	1	2	2	2	20
		Other Reasons	1										3		4
		Service - Interruption									1				1
		Service - Repairs / Delays					1								1
		Service - Dissatisfied		1										1	2
		Service - Treatment													0
		Service - Missed Commitment	1	1						1					3
		Service - Other	2	2										1	5
		Service - Easement/Right of Way													0
		Danger - Gas Leak													0
		Other - Fees							1				1		2
		Other - Deposit											3		3
		Tarrifs													0
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	61.69%	61.08%	66.07%	61.15%	64.17%	75.49%	75.95%	70.24%	79.38%	65.78%	72.97%	79.93%	68.93%
Average time (s) for answering calls		Average Speed of Answer	95s	110s	71s	105s	95s	51s	45s	61s	43s	77s	62s	44s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	3,083	4,077	4,666	3,841	2,991	4,004	2,498	2,600	2,279	1,825	1,220	1,537	
		Meters Deployed	515,586	515,762	515,868	515,719	515,480	514,587	513,961	514,194	514,520	515,089	515,806	516,000	
		Accuracy	99.40%	99.21%	99.10%	99.26%	99.42%	99.22%	99.51%	99.49%	99.56%	99.65%	99.76%	99.70%	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	31,329	31,566	46,146	42,731	39,110	36,914	31,653	26,914	25,872	25,379	21,790	29,696	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1390	309	2054	2176	1903	2445	2201	2128	1517	1418	1135	584	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	40	22	661	506	358	261	211	185	84	52	24	38	
		Installment payment plans in effect at the end of each month	43	41	135	478	687	804	566	508	360	191	94	43	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance	Eligible Customers	17670	2157	353	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4473	3135	
		LIHEAP protected accounts in effect at the end of each month	25988	24020	28485	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3844	6573	

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Exhibit BTC-22

New Mexico
GAS COMPANY

June 28, 2013

Mr. Nick Guillen
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, NM 87501

RE: 2012 Annual Quality of Customer Service Report
NMPRC Case No. 09-00163-UT

Dear Mr. Guillen:

Pursuant to the Final Order of the New Mexico Public Regulation Commission ("NMPRC" or the "Commission") in the above-referenced proceeding issued March 24, 2011 (the "Final Order"), New Mexico Gas Company, Inc. ("NMGC" or the "Company") hereby files its 2012 Annual Quality of Customer Service Report. This report is attached hereto as Exhibit A.

Please conform the attached copy and return it to our courier for our files. If you need additional information or have any questions, please contact me at (505) 697-3832.

Sincerely,

Rebecca Carter
Regulatory Affairs

Enclosures

Cc: Mr. Jim Brack – NMPRC
Mr. Jim Williamson – NMPRC
Mr. Tim Martinez - NMPRC
Mr. Raymond Sanchez – NMGC
Mr. Brian Haverly – Keleher & McLeod
Ms. Diana Jaramillo – NMGC
Ms. Nicole Strauser – NMGC

NMGCO#2630230

New Mexico Gas Company
2012 Annual Customer Report
NMPRC Case 09-00163-UT

	Definition	Metric	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the Commission and forwarded to one of the utilities for response or resolution	Complaints	5	6	7	4	7	3	5	4	4	4	8	4	61
		Customers	505,046	505,234	505,390	504,402	503,088	501,893	500,876	500,571	500,801	501,910	503,921	505,620	
		Complaints / 1,000 customers	0.0010%	0.0012%	0.0014%	0.0008%	0.0014%	0.0006%	0.0010%	0.0008%	0.0008%	0.0008%	0.0016%	0.0008%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill		1			2	1			1				5
		Billing - Estimate							1						1
		Billing - Metering									1				1
		Billing - Transfer							1			1			2
		Billing - Other	2	1	2	1						2	2	1	11
		Service - Extension													
		Service - Disconnect													
		Non-Payment	1	3	2		3	1	2	2	1		3	3	21
		Other Reasons	2	1	1										4
		Service - Interruption							1				1		2
		Service - Repairs / Delays								1			1		2
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment			1										1
		Service - Other				2	2	1				1	1		7
		Service - Easement/Right of Way				1									1
		Danger - Gas Leak													
		Other - Fees													
		Other - Deposit			1										1
		Tarrifs								1	1				2
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	61.19%	78.14%	80.68%	82.72%	79.12%	73.32%	81.32%	90.92%	89.55%	87.78%	79.88%	66.58%	
Average time (s) for answering calls		Average Speed of Answer	97s	44s	40s	30s	42s	47s	46s	22s	25s	26s	39s	71s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,297	1,830	2,423	2,279	1,908	1,929	1,880	1,930	1,719	1,455	1,187	1,135	
		Meters Deployed	515,797	516,064	516,350	516,532	516,701	516,897	516,754	516,614	517,040	517,636	518,338	518,740	
		Accuracy	99.75%	99.65%	99.53%	99.56%	99.63%	99.63%	99.64%	99.63%	99.67%	99.72%	99.77%	99.78%	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	33,848	33,929	40,029	33,879	29,107	20,181	16,962	12,775	11,687	12,890	12,476	15,584	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1469	1479	1731	2314	2315	2087	2210	1983	1487	1392	1107	814	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	54	70	355	335	275	221	237	192	139	86	119	217	
		Installment payment plans in effect at the end of each month	39	63	171	393	513	474	493	429	270	224	152	203	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance	Eligible Customers	3198	3559	323	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3971	2408	
		LIHEAP protected accounts in effect at the end of each month	9384	12397	15098	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7659	6639	

Exhibit BTC-22

New Mexico
GAS COMPANY®
A TECO ENERGY COMPANY
Phone 505-697-3832
Fax 505-697-4487

NEW MEXICO
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2015 JUN 30 PM 4 09

June 30, 2015

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

RE: New Mexico Gas Company, Inc.'s 2014 Quality of Service Annual Report
NMPRC Case No. 13-00231-UT

Dear Ms. Sandoval:

Enclosed herewith is New Mexico Gas Company, Inc.'s ("NMGC") 2014 Quality of Service Annual Report for the period of January 1, 2014 through December 31, 2014. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated May 7, 2014 (the "Stipulation") that was approved by the New Mexico Public Regulation Commission, in Case No. 13-00231-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

Rebecca Carter
Project Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Dennis Romero – NMPRC
Ms. Sandra Skogen – NMPRC
Mr. Thomas Banner – NMPRC

