BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF NEW MEXICO GAS COMPANY, INC.'S INTEGRATED RESOURCE PLAN FOR THE PLANNING PERIOD OF 2024 THROUGH 2033 IN COMPLIANCE WITH 17.7.4.9 NMAC

PROTEST BY WESTERN RESOURCE ADVOCATES OF NEW MEXICO GAS COMPANY INC.'S 2024-2033 INTEGRATED RESOURCE PLAN

Western Resource Advocates ("WRA") submits the following protest of New Mexico Gas Company's ("NMGC" or "Company") 2024-2033 Integrated Resource Plan ("IRP") filed on April 16, 2024. According to 17.7.4.15 New Mexico Administrative Code ("NMAC"), parties must file protests of the IRP to the New Mexico Public Regulation Commission ("Commission") within 30 days of the filing.

INTRODUCTION

WRA is a nonprofit conservation organization dedicated to protecting the land, air, and water of the interior West to ensure that communities exist in balance with nature, with a vision of a prosperous economy that is powered by clean energy. WRA develops and implements policies to reduce the environmental impacts of electric utilities in the Interior West by advocating for a Western electric system that provides clean, affordable, and reliable energy; reduces economic risks; and protects the environment through the expanded use of energy efficiency, renewable energy resources, and other clean energy technologies.

WRA has observed and participated in two public advisory meetings with NMGC pertaining to this 2024 IRP, but WRA has not previously participated in or responded to prior

gas IRPs. However, it is becoming increasingly clear that there is a disconnect between the information and reasoning NMGC provides in its filed IRP, the information and analysis required by the IRP rules, and the capital investment costs NMGC seeks to recover through rate cases or related filings. In its current and past IRP filings NMGC has presented an overview of the NMGC system and high-level descriptions of investments that will or could be made. In contrast, NMGC has come before the Commission four times in the last six years for rate increases.[1] Within these rate cases, NMGC requests approval for tens to hundreds of millions of dollars of new capital investments plus safety upgrades. NMGC does not include this level of information in its IRP, where it can be reviewed prior to the Company seeking cost recovery. Therefore, the Commission and stakeholders are unable to rely upon the IRP process to ensure that NMGC adequately considered alternatives, compare projects with lower cost alternatives or identify projects that may be avoided altogether, thus limiting rate increases.

The Commission recently raised the question as to whether the IRP assesses capital investment projects or simply looks at system fuel supply. NMGC confirmed their IRP mainly deals with gas supply and not so much capital investments.[2] This seems at odds with the instructions in the gas IRP rules to put forward a portfolio of the most cost-effective resources (demand-side and supply-side) to meet forecasted customer demand.[3] Further, upon reviewing the IRP as filed, it is unclear whether meeting the needs of the portfolio would require specific system investments beyond securing gas through long-term contracts. The IRP observed the potential for future pipeline congestion.[4] However, the plan lacked detail on anticipated system

[1] Case No. 23-00255-UT. New Mexico Gas Company, Inc.'s General Rate Case. Hearing Transcript April 1, 2024. Page 28.
[2] Ibid. Page 260.
[3] 17.7.4.11 NMAC.
[4] New Mexico Gas Company Integrated Resource Plan for the Planning Period of 2024 through 2033. Page 16.

capacity constraints, supply- and demand-side alternatives for alleviating those constraints, and cost effectiveness of alternatives.

Overall, NMGC has not presented enough detail or analysis in this IRP to ensure that the Commission and public are aware of possible future investments, related alternatives and risks, or that the investments NMGC intends to make are in the best interest of ratepayers. Recently, NMGC's request for a new liquified natural gas storage facility was denied by the Commission.[5] The Commission based this denial in part because NMGC failed to provide an analysis proving this project was cost-effective and therefore in the interest of ratepayers.[6] The IRP filing is an appropriate way for the gas utility to present analysis of potential projects that may be compared to alternatives before moving forward for a certificate of public convenience and necessity or cost recovery in a rate case.