New Mexico Gas Company
2014 Quality of Service Report

	Definition	Metric	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the	Complaints	3	5	4	6	2	1	2	3	4	2	1	2	35
		Customers	513,812	513,989	513,872	513,275	512,416	511,237	510,418	510,423	510,250	511,292	513,458	515,472	
		Complaints / 1,000 customers	0.0006%	0.0010%	0.0008%	0.0012%	0.0004%	0.0002%	0.0004%	0.0006%	0.0008%	0.0004%	0.0002%	0.0004%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill			1	1					1				3
		Billing - Estimate													0
		Billing - Metering			1				1						2
		Billing - Transfer				1						1			2
		Billing - Other		2	2				1			1		1	7
		Service - Extension									1				1
		Service - Disconnect													0
		Non-Payment	2	2			1	1		1	1		1	1	10
		Other Reasons				2									2
		Service - Interruption									1				1
		Service - Repairs / Delays													0
		Service - Dissatisfied				1	1								2
		Service - Treatment													0
		Service - Missed Commitment				1									1
		Service - Other	1	1						2					4
		Service - Easement/Right of Way													0
		Danger - Gas Leak													0
		Other - Fees													0
		Other - Deposit													0
		Tarrifs													0
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	68.87%	53.02%	59.64%	68.90%	51.07%	75.41%	92.05%	96.79%	93.72%	96.38%	93.13%	90.75%	
Average time (s) for answering calls		Average Speed of Answer	68s	160s	116s	63s	138s	58s	19s	11s	16s	8s	20s	22s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,454	1,661	1,721	1,798	1,358	1,567	4,969	1,501	1,412	1,191	1,024	2,612	
		Meters Deployed	520,880	521,135	521,068	520,702	520,689	520,720	520,933	521,239	521,608	522,267	523,184	523,933	
		Accuracy	99.72%	99.68%	99.67%	99.65%	99.74%	99.70%	99.05%	99.71%	99.73%	99.77%	99.80%	99.50%	
Leak Response	Average Leak Response	Inside Leaks	27.59	27.00	24.62	23.35	24.40	25.41	23.92	26.29	24.37	25.14	26.50	24.57	
		Outside Leaks	26.44	29.15	24.79	24.16	23.01	25.92	25.08	27.77	27.50	25.23	25.51	27.17	
Damage Tickets	Damage Tickets per 1000 customers	Damage Tickets	2.16	1.96	1.90	1.60	1.73	2.31	2.20	1.31	2.65	2.07	1.77	2.39	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	26,611	31,489	36,798	33,554	34,035	20,808	18,159	14,168	12,585	11,660	9,970	13,297	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1,542	1,704	1,942	2,226	2,283	2,235	2,092	1,711	1,610	1,602	918	804	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	96	65	681	224	232	134	129	87	43	27	28	36	
		Installment payment plans in effect at the end of each month	81	89	118	659	444	447	536	298	240	144	68	53	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance	Eligible Customers	3276	2851	2285	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1487	1751	
		LIHEAP protected accounts in effect at the end of each month	7049	9911	11384	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2592	4318	

Exhibit BTC-22

New Mexico
GAS COMPANY

Phone 505-697-3832
Fax 505-697-4487

June 30, 2016

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

RE: New Mexico Gas Company, Inc.'s 2015 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

Enclosed herewith is New Mexico Gas Company, Inc.'s ("NMGC") 2015 Quality of Service Annual Report for the period of January 1, 2015 through December 31, 2015. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

Rebecca Carter

Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Dennis Romero – NMPRC
Ms. Sandra Skogen – NMPRC

New Mexico Gas Company
2015 Quality of Service Report

	Definition	Metric	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the	Complaints	4	3	2	0	2	2	2	0	1	0	1	1	18
		Customers	516,511	516,915	516,916	516,429	515,756	515,104	514,508	514,434	514,441	515,540	517,312	518,927	
		Complaints / 1,000 customers	0.0008%	0.0006%	0.0004%	0.0000%	0.0004%	0.0004%	0.0004%	0.0000%	0.0002%	0.0000%	0.0002%	0.0002%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill		1											1
		Billing - Estimate													0
		Billing - Metering													0
		Billing - Transfer													0
		Billing - Other						1			1			1	3
		Service - Extension													0
		Service - Disconnect													0
		Non-Payment	2	1	1		1						1		6
		Other Reasons	1					1	1						3
		Service - Interruption													0
		Service - Repairs / Delays							1						1
		Service - Dissatisfied		1	1		1								3
		Service - Treatment	1												1
		Service - Missed Commitment													0
		Service - Other													0
		Service - Easement/Right of Way													0
		Danger - Gas Leak													0
		Other - Fees													0
		Other - Deposit													0
		Tarrifs													0
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	90.65%	71.38%	76.90%	84.94%	87.48%	90.94%	90.42%	84.54%	91.22%	71.46%	50.90%	61.03%	
Average time (s) for answering calls		Average Speed of Answer	20s	66s	48s	33s	29s	20s	23s	35s	20s	77s	141s	105s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,409	1,406	1,703	1,756	2,315	2,217	2,499	2,604	2,016	2,104	1,287	1,195	
		Meters Deployed	524,273	524,419	524,714	522,653	522,662	525,323	525,615	525,905	526,260	526,623	527,271	527,613	
		Accuracy	99.73%	99.73%	99.68%	99.66%	99.56%	99.58%	99.52%	99.50%	99.62%	99.60%	99.76%	99.77%	
Leak Response	Average Leak Response	Inside Leaks	25.14	24.39	25.15	24.73	24.73	23.94	25.49	23.40	24.88	25.11	25.85	25.70	
		Outside Leaks	24.49	24.20	23.27	25.63	23.56	24.17	23.93	23.90	24.61	24.72	27.00	27.31	
Damage Tickets	Damage Tickets per 1000 customers	Damage Tickets	1.64	1.17	1.25	1.42	1.90	1.16	2.19	1.05	1.35	2.08	2.90	0.68	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	23,077	28,983	29,237	30,018	18,568	16,615	13,253	10,165	9,559	9,177	8,448	11,992	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1,328	1,586	1,812	1,867	1,596	1,734	1,487	1,629	1,396	1,274	981	847	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	38	57	250	142	81	45	44	37	15	12	14	16	
		Installment payment plans in effect at the end of each month	49	76	86	248	169	190	139	89	68	45	28	14	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance/# of LIHEAP payments received	Eligible Customers	1,807	1,772	777	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,675	1,511	
		LIHEAP protected accounts in effect at the end of each month	6,779	9,160	10,159	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,602	4,528	

Exhibit BTC-22

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING OF PROPOSED NEW RATES BY KIT CARSON ELECTRIC COOPERATIVE, INC.	)	**Case No. 15-00375-UT**
KIT CARSON ELECTRIC COOPERATIVE, INC., APPLICANT	)	

OFFICIAL CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent via email to the parties listed below a true and correct copy of **Staff's Fifth Set of Interrogatories and Request for Production of Documents to Kit Carson Electric Cooperative, Inc.** issued on June 30, 2016.

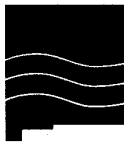
Link Summers	linksummers@hotmail.com;	Charles V. Garcia	cgarcia@cuddymccarthy.com;
Jerome Lucero	jflucero9-12@q.com;	Laura E. Sanchez-Rivet	lsanchez-rivet@cuddymccarthy.com;
William E. (Bill) Whaley	bwhaley@newmex.com;		
Carl Rosenberg	Carlr@taosnet.com;	John Reynolds	John.reynolds@state.nm.us;
Peggy Nelson	pjnelson@taosnet.com;	Bradford Borman	Bradford.Borman@state.nm.us;
Fabi Romero	Fabrom@taosnet.com;	Jack Sidler	Jack.Sidler@state.nm.us;
Rose Des Georges	rdesgeorges@gmail.com;	Milo Chavez	Milo.Chavez@state.nm.us;
A. Eugene Sanchez	genesanchez@centurylink.net;	Vincent De Cesare	Vincent.Decesare@state.nm.us;
Arsenio Cordova	arseniocordova@hotmail.com;	Judith Amer	Judith.Amer@state.nm.us;
Jeff Northrop	Jeffn@taosnet.com;		

DATED on June 30, 2016.