WRA hereby files a protest of NMGC 2024-2033 IRP according to 17.7.4.15(A) NMAC. WRA asserts that the IRP fails to meet the requirements of 17.7.4.11(B) NMAC, which require NMGC to present a cost-effective portfolio of supply-side and demand-side resources to meet the needs forecast by the utility. Furthermore, NMGC did not include a present-value revenue requirement analysis of its selected resource portfolio. WRA recommends that the Commission require NMGC to refile its IRP to perform additional analyses to comply with 17.7.4.11(B) NMAC.

NATURAL GAS IRP REQUIREMENTS

[5] Docket No. 22-00309-UT. New Mexico Gas Company, Inc.'s Application for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Liquefied Natural Gas Facility. Final Order.
[6] Ibid. Page 5.

The requirements for gas utility IRPs are found in 17.7.4 NMAC. The rules detail everything from plan contents to Commission review. Rule 17.7.4.10 NMAC details information a gas utility IRP must include:

A. current load forecast;

B. description of existing portfolio of resources;

C. summary of foreseeable resource needs for the planning period;

D. anticipated resources to be added during the planning period and the evaluation of various options that could reasonably be added to the utility's resource portfolio;

E. a summary description of natural gas supply sources and delivery systems;

F. a summary identification of critical facilities susceptible to supply-source or other failures;

G. description of the public advisory process; and

H. other information that may aid the commission in reviewing the utility's planning processes.

In addition, 17.7.4.11 NMAC details the evaluation of natural gas resources to be performed by the gas utility:

A. The utility shall evaluate the ability of its natural gas resources to provide adequate redundancy of supply and of delivery systems.

B. The utility shall evaluate, as appropriate, renewable energy, energy efficiency, load management and conventional supply-side resources on a consistent and comparable basis and take into consideration risk and uncertainty of energy supply, price volatility and costs of anticipated environmental regulations in order to identify the most cost-effective portfolio of resources to supply the energy needs of customers. The evaluation shall be based on a present-value analysis of revenue requirements and shall include discussion of any economic, risk, environmental, and reliability analyses.

[17.7.4.11 NMAC – N, 4-16-07; A, 12-31-12]

Overall, a gas IRP should act as a forecast of the utility's needs including investments into system upgrades, gas contracts, and extension facilities that may be necessary to meet customer demands over the timeframe of the IRP. The utility should compare a traditional infrastructure

investment ("conventional supply-side resources") against alternatives on both the demand-side and supply-side. This ensures that the investments a utility intends to make are in the best interests of the ratepayer. The IRP should also weigh the impacts of policies and changing customer preferences when forecasting demand. This more comprehensive assessment can prepare the Commission and intervenors for future projects and should then align with cost recovery requests by the utility in future rate cases. If an IRP is not adequately detailed, then evaluating the prudency of different infrastructure and resource investments in future rate cases is extremely challenging. The Commission noted in NMGC's most recent rate case that the Company will often settle for a lower revenue increase, but return to the table for another increase within a couple of years, in part to recoup costs incurred but deferred in previous settlements.[7] Instead, if NMGC presents capital project details including expenditure information and comparison to alternatives in its IRP prior to making the investments, it would allow for stakeholders to weigh in. A proper IRP should show the Commission that NMGC is adequately considering alternatives. Thus, when NMGC comes before the Commission in a rate case, parties already understand the investments and the reasons they were made. Fundamentally the IRP should be a forecast, with IRP projects later appearing in rate cases. The closer they align, the better positioned all parties will be to engage in revenue requirement discussions.

OVERVIEW OF NMGC IRP

NMGC has filed IRPs under the statute since 2012. That makes this 2024 IRP the fourth such plan filed under the New Mexico gas IRP rules. The 2024-2033 IRP follows much the same format and information as the 2012, 2016, and 2020 iterations. The 2024 IRP provides:

[7] New Mexico Gas Company General Rate Case. 23-00255-UT. Hearing Transcript April 1, 2024. Page 218 to 219.

- an overview of the NMGC gas system.
- a single load forecast.
- an overview of the company's gas supply and strategy for maintaining reliable supply.
- brief descriptions of anticipated resources or projects to be added during the 2024-2033 timeframe with some cost estimates.
- brief descriptions of possible resources, technologies, or projects the company will consider adding within the timeframe.
- an overview of NMGC's energy efficiency programs and estimated savings.[8]

NMGC provided in appendices presentations from the public advisory process, information on the NMGC gas delivery system, an updated design day study methodology report, and an overview of the 2023-2024 supply portfolio.[9]

COMPLIANCE WITH 17.7.4.10 NMAC

WRA finds that the NMGC IRP generally addresses the requirements set forth in NMAC 17.7.4.10 but provides insufficient detail in several ways to permit proper review of the drivers of future investments. For example, NMGC provides a load forecast and a description of existing resources, yet while there are descriptions of future projects, they are not tied directly back to specific supply shortfalls in certain years identified by NMGC in the plan, nor are the investments compared to other possible demand- or supply-side options.[10]

[8] New Mexico Gas Company Integrated Resource Plan for the Planning Period of 2024 through 2033. Pages 2 to 27.
[9] Ibid. Appendix A to D.
[10] Ibid. Pages 13 to 14.

NMGC also presents an updated peak design day methodology to inform the resource need and load forecast. However, the Company does not provide any discussion of whether it is securing gas supply and building infrastructure to meet the design day demand (a 1-in-30-year event) or to satisfy an even more conservative target of the 99% confidence peak design day demand. The Company describes this additional 99% confidence metric as requiring additional gas supply resources above the typical 1-in-30-year requirement.[11] NMGC and its consultant also fail to acknowledge how future weather patterns may differ from historical weather. The plan does not discuss whether using the last 30 years of cold weather is useful for predicting the needs of the system in the next ten years. Overall, the IRP lacks an analysis or discussion to determine if either design day forecast is in the best interest of ratepayers and would not lead to an overbuild of infrastructure, especially if weather patterns warm and winter gas demand declines.

Similarly, while NMGC estimates system-wide future gas demand,[12] NMGC does not specify a resource portfolio to meet that need, or how the changing peak day loads by 2033/2034 in different portions of NMGC's system will lead to different investment and resource procurement strategies. This makes it very difficult for stakeholders to have confidence in the value or necessity of capital expenditures made by NMGC.

COMPLIANCE WITH 17.7.4.11 NMAC

WRA asserts that NMGC has failed to comply with the requirements under 17.7.4.11(B) NMAC. As set out above, this section of the IRP rules is very clear that the *"utility shall evaluate, as appropriate, renewable energy, energy efficiency, load management and*

[11] Ibid. Appendix C. Page C-8.
[12] NMGC projects the 2033/2034 heating season will require 911,379 MMBtu/d. Ibid. Page 14.

conventional supply-side resources on a consistent and comparable basis and take into consideration risk and uncertainty of energy supply, price volatility and costs of anticipated environmental regulations in order to identify the most cost-effective portfolio of resources to supply the energy needs of customers." NMGC provides no evaluation or comparison of demand-side and supply-side resources, no indication of the relative risk of pursuing different resources, and no quantitative evaluation of the impacts of price volatility, environmental regulations, or any other potential scenario that would change the future demand of gas. Moreover, at no point does NMGC present for consideration any portfolio of resources that is optimized for cost-effectiveness. The language *"most cost-effective"* suggests the utility should have considered multiple portfolios when determining a preferred plan. NMGC instead presents a qualitative description of gas supply, probable and possible capital investments, and another qualitatively assessed list of technologies and strategies that may or may not play into the utility's future.

The next line of that rule section requires: *"The evaluation shall be based on a present-value analysis of revenue requirements and shall include discussion of any economic, risk, environmental, and reliability analyses."* NMGC failed to provide an analysis of revenue requirement changes for its chosen portfolio. Since this analysis was not performed, there is no discussion of economic, risk, environmental, and reliability aspects.