NEW MEXICO PUBLIC REGULATION COMMISSION

Elizabeth Ramirez, Paralegal

Exhibit BTC-22



New Mexico
GAS COMPANY

Phone 505-697-3832
Fax 505-697-4487

JUN 30 '17 PM 3:11

June 30, 2017

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

RE: New Mexico Gas Company, Inc.'s 2016 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

Enclosed herewith is New Mexico Gas Company, Inc.'s ("NMGC") 2016 Quality of Service Annual Report for the period of January 1, 2016 through December 31, 2016. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

for Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Brad Borman– NMPRC

New Mexico Gas Company
2016 Quality of Service Report

	Definition	Metric	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the	Complaints	3	3	4	3	0	3	1	2	1	1	1	1	23
		Customers													
		Complaints / 1,000 customers													
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill	1		1				1						
		Billing - Estimate													
		Billing - Metering									1				
		Billing - Transfer				1		1							
		Billing - Other		2	1								1		
		Service - Extension													
		Service - Disconnect												1	
		Non-Payment	1	1	1					1					
		Other Reasons				1		1		1					
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied	1		1	1		1							
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other													
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other										1			
		Other - Fees													
		Other - Deposit													
		Tarrifs													
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	39.10%	45.80%	87.16%	88.31%	94.09%	93.79%	97.56%	96.57%	67.63%	97.55%	98.37%	98.98%	
Average time (s) for answering calls		Average Speed of Answer/Second	175	262	87	81	53	50	33	32	31	29	31	27	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,598	1,460	1,932	2,113	2,583	2,458	2,575	2,512	2,039	1,652	1,659	2,150	
		Meters Deployed	527,646	527,762	527,763	527,972	528,176	528,289	528,544	528,685	529,021	529,337	529,644	529,498	
		Accuracy	99.70%	99.72%	99.63%	99.60%	99.51%	99.53%	99.51%	99.52%	99.61%	99.69%	99.69%	99.59%	
Leak Response	Average Leak Response	Inside Leaks	26.25	25.50	26.15	26.43	26.63	24.93	25.14	24.64	24.90	25.09	25.37	29.07	
		Outside Leaks	24.01	23.60	24.15	25.02	27.66	24.23	23.60	22.75	23.43	23.94	25.07	26.05	
Damage Tickets	Damage Tickets per 1000 customers	All Damages	2.64	2.78	3.24	3.23	3.82	2.58	2.53	2.58	2.27	3.11	2.53	2.57	
		Damages (excluding hand tools)	2.49	1.80	2.16	1.08	1.97	1.96	1.73	1.57	1.89	2.08	1.41	2.09	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	19,512	23,111	27,437	22,845	17,839	14,298	11,510	9,034	8,374	8,913	8,066	17,020	
	Discontinuance of service to residential customers	Disconnect for Non-Payment	1,103	1,535	1,854	1,735	1,754	1,639	1,267	1,715	1,317	1,173	958	771	
Number of residential customers with installment agreements by month	Residential customers with installment Payment Plans	Installment Payment Plans (set up in the month)	9	11	342	63	65	35	28	19	14	7	13	48	
		Installment Payment Plans (in effect at the end of each month)	40	8	39	349	157	118	72	58	38	20	31	51	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance/# of LIHEAP payments received	Eligible Customers	1,564	1,619	1,081	615	415	272	219	166	222	1,223	1,145	1,364	
		LIHEAP (protected accounts in effect at the end of each month)	6,221	8,402	0	0	0	0	0	0	0	0	3,256	4,172	

Exhibit BTC-22

New Mexico
GAS COMPANY

Phone 505-697-3832
Fax 505-697-4487

FILED IN OFFICE OF
JUN 29 2018
NM PUBLIC REGULATION COMM
RECORDS MANAGEMENT BUREAU

June 29, 2018

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

RE: New Mexico Gas Company, Inc.'s 2017 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

Enclosed herewith is New Mexico Gas Company, Inc.'s ("NMGC") 2017 Quality of Service Annual Report for the period of January 1, 2017 through December 31, 2017. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Brad Borman– NMPRC

New Mexico Gas Company
2017 Quality of Service Report

	Definition	Metric	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the	Complaints	0	0	0	1	1	0	1	0	1	1	2	0	7
		Customers	522,513	522,656	522,818	522,505	521,875	521,189	520,756	520,380	520,560	521,367	822,970	524,553	
		Complaints / 1,000 customers	0.0000%	0.0000%	0.0000%	0.0002%	0.0002%	0.0000%	0.0002%	0.0000%	0.0002%	0.0002%	0.0002%	0.0000%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill													
		Billing - Estimate													
		Billing - Metering													
		Billing - Transfer													
		Billing - Other					1								
		Service - Extension													
		Service - Disconnect													
		Non-Payment				1									
		Other Reasons													
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other							1			1			
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees									1				
		Other - Deposit													
		Tarrifs													
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	89.10%	92.78%	94.18%	89.57%	96.36%	92.78%	88.47%	98.15%	95.25%	92.27%	97.51%	97.45%	
Average time (s) for answering calls		Average Speed of Answer	80s	67s	65s	72s	36s	58s	77s	31s	54s	62s	33s	34s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	2,144	1,671	4,088	2,036	1,899	1,882	1,928	1,838	1,796	2,871	2,624	1,104	
		Meters Deployed	529,445	529,584	529,950	530,201	530,526	530,765	531,005	531,372	531,604	532,047	532,732	532,771	
		Accuracy	99.60%	99.68%	99.23%	99.62%	99.64%	99.65%	99.64%	99.65%	99.66%	99.46%	99.51%	99.79%	
Leak Response	Average Leak Response	Inside Leaks	24.52	25.09	25.97	24.50	25.89	25.93	25.65	24.00	24.73	24.84	25.97	26.51	
		Outside Leaks	24.78	23.32	21.91	22.70	23.30	24.66	22.18	23.53	25.33	24.77	24.18	26.39	
Damage Tickets	Damage Tickets per 1000	All Damages (%)	1.83	1.60	1.91	2.46	3.40	2.88	2.37	2.16	3.55	2.62	2.29	2.72	
		Damages excluding hand tools (%)	1.02	1.02	1.43	1.77	2.43	2.16	1.58	1.62	2.53	2.03	2.04	2.56	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	17,356	23,279	23,007	22,776	17,458	15,454	12,960	10,752	9,418	9,413	7,529	11,486	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1,246	1,775	1,764	1,394	1,792	1,357	1,024	1,563	1,050	1,145	826	739	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	58	28	287	91	55	40	28	15	12	14	6	17	
		Installment payment plans in effect at the end of each month	47	52	54	378	145	154	107	94	59	44	32	33	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance/# of LIHEAP payments received	Eligible Customers	1,415	1,675	930	640	454	312	204	239	182	1,403	1,350	1,139	
		LIHEAP protected accounts in effect at the end of each month	6,449	8,425	0	0	0	0	0	0	0	0	3,176	4,327	

Exhibit BTC-22

New Mexico
GAS COMPANY
AN EMERA COMPANY

Phone 505-697-3832
Fax 505-697-4487

June 28, 2019

FILED IN OFFICE OF
JUN 28 2019
NM PUBLIC REGULATION COMM
RECORDS MANAGEMENT BUREAU

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

RE: New Mexico Gas Company, Inc.'s 2018 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

Enclosed herewith is New Mexico Gas Company, Inc.'s ("NMGC") 2018 Quality of Service Annual Report for the period of January 1, 2018 through December 31, 2018. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Brad Borman– NMPRC
Mr. Raj Soloman – NMPRC

New Mexico Gas Company
2018 Quality of Service Report

	Definition	Metric	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the	Complaints	0	1	3	1	1	2	1	2	1	0	2	0	14
		Customers	525,547	526,100	526,341	526,078	525,516	525,163	524,903	525,019	525,127	526,342	528,020	529,461	
		Complaints / 1,000 customers	0.0000%	0.0002%	0.0006%	0.0002%	0.0002%	0.0004%	0.0002%	0.0004%	0.0002%	0.0000%	0.0004%	0.0000%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill		1	1										
		Billing - Estimate													
		Billing - Metering													
		Billing - Transfer					1						1		
		Billing - Other			1	1		2	1		1		1		
		Service - Extension													
		Service - Disconnect													
		Non-Payment								1					
		Other Reasons													
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other								1					
		Service - Easement/Right of Way			1										
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees													
		Other - Deposit													
		Tarrifs													
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	93.08%	95.81%	94.97%	92.98%	91.56%	84.41%	89.21%	96.91%	92.08%	89.04%	96.59%	93.69%	
Average time (s) for answering calls		Average Speed of Answer	63s	48s	52s	55s	64s	97s	77s	39s	70s	78s	39s	51s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,595	2,092	2,422	2,134	2,180	2,360	1,804	2,005	1,190	1,445	1,667	1,123	
		Meters Deployed	533,035	533,247	533,452	533,640	534,007	534,347	534,677	535,019	535,394	536,070	536,769	537,426	
		Accuracy	99.70%	99.61%	99.55%	99.60%	99.59%	99.56%	99.66%	99.63%	99.78%	99.73%	99.69%	99.79%	
Leak Response	Average Leak Response	Inside Leaks	25.62	25.33	25.89	29.47	26.90	25.62	24.93	26.10	26.54	25.43	28.03	28.46	
		Outside Leaks	25.32	23.61	25.14	28.08	24.86	25.32	23.62	23.05	23.50	24.16	27.50	29.37	
Damage Tickets	Damage Tickets per 1000 customers	All Damages (%)	2.80	2.79	2.74	3.16	2.43	2.88	2.86	1.96	2.53	1.13	2.18	1.78	
		Damages excluding hand tools (%)	2.04	1.82	1.87	1.58	1.70	1.31	1.61	1.27	1.46	0.57	1.36	1.30	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	16,141	21,756	24,025	22,681	17,396	12,463	8,355	7,213	7,316	7,105	7,929	10,773	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1,014	1,237	1,370	1,744	1,672	1,263	1,274	1,177	924	1,121	837	602	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	23	25	575	62	71	48	42	20	12	3	5	8	
		Installment payment plans in effect at the end of each month	25	33	49	468	365	247	138	117	64	49	45	35	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance/# of LIHEAP payments received	Eligible Customers	1,474	1,630	770	572	334	230	215	173	165	1,545	1,330	1,241	
		LIHEAP protected accounts in effect at the end of each month	6,588	7,928	0	0	0	0	0	0	0	0	2,770	4,125	

Exhibit BTC-22

New Mexico GAS COMPANY®
AN EMERA COMPANY

Phone 505-697-3832
Fax 505-697-4487

June 30, 2020

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
P. O. Box 1269
Santa Fe, New Mexico 87504-1269

RE: New Mexico Gas Company, Inc.'s 2019 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

Enclosed herewith is New Mexico Gas Company, Inc.'s ("NMGC") 2019 Quality of Service Annual Report for the period of January 1, 2019 through December 31, 2019. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

/s/ Rebecca Carter

Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Brad Borman– NMPRC
Mr. Raj Solomon – NMPRC

Exhibit BTC-22

New Mexico Gas Company, Inc.

2019 Quality of Service Annual Report
NMPRC Case 15-00327-UT

	Definition		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Yearly Total
Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the Commission and forwarded to NMGC for response or resolution	Complaints	1	1	0	1	1	0	0	0	0	0	3	0	7
		Customers	530,252	530,676	530,952	530,781	530,288	529,903	529,605	529,687	529,515	530,322	532,368	533,574	
		Complaints / 1,000 customers	0.0002%	0.0002%	0.0000%	0.0002%	0.0002%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0006%	0.0000%	
Total number of customer complaints reported by categories of complaints	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill	1												
		Billing - Estimate													
		Billing - Metering													
		Billing - Transfer													
		Billing - Other		1											
		Service - Extension													
		Service - Disconnect				1							1		
		Non-Payment													
		Other Reasons					1						1		
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other													
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees													
		Other - Deposit											1		
		Tarrifs													
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	89.00%	93.68/%	93.62%	98.09%	98.91%	96.42%	98.46%	97.50%	95.64%	93.11%	96.57%	90.63%	
Average time (s) for answering calls		Average Speed of Answer	80	57	52	27	21	28	21	29	52	61	42	73	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,676	1,523	2,107	2,607	2,325	1,455	2,131	2,109	6,451	2,476	2,892	129,024	
		Meters Deployed	537,460	537,758	537,920	538,034	538,336	538,533	538,880	539,237	539,524	540,082	540,685	540,989	
		Accuracy	99.69%	99.72%	99.61%	99.52%	99.57%	99.73%	99.60%	99.61%	98.80%	99.54%	99.47%	76.15%	
Leak Response	Average Leak Response	Inside Leaks	27.33	26.87	26.42	26.10	25.93	25.70	25.55	25.61	25.67	25.75	25.96	26.12	
		Outside Leaks	25.41	25.29	25.21	25.14	24.73	24.57	24.59	24.69	24.76	24.81	25.00	26.85	
Damage Tickets	Damage Tickets per 1000 customers	All Damages (%)	1.82	2.43	2.01	2.38	2.34	3.38	1.63	2.02	3.19	3.13	2.26	3.69	
		Damages excluding hand tools (%)	1.46	1.98	1.01	1.55	1.78	2.73	1.40	1.79	2.04	2.01	1.70	2.92	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	13,379	24,359	19,035	18,559	18,304	11,022	6,812	8,548	9,420	7,669	7,196	11,322	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	1,097	1,101	1,307	1,432	1,503	1,139	1,204	1,313	1,567	1,479	599	583	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	5	13	364	52	52	58	24	18	12	10	5	2	
		Installment payment plans in effect at the end of each month	22	21	37	318	235	132	114	88	64	39	26	10	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance/# of LIHEAP payments received	Eligible Customers	1,525	1,005	864	496	408	267	211	195	236	1,739	1,365	1,246	
		LIHEAP protected accounts in effect at the end of each month	4,125	7,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,001	3,460	

Exhibit BTC-22

NMPRC Case No. 15-00327-UT - 2021/06/30 - New Mexico Gas Company, Inc.'s 2020 Quality of Service Annual Report

Trujillo, Lisa A. <Lisa.Trujillo@nmgco.com>
Wed 6/30/2021 3:25 PM

To: Records, PRC, PRC <PRC.Records@state.nm.us>
Cc: Carter, Rebecca A. <rebecca.carter@nmgco.com>; Cordova, Steven J. <Steven.Cordova@nmgco.com>

1 attachments (189 KB)
NMGC's 2020 Quality of Service Annual Report.pdf;

Please find attached for filing today in PDF format, New Mexico Gas Company, Inc.'s 2020 Quality of Service Annual Report for the above referenced case.

If you have any questions regarding this report, please contact Rebecca Carter at 505-697-3832.

Thank you.

Lisa Trujillo
Sr. Regulatory Coordinator
New Mexico Gas Company
Regulatory Affairs - MS/AC04
7120 Wyoming Blvd. NE, Suite 20
Albuquerque, NM 87109
505-697-3831

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Exhibit BTC-22

New Mexico GAS COMPANY®
AN EMERA COMPANY

Phone 505-697-3832
Fax 505-697-4487

June 30, 2021

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

RE: New Mexico Gas Company, Inc.'s 2020 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

Pursuant to 1.2.2.10B NMAC requiring electronic filings, New Mexico Gas Company, Inc.'s ("NMGC") hereby submits in PDF format its 2020 Quality of Service Annual Report for the period of January 1, 2020 through December 31, 2020. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

/s/ Rebecca Carter

Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Brad Borman– NMPRC

Exhibit BTC-22

New Mexico Gas Company, Inc.