SUMMARY

WRA's review of the 2024-2033 NMGC IRP led to the following:

- NMGC has not performed the necessary analyses to deem the 2024-2033 IRP satisfactory according to requirements under 17.7.4.11(B) NMAC. NMGC should have provided an assessment of supply-side and demand-side resources reasonably available, which could

lead to identification of alternative resources to meet customer demand over the forecasted period, and an evaluation of their cost-effectiveness or feasibility.

- For the proposed activities in the IRP[13] (see sections entitled "*Anticipated Resources to Be Added During Planning Period*" and "*Resources and Infrastructure Under Consideration*"), NMGC does not provide any analysis that demonstrates that any one project is the most cost-effective solution for customers. NMGC's presentation of each project lacks details. For example, there is no explanation of the revenue requirement of the project, and there is inadequate information for why the project is necessary or by when any capacity constraints occur, or replacements are needed. Furthermore, these projects are not compared to alternative solutions that may be more cost-effective, as 17.7.4.11 NMAC requires.
- NMGC does not provide any categorization of expected capital investments in its IRP. However, NMGC stated in its recent rate case that capital investment projects can be categorized as driven by customer growth, system reliability, normal operations, and risk-based system or safety improvements.[14] Therefore, the Commission may consider requiring NMGC to include in its IRP a categorization of proposed projects and capital expenditures according to these key drivers. This information would also inform the IRP requirement to analyze the present-value revenue requirement impacts on ratepayers of anticipated investments.

[13] Ibid. Pages 19 to 22.
[14] New Mexico Gas Company General Rate Case. 23-00255-UT. Hearing Transcript April 1, 2024. Page 219 to 220.

- NMGC fails to provide any information about how its peak design day demand forecast connects to infrastructure investments or additional gas purchases.[15] Nor is there a discussion of why the last 30 years of weather are reliable indicator of the weather over the next ten years. It is also unclear how the different parts of NMGC's system (i.e., Northeast system versus independent systems) must scale to meet the updated peak design day demand. Finally, NMGC provides no information on why it would consider a 99% confidence design day demand or how doing so is in the best interest of ratepayers or supported by customer demand.

RECOMMENDATION

Based on WRA's review, we recommend that the Commission direct NMGC to perform additional analyses for its 2024-2033 IRP to fulfill the requirements of 17.7.4.11(B) NMAC. The IRP should clearly present a most cost-effective portfolio of resources that NMGC will need to serve its anticipated customer demand over the forecast period. Descriptions of future projects should tie back to specific supply or capacity shortfalls as identified through the Company's 1-in-30-year peak design day demand forecast. As with any IRP process, the utility should provide and compare alternative portfolios. The Commission may consider requiring the utility to provide a minimum, specific set of portfolios presented in the gas IRPs. In choosing the most cost-effective portfolio, NMGC should compare available renewable energy, energy efficiency, load management and conventional supply-side alternatives on a consistent and comparable basis to meet identified supply and capacity shortfalls. NMGC must show a present-value analysis of revenue requirements for the proposed portfolio and include a discussion of this analysis that

[15] New Mexico Gas Company Integrated Resource Plan for the Planning Period of 2024 through 2033. Pages 13 to 14.

considers economic, risk, environmental, and reliability aspects as 17.7.4.11(B) NMAC requires. To aid the Commission in the identification of the various deficiencies and guidance to be provided to the utility in refiling instructions, consistent with 17.7.4.15(A) NMAC, WRA suggests the Commission hold a workshop with NMGC, Commission Staff, and other interested parties. Given the scale of the additional analyses potentially requested of NMGC, the Commission may allow up to six months for the Company to refile its IRP.

Wherefore, WRA respectfully requests the Commission grant this Protest and set a hearing or workshop to discuss the deficiencies with NMGC 's 2024 IRP and provide instructions to NMGC for refiling.