2020 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

	Definition	Metric	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the Consumer Relations Division of the	Complaints	0	0	1	0	0	0	0	0	1	0	0	1	3
		Customers	530,095	530,540	530,875	531,535	532,048	532,437	532,821	533,296	533,747	534,374	535,496	536,430	
		Complaints / 1,000 customers	0.0000%	0.0000%	0.0002%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0002%	0.0000%	0.0000%	0.0002%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill													
		Billing - Estimate													
		Billing - Metering			1										
		Billing - Transfer													
		Billing - Other									1				
		Service - Extension													
		Service - Disconnect													
		Non-Payment													
		Other Reasons													
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other												1	
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees													
		Other - Deposit													
		Tarrifs													
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	79.00%	92.00%	95.50%	96.42%	97.32%	98.14%	95.92%	95.89%	94.46%	91.65%	92.35%	94.90%	
Average time (s) for answering calls		Average Speed of Answer	99	68	51	40	35	39	46	49	61	71	66	50	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	24,819	1,769	1,999	1,842	1,872	2,826	4,307	2,611	2,042	2,067	2,130	1,518	
		Meters Deployed	534,632	535,065	535,472	535,988	536,371	536,831	532,538	537,629	538,095	539,127	539,837	540,757	
		Accuracy	95.36%	99.67%	99.63%	99.66%	99.65%	99.47%	99.19%	99.51%	99.62%	99.62%	99.61%	99.72%	
Leak Response	Average Leak Response	Inside Leaks	27.87	28.18	27.43	26.96	26.91	28.36	28.20	27.89	27.52	27.53	27.48	27.44	
		Outside Leaks	25.15	25.23	24.86	24.66	24.86	25.26	25.60	25.53	25.63	26.42	26.48	26.85	
Damage Tickets	Damage Tickets per 1000 customers	All Damages (%)	2.35	2.76	2.68	2.47	3.37	3.07	2.57	2.80	3.22	2.75	3.71	3.39	
		Damages excluding hand tools (%)	1.57	1.79	2.19	1.53	2.28	2.50	1.87	1.75	2.47	1.83	2.78	2.91	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	14,629	18,410	13,139	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	988	1,045	615	0	0	0	0	0	0	0	0	0	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	9	8	375	300	35	110	64	48	29	25	29	139	
		Installment payment plans in effect at the end of each month	10	23	53	487	281	144	150	145	105	85	40	78	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts that are eligible for LIHEAP assistance/# of LIHEAP payments received	Eligible Customers	1,351	1,125	640	648	209	147	122	115	142	1,078	971	1,492	
		LIHEAP protected accounts in effect at the end of each month	5,701	7,390									2,439	4,107	

Exhibit BTC-22

Records, PRC, PRC

From: Trujillo, Lisa A. <Lisa.Trujillo@nmgco.com>
Sent: Thursday, June 30, 2022 8:30 AM
To: Records, PRC, PRC
Cc: Carter, Rebecca A.
Subject: [EXTERNAL] NMPRC Case No. 15-00327-UT - 2022/06/30 - New Mexico Gas Company, Inc.'s 2021 Quality of Service Annual Report
Attachments: 15-00327-UT - NMGC's 2021 Quality of Service Annual Report.pdf

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC., FOR APPROVAL OF THE MERGER OF EMERA US INC. WITH TECO ENERGY, INC. AND EMERA US HOLDINGS INC.'S ACQUISITION OF TECO ENERGY, INC., AND FOR ALL OTHER APPROVALS AND AUTHORIZATIONS REQUIRED TO CONSUMMATE AND IMPLEMENT THE ACQUISITION,

NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC.,

JOINT APPLICANTS.

Case No. 15-00327-UT

Please find attached for filing today, *New Mexico Gas Company, Inc.'s 2021 Quality of Service Annual Report* for the above referenced case.

If you have any questions regarding this report, please contact Rebecca Carter at 505-697-3832.

Thank you.

Lisa Trujillo
Sr. Regulatory Coordinator
New Mexico Gas Company
Regulatory Affairs - MS/AC04
7120 Wyoming Blvd. NE, Suite 20
Albuquerque, NM 87109
505-697-3831

New Mexico
GAS COMPANY®
AN EMERA COMPANY

Phone 505-697-3832
Fax 505-697-4487

June 30, 2022

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

RE: New Mexico Gas Company, Inc.'s 2021 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

New Mexico Gas Company, Inc.'s ("NMGC") hereby submits in PDF format its 2021 Quality of Service Annual Report for the period of January 1, 2021 through December 31, 2021. This filing is being provided pursuant to paragraph 13 of the Stipulation, dated April 11, 2016 that was approved by the New Mexico Public Regulation Commission, in Case No. 15-00327-UT, which provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

/s/ Rebecca Carter

Rebecca Carter
Interim Director, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Brad Borman– NMPRC
Certificate of Service

New Mexico Gas Company, Inc.

2021 Quality of Service Report

	Definition	Metric	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the NMPRC Consumer Relations Division and forwarded to the utilities for response or resolution	Complaints	0	2	1	1	0	0	1	0	2	1	1	0	9
		Customers	540,883	541,486	541,806	542,102	542,141	542,190	542,119	542,121	541,044	541,145	543,586	542,454	
		Complaints / 1,000 customers	0.0000%	0.0004%	0.0002%	0.0002%	0.0000%	0.0000%	0.0002%	0.0000%	0.0004%	0.0002%	0.0002%	0.0000%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill			1	1			1						
		Billing - Estimate													
		Billing - Metering													
		Billing - Transfer													
		Billing - Other									1	1			
		Service - Extension													
		Service - Disconnect													
		Non-Payment													
		Other Reasons													
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment											1		
		Service - Other		2											
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees													
		Other - Deposit													
		Tarrifs									1				
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total	NMGC target: 70% of calls answered within 60 seconds	Service Level	92.00%	97.55%	91.80%	86.84%	89.58%	96.00%	84.17%	89.19%	91.82%	93.20%	96.20%	89.98%	
Average time (s) for answering calls		Average Speed of Answer (seconds)	70s	41s	73s	95s	89s	46s	112s	78s	27s	54s	46s	82s	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	1,605	1,832	1,640	1,936	1,934	1,817	2,346	3,018	2,679	2,228	2,183	2,541	
		Meters Deployed	544,089	544,421	543,644	544,982	544,202	545,558	545,861	546,129	546,394	546,919	547,427	547,873	
		Accuracy	99.71%	99.66%	99.70%	99.64%	99.64%	99.67%	99.57%	99.45%	99.51%	99.59%	99.60%	99.54%	
Leak Response	Average Leak Response	Inside Leaks (minutes)	27.44	27.22	26.65	26.14	26.43	26.44	26.39	26.39	26.38	26.49	26.47	26.51	
		Outside Leaks (minutes)	26.85	26.92	26.46	26.37	25.83	25.72	25.62	25.40	25.60	25.68	25.94	25.99	
Damage Tickets	Damage Tickets per 1000 customers	All Damages (%)	2.82	2.89	2.52	1.50	4.05	3.17	2.61	2.76	2.78	2.30	3.51	2.10	
		Damages excluding hand tools (%)	1.78	2.06	1.64	0.92	2.70	2.23	1.74	1.88	2.02	1.62	2.49	1.45	
Number of disconnects per month and identify the number that were for non-	Discontinuance of service notices sent to residential customers	Disconnect Notices	0	0	0	0	0	0	0	25,377	17,222	20,368	19,898	24,706	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	0	0	0	0	0	0	0	829	1,427	1,006	822	535	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	104	136	123	223	446	891	2,104	3,963	2,466	2,451	1,791	1,620	
		Installment payment plans in effect at the end of each month	617	712	625	793	1,228	1,375	2,924	5,228	5,458	4,713	4,596	4,130	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts eligible based on LIHEAP payments received	Number of LIHEAP Payments Received	2,195	1,096	604	313	338	349	175	285	225	1,289	1,400	1,262	
		Winter Moratorium (LIHEAP) protected accounts at the end of each month	4,107	6,140	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,048	5,638	

Exhibit BTC-22

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC., FOR APPROVAL OF THE MERGER OF EMERA US INC. WITH TECO ENERGY, INC. AND EMERA US HOLDINGS INC.'S ACQUISITION OF TECO ENERGY, INC., AND FOR ALL OTHER APPROVALS AND AUTHORIZATIONS REQUIRED TO CONSUMMATE AND IMPLEMENT THE ACQUISITION,	)	**Case No. 15-00327-UT**
NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC.,	)	
JOINT APPLICANTS.	)	

CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent, via email only, a true and correct copy of **New Mexico Gas Company, Inc.'s 2021 Quality of Service Annual Report,** to the parties listed below:

Bruce Marchand	bruce.marchand@emera.com
Paul Laberge	paul.laberge@emera.com
Jeffrey H. Albright	ja@jalblaw.com
Brian Haverly	bjh@jhkmlaw.com
Thomas Domme	tmd@jhkmlaw.com
Rebecca Carter	rebecca.carter@nmgco.com
Nicole Strauser	nicole.strauser@nmgco.com
Peter Gould	pgouldlaw@gmail.com
Dan Najjar	vnajjar@aol.com
Rishi Garg	rishi.garg@hq.doe.gov
Saul J. Ramos	sramos@doeal.gov
Tim Glasco	ta.glasco@lacnm.us
Gary Hurse	ghurse@lcecnet.com
Cholla Khoury	ckhoury@nmag.gov
James Cotton/Andrea Crane/Ben Cotton	ctcolumbia@aol.com
Eugene Varela	evarela@aarp.org
Timothy Martinez	timothy.martinez@state.nm.us
John Reynolds	john.reynolds@state.nm.us
Jane L. Yee	jyee@cabq.gov

Jennifer N. Breakell	jbreakell@fmtn.org
Amanda Edwards	aedwards@lrrc.com
Hank Adair	hadair@fmtn.org

Dated: June 30, 2022

Respectfully submitted,

/s/ Lisa Trujillo
Lisa Trujillo
Senior Regulatory Coordinator, Regulatory Affairs
505-697-3831
lisa.trujillo@nmgco.com

Exhibit BTC-22

[EXTERNAL] NMPRC Case No. 15-00327-UT - 2023/06/29 - Emera Acquisition New Mexico Gas Company, Inc.'s 2022 Quality of Service Annual Report

Trujillo, Lisa A. <Lisa.Trujillo@nmgco.com>
Thu 6/29/2023 1:58 PM

To:Records, PRC, PRC <PRC.Records@prc.nm.gov>

Cc:Carter, Rebecca A. <rebecca.carter@nmgco.com>;Pohl, Breann B. <Breann.Pohl@nmgco.com>

1 attachments (148 KB)

15-00327-UT - 2023-06-29 - NMGC's 2022 Quality of Service Annual Report.pdf;

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

IN THE MATTER OF THE APPLICATION OF)
NEW MEXICO GAS COMPANY, INC., TECO)
ENERGY, INC., EMERA INC., EMERA US)
HOLDINGS INC. AND EMERA US)
INC., FOR APPROVAL OF THE MERGER OF)
EMERA US INC. WITH TECO ENERGY, INC.)
AND EMERA US HOLDINGS INC.'S ACQUISITION)
OF TECO ENERGY, INC., AND FOR ALL OTHER)
APPROVALS AND AUTHORIZATIONS REQUIRED)
TO CONSUMMATE AND IMPLEMENT THE) Case No. 15-00327-UT
ACQUISITION,)
)
NEW MEXICO GAS COMPANY, INC., TECO)
ENERGY, INC., EMERA INC., EMERA US)
HOLDINGS INC. AND EMERA US INC.,)
)
JOINT APPLICANTS.)
)

Please find attached, for filing today, *New Mexico Gas Company, Inc.'s 2022 Quality of Service Annual Report* for the above referenced case.

If you have any questions regarding this report, please contact Rebecca Carter at 505-697-3832.

Thank you.

Lisa Trujillo
Regulatory Project Manager
New Mexico Gas Company
Regulatory Affairs - MS/AC04
7120 Wyoming Blvd. NE, Suite 20
Albuquerque, NM 87109
505-681-7110

New Mexico
GAS COMPANY®
AN EMERA COMPANY

Phone 505-697-3832
Fax 505-697-4487

June 29, 2023

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

RE: New Mexico Gas Company, Inc.'s 2022 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

New Mexico Gas Company, Inc.'s ("NMGC") hereby submits its Annual Quality of Service Report for the period ending December 31, 2022, pursuant to paragraph 13 of the Stipulation, in the New Mexico Public Regulation Commission's Case No. 15-00327-UT, which was approved on April 11, 2016. Paragraph 13 of the Stipulation provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3832.

Sincerely,

/s/ Rebecca Carter

Rebecca Carter
Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Ed Rilkoff - NMPRC
Certificate of Service

Exhibit BTC-22

New Mexico Gas Company, Inc.
2022 Quality of Service
NMPRC Case No. 15-00327-UT
For the Period Ending December 31, 2022

	Definition	Metric	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the NMPRC Consumer Relations Division and forwarded to the utilities for response or resolution	Complaints	1	4	4	0	1	0	0	1	2	0	1	5	19
		Customers	542,998	543,461	543,577	543,608	543,076	542,652	542,270	541,966	541,887	542,377	543,960	545,185	
		Complaints / 1,000 customers	0.0002%	0.0007%	0.0007%	0.0000%	0.0002%	0.0000%	0.0000%	0.0002%	0.0004%	0.0000%	0.0002%	0.0009%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill													
		Billing - Estimate													
		Billing - Metering													
		Billing - Transfer													
		Billing - Other		2	2		1				1			1	7
		Service - Extension													
		Service - Disconnect	1		1									2	4
		Non-Payment													
		Other Reasons													
		Service - Interruption			1										1
		Service - Repairs / Delays								1					1
		Service - Dissatisfied													
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other		1									1	2	4
		Service - Easement/Right of Way													
		Danger - Gas Leak		1											1
		Danger-Other													
		Other - Fees													
		Other - Deposit													
		Tarrifs									1				1
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	64.22%	64.02%	41.36%	58.53%	77.34%	79.74%	71.10%	58.41%	74.36%	70.95%	79.89%	97.08%	
Average time (s) for answering calls		Average Speed of Answer (Seconds)	209	214	412	269	141	130	180	270	166	190	131	35	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	2,191	1,939	3,482	2,478	2,630	3,442	6,353	3,965	2,170	2,154	1,476	1,903	
		Meters Deployed	548,055	548,147	548,324	548,463	548,698	548,937	549,249	549,479	549,806	550,255	550,975	551,471	
		Accuracy	99.60%	99.65%	99.36%	99.55%	99.52%	99.37%	98.84%	99.28%	99.61%	99.61%	99.73%	99.65%	
Leak response	Average leak response	Inside Leaks (Minutes)	26.23	26.53	26.47	27.01	25.52	26.93	27.66	27.08	25.70	27.19	28.62	27.52	
		Outside Leaks (Minutes)	26.29	24.27	25.13	25.55	24.31	25.18	27.63	24.33	28.90	29.87	26.44	28.72	
Damage tickets	Damage tickets per 1000 customers	All Damages (%)	2.35	3.37	2.85	2.44	3.59	2.72	3.36	2.48	2.92	3.07	2.63	2.21	
		Damages excluding hand tools (%)	1.76	2.34	1.66	1.71	2.47	1.98	1.96	1.53	1.99	1.95	1.70	1.87	
Number of disconnects per month and identify the number that were for non-	Discontinuance of service notices sent to residential customers	Disconnect Notices	31,913	36,188	38,972	39,829	32,858	27,929	26,207	24,448	21,803	21,562	21,086	30,431	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	748	723	935	996	1,223	1,244	1,161	1,183	1,193	992	568	480	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment Payment Plans set up in the Month	1,630	1,760	3,728	2,174	1,860	1,399	1,174	633	585	433	351	431	
		Installment Paymen Plans End of Each Month	3,910	3,887	4594	5,241	4,567	4,591	3,495	3,593	2,545	1,964	1,569	1,429	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts eligible based on LIHEAP payments received	Number of LIHEAP Payments Received	1,255	1,432	1,228	725	443	314	7,171	383	9,629	877	843	804	
		Winter Moratorium Protected Accounts End of Each Month	5,638	6,706	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9,128	9,644	

Exhibit BTC-22

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC., FOR APPROVAL OF THE MERGER OF EMERA US INC. WITH TECO ENERGY, INC. AND EMERA US HOLDINGS INC.'S ACQUISITION OF TECO ENERGY, INC., AND FOR ALL OTHER APPROVALS AND AUTHORIZATIONS REQUIRED TO CONSUMMATE AND IMPLEMENT THE ACQUISITION,	)	**Case No. 15-00327-UT**
NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC.,	)	
JOINT APPLICANTS.	)	

CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent, via email only, a true and correct copy of **New Mexico Gas Company, Inc.'s 2022 Quality of Service Report** to the parties listed below:

Bruce Marchand	bruce.marchand@emera.com
Paul Laberge	paul.laberge@emera.com
Jeffrey H. Albright	ja@jalblaw.com
Brian Haverly	bjh@jhkmlaw.com
Thomas Domme	tmd@jhkmlaw.com
Rebecca Carter	rebecca.carter@nmgco.com
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Exhibit BTC-22

Richard Martinez	richard.martinez@prc.nm.gov
Bradford Borman	bradford.borman@prc.nm.gov
Ed Rilkoff	ed.rilkoff@prc.nm.gov
Jennifer N. Breakell	jbreakell@fmtn.org
Amanda Edwards	aedwards@lrrc.com
Hank Adair	hadair@fmtn.org

Dated: June 29, 2023

Respectfully submitted,

/s/Rebecca Carter
Rebecca Carter
Manager, Regulatory Affairs
505-697-3832
rebecca.carter@nmgco.com

Exhibit BTC-22

[EXTERNAL] NMPRC Case No. 15-00327-UT -2024/06/28 - Emera Acquisition - NMGC's 2023 Quality of Service Annual Report

Trujillo, Lisa A. <Lisa.Trujillo@nmgco.com>

Fri 6/28/2024 2:28 PM

To:Records, PRC, PRC <PRC.Records@prc.nm.gov>
Cc:Hart, Anita L. <Anita.Hart@nmgco.com>;Pohl, Breann B. <Breann.Pohl@nmgco.com>;Buffington, Brian <Brian.Buffington@nmgco.com>

1 attachments (194 KB)

15-00327-UT - 2023-06-28 - NMGC's 2023 Quality of Service Annual Report.pdf;

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC., FOR APPROVAL OF THE MERGER OF EMERA US INC. WITH TECO ENERGY, INC. AND EMERA US HOLDINGS INC.'S ACQUISITION OF TECO ENERGY, INC., AND FOR ALL OTHER APPROVALS AND AUTHORIZATIONS REQUIRED TO CONSUMMATE AND IMPLEMENT THE ACQUISITION,	)	**Case No. 15-00327-UT**
NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC.,	)	
JOINT APPLICANTS.	)	

Attached, pursuant to the Stipulation approved by the New Mexico Public Regulation Commission on June 22, 2016, in NMPRC Case No. 15-00327-UT, New Mexico Gas Company, Inc. hereby submits its 2023 Quality of Service Annual Report, to be filed today, June 28, 2024.

If you have any questions, please contact Lisa Trujillo at 505-697-3831 or lisa.trujillo@nmgco.com

Thank you.

Lisa Trujillo
Regulatory Project Manager
New Mexico Gas Company
Regulatory Affairs - MS/AC04
7120 Wyoming Blvd. NE, Suite 20
Albuquerque, NM 87109
505-681-7110

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Exhibit BTC-22

New Mexico
GAS COMPANY®
AN EMERA COMPANY

A Natural Choice.

Phone 505-697-3831
Fax 505-697-4487

June 28, 2024

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

RE: New Mexico Gas Company, Inc.'s 2023 Quality of Service Annual Report
NMPRC Case No. 15-00327-UT

Dear Ms. Sandoval:

New Mexico Gas Company, Inc.'s ("NMGC") hereby submits its Annual Quality of Service Report for the period ending December 31, 2023, pursuant to paragraph 13 of the Stipulation, in the New Mexico Public Regulation Commission's Case No. 15-00327-UT, which was approved on April 11, 2016. Paragraph 13 of the Stipulation provides:

> "NMGC agrees to continue filing specific customer of service reports as ordered in Case No. 09-00163-UT (expired June 2013), and agrees to include in this filing supplemental customer service reports regarding leak response time and damages per 1,000 locate ticket requests."

If you have any questions regarding this information, please call me at (505) 697-3831.

Sincerely,

/s/ Lisa Trujillo

Lisa Trujillo
Project Manager, Regulatory Affairs

cc: Mr. Tim Martinez – NMPRC
Mr. Ed Rilkoff - NMPRC
Certificate of Service

Exhibit BTC-22

New Mexico Gas Company, Inc.
2023 Quality of Service
NMPRC Case No. 15-00327-UT
For the Period Ending December 31, 2023

	Definition	Metric	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the NMPRC Consumer Relations Division and forwarded to the utilities for response or resolution	Complaints	16	5	6	4	1	1	1	0	1	3	2	2	42
		Customers	545,774	546,214	546,378	546,138	545,739	545,329	545,038	544,950	545,021	545,394	546,723	547,751	
		Complaints / 1,000 customers	0.0029%	0.0009%	0.0011%	0.0007%	0.0002%	0.0002%	0.0002%	0.0000%	0.0002%	0.0006%	0.0004%	0.0004%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill	1	1	1						1				
		Billing - Estimate													
		Billing - Metering													
		Billing - Transfer													
		Billing - Other	11	3	3		1	1				1		1	
		Service - Extension													
		Service - Disconnect			1	2							1	1	
		Non-Payment													
		Other Reasons													
		Service - Interruption													
		Service - Repairs / Delays													
		Service - Dissatisfied	2			1			1			2			
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other				1							1		
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees													
		Other - Deposit													
		Tarrifs	2	1	1										
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total	NMGC target: 70% of calls answered within 60 seconds	Service Level	31.07%	31.17%	39.73%	72.41%	93.00%	92.42%	97.40%	97.93%	96.27%	87.00%	90.06%	82.21%	
Average time (s) for answering calls		Average Speed of Answer (seconds)	897	930	570	202	56	64	28	24	31	81	62	118	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	4,173	3,622	2,637	2,503	2,989	2,488	3,530	4,085	3,717	3,423	3,077	2,547	
		Meters Deployed	551,307	551,424	551,447	551,512	551,648	551,847	551,987	552,185	552,328	552,737	551,690	553,791	
		Accuracy	99.24%	99.34%	99.52%	99.55%	99.46%	99.55%	99.36%	99.26%	99.33%	99.38%	99.44%	99.54%	
Leak Response	Average Leak Response	Inside Leaks (minutes)	31.10	27.23	25.89	26.63	27.41	28.42	27.99	28.08	25.60	27.30	24.52	26.68	
		Outside Leaks (minutes)	27.43	26.22	23.81	24.58	26.00	27.83	22.11	23.18	27.05	25.27	26.48	27.81	
Damage Tickets	Damage Tickets per 1000 customers	All Damages (%)	1.96	2.26	1.67	2.70	2.01	3.60	1.69	2.83	3.79	3.73	2.77	2.29	
		Damages excluding hand tools (%)	1.66	1.81	1.56	1.42	1.66	2.11	1.26	1.96	2.43	2.98	2.16	3.87	
Number of disconnects per month and identify the number that were for non-	Discontinuance of service notices sent to residential customers	Disconnect Notices	38,240	44,594	45,754	46,933	28,531	38,597	19,865	18,711	18,108	24,013	20,179	24,508	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	797	858	992	1,059	894	1,012	955	715	740	730	490	377	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	759	1,155	3,246	1,690	1,308	932	556	359	58	49	38	18	
		Installment payment plans in effect at the end of each month	1,373	1,705	2390	3,960	4,082	3,518	2,653	2,445	1,546	1,016	648	424	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts eligible based on LIHEAP payments received	Number of LIHEAP Payments Received	928	1,103	1,500	1,011	781	408	321	234	136	283	370	535	
		Winter Moratorium (LIHEAP) protected accounts at the end of each month	10,342	11,815	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,283	1,829	

Exhibit BTC-22

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC., FOR APPROVAL OF THE MERGER OF EMERA US INC. WITH TECO ENERGY, INC. AND EMERA US HOLDINGS INC.'S ACQUISITION OF TECO ENERGY, INC., AND FOR ALL OTHER APPROVALS AND AUTHORIZATIONS REQUIRED TO CONSUMMATE AND IMPLEMENT THE ACQUISITION,	)	**Case No. 15-00327-UT**
NEW MEXICO GAS COMPANY, INC., TECO ENERGY, INC., EMERA INC., EMERA US HOLDINGS INC. AND EMERA US INC.,	)	
JOINT APPLICANTS.	)	

CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent, via email only, a true and correct copy of **New Mexico Gas Company Inc.'s 2023 Quality of Service Annual Report**, to the parties listed below:

Bruce Marchand	bruce.marchand@emera.com;
Paul Laberge	paul.laberge@emera.com;
Jeffrey H. Albright	ja@jalblaw.com;
Brian Haverly	bjh@jhwlawyers.com;
Julie Hopper	jth@jhwlawyers.com;
Brian Buffington	brian.buffington@nmgco.com;
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Eugene Varela	evarela@aarp.org;
Ed Rilkoff	ed.rilkoff@prc.nm.gov;

John Bogatko	john.bogatko@prc.nm.gov;
Jane L. Yee	jyee@cabq.gov;
Jennifer N. Breakell	jbreakell@fmtn.org;
Amanda Edwards	aedwards@lrrc.com;
Hank Adair	hadair@fmtn.org;
Tim Martinez	timothy.martinez@prc.nm.gov;

Dated on June 28, 2024

Respectfully submitted,

/s/Lisa Trujillo
Lisa Trujillo
Project Manager, Regulatory Affairs
505-697-3831
lisa.trujillo@nmgco.com

Exhibit BTC-22

Quality of Service 2024

	Definition	Metric	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Yearly Total
Utility Metrics															
Number of customer complaints per 1,000 customers	Those matters received from customers by the NMPRC Consumer Relations Division and forwarded to the utilities for response or resolution	Complaints	4	0	0	4	3	1	0	1	0	1	4	1	19
		Customers	548,731	549,112	549,330	549,286	548,996	548,781	548,485	548,576	548,603	549,336	550,441	551,540	
		Complaints / 1,000 customers	0.0007%	0.0000%	0.0000%	0.0007%	0.0005%	0.0002%	0.0000%	0.0002%	0.0000%	0.0002%	0.0007%	0.0002%	
Total number of customer complaints reported by categories of complaints.	Complaints categorized by primary keycode used by the Consumer Relations Division of the Commission	Billing - High Bill					1						1	1	3
		Billing - Estimate					1								1
		Billing - Metering													
		Billing - Transfer													
		Billing - Other				1		1					1		3
		Service - Extension													
		Service - Disconnect	1												1
		Non-Payment													
		Other Reasons													
		Service - Interruption													
		Service - Repairs / Delays	1												1
		Service - Dissatisfied	1			3							1		5
		Service - Treatment													
		Service - Missed Commitment													
		Service - Other	1				1			1		1	1		5
		Service - Easement/Right of Way													
		Danger - Gas Leak													
		Danger-Other													
		Other - Fees													
		Other - Deposit													
		Tarrifs													
Number of customer calls answered by the Call Center within one minute or a lesser time period as a percentage of total customer calls	NMGC target: 70% of calls answered within 60 seconds	Service Level	73.74%	82.86%	93.20%	88.73%	96.44%	95.20%	98.07%	95.74%	96.94%	93.63%	98.79%	95.08%	
Average time (s) for answering calls		Average Speed of Answer (seconds)	168	106	55	73	31	35	20	34	27	46	15	32	
Meter reading accuracy	Number of cancelled bills / number of meters deployed in the field	Cancel / Rebills	4,250	3,633	2,502	2,995	2,640	2,398	3,539	2,605	1,954	1,876	3,754	1,427	
		Meters Deployed	554,167	553,488	553,773	553,936	554,092	554,238	554,496	554,702	555,017	555,485	555,496	555,773	
		Accuracy	99.23%	99.34%	99.55%	99.46%	99.52%	99.57%	99.36%	99.53%	99.65%	99.66%	99.32%	99.74%	
Leak Response	Average Leak Response	Inside Leaks (minutes)	25.93	26.72	26.10	28.33	27.79	25.81	26.49	29.51	31.57	28.69	28.85	28.89	
		Outside Leaks (minutes)	26.56	24.99	22.90	25.18	20.24	18.93	17.64	16.27	16.58	27.01	27.10	28.30	
Damage Tickets	Damage Tickets per 1000 customers	All Damages (%)	1.98	2.76	2.37	2.59	2.52	5.12	3.76	3.70	2.53	2.72	3.59	2.69	
		Damages excluding hand tools (%)	1.70	1.93	1.74	2.14	1.97	3.75	2.79	2.69	1.61	1.78	3.32	1.92	
Number of disconnects per month and identify the number that were for non-payment	Discontinuance of service notices sent to residential customers	Disconnect Notices	33,640	39,751	38,212	35,852	30,763	21,569	15,455	14,896	10,978	17	3,545	14,994	
	Discontinuances of service to residential customers	Disconnect for Non-Payment	526	710	746	856	931	679	965	852	454	0	0	0	
Number of residential customers with installment agreements by month	Residential customers with installment payment plans	Installment payment plans set up in the month	36	28	823	43	45	16	12	12	3	17	10	8	
		Installment payment plans in effect at the end of each month	335	227	161	761	475	186	110	58	41	36	31	32	
Number of customers that are in the billing system by month that are qualified by HSD	Active customer accounts eligible based on LIHEAP payments received	Number of LIHEAP Payments Received	921	1,222	797	681	422	318	222	157	161	1,405	706	709	
		Winter Moratorium (LIHEAP) protected accounts at the end of each month	3,084	4,055	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,386	2,253	

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	**Case No. 24-00266-UT**
JOINT APPLICANTS	)	

SELF AFFIRMATION

I, Bradley Cebulko upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing ***Direct Testimony of Bradley T. Cebulko on Behalf of Western Resource Advocates*** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this April 18th, 2025,

/s/ Bradley T. Cebulko
Bradley T. Cebulko

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL TO ACQUIRE NEW MEXICO GAS COMPANY, INC. BY SATURN UTILITIES HOLDCO, LLC.	)	**Case No. 24-00266-UT**
JOINT APPLICANTS	)	

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this date I sent a true and correct copy of the foregoing *Direct Testimony of Bradley T. Cebulko on Behalf of Western Resource Advocates* to the parties listed below:

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DATED April 18, 2025,

Caitlin Evans
Legal Assistant
Western Resource Advocates