Respectfully submitted,

WESTERN RESOURCE ADVOCATES

/s/ Cydney Beadles

Cydney Beadles
Attorney for Western Resource Advocates
141 E. Palace Ave, Suite 220
Santa Fe, New Mexico 8750l
505.501.7708
cydney.beadles@westernresources.org

/s/ Michael Kenney

Michael Kenney
Senior Building Decarbonization Policy Advisor
Western Resource Advocates
141 E. Palace Ave, Suite 220
Santa Fe, New Mexico 8750l
michael.kenney@westernresources.org

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CERTIFICATE OF SERVICE

I CERTIFY that on this day I sent via email a true and correct copy of the **Protest by Western Resource Advocates of New Mexico Gas Company Inc.'s 2024-2033 Integrated Resource Plan** to the parties listed below:

NM GAS COMPANY	
Thomas Domme	tmd@jhkmlaw.com;
Brian Haverly	bjh@jhkmlaw.com;
Julianna T. Hopper	jth@jhkmlaw.com;
Anita Hart	anita.hart@nmgco.com;
Gerald Weseen	gerald.weseen@nmgco.com;
Nicole V. Strauser	nicole.strauser@nmgco.com;
Lisa Trujillo	lisa.trujillo@nmgco.com;
Steve Casey	steve.casey@nmgco.com;
Rebecca Carter	rebecca.carter@nmgco.com;
Breann Pohl	Breann.Pohl@nmgco.com;
Coalition for Clean Affordable Energy	
Charles de Saillan	Desaillan.ccae@gmail.com;
Cara R. Lynch	Lynch.Cara.NM@gmail.com;
Federal Executive Agencies	
Peter Meier	peter.meier@hq.doe.gov;
Paige Anderson	Paige.anderson@hq.doe.gov;
Saul J. Ramos	Saul.ramos@nnsa.doe.gov;
Dwight Etheridge	detheridge@exeterassociates.com;
Incorporated County of Los Alamos	
Daniel A. Najjar	dnajjar@virtuelaw.com;
Philo Shelton	Philo.Shelton@lacnm.us;
Ben Olbrich	Ben.Olbrich@lacnm.us;
New Energy Economy	
Mariel Nanasi	mariel@seedsbeneaththesnow.com;
New Mexico AREA	
Peter J. Gould	peter@thegouldlawfirm.com;
Kelly Gould	kelly@thegouldlawfirm.com;
Katrina Reid	office@thegouldlawfirm.com;
New Mexico Department of Justice	
Gideon Elliot	GElliot@nmag.gov;

Joshua LaFayette	JLafayette@nmag.gov;
Maria Oropeza	MOropeza@nmag.gov;
Jocelyn Barrett	JBarrett@nmag.gov;
Doug Gegax	dgegax@nmsu.edu;
Andrea Crane	ctcolumbia@aol.com;
NMPRC Utilities Staff	
David Black	David.Black@prc.nm.gov;
Bradford Borman	Bradford.Borman@prc.nm.gov;
Ed Rilkoff	Ed.Rilkoff@prc.nm.gov;
Elizabeth Ramirez	Elizabeth.Ramirez@prc.nm.gov;
Peggy Martinez-Rael	Peggy.Martinez-Rael@prc.nm.gov;
Elisha Leyba-Tercero	Elisha.Leyba-Tercero@prc.nm.gov;
Gabriella Dasheno	Gabriella.Dasheno@prc.nm.gov;
Timothy Martinez	Timothy.Martinez@prc.nm.gov;
Marc Tupler	Marc.Tupler@prc.nm.gov;
Bamadou Ouattara	Bamadou.Ouattara@prc.nm.gov;
Jonah Mauldin	Jonah.Mauldin@prc.nm.gov;
Angelique Herrera	Angelique.Herrera@prc.nm.gov;
Naomi Velasquez	Naomi.Velasquez1@prc.nm.gov;
Daren Zigich	Daren.Zigich@prc.nm.gov;
Edison Jimenez	Edison.Jimenez@prc.nm.gov;
Orland Whitney	Orland.Whitney@prc.nm.gov;
John Reynolds	John.reynolds@prc.nm.gov;
Gilbert Fuentes	Gilbert.fuentes@prc.nm.gov;
Hans Muller	Hans.muller@prc.nm.gov;
Anthony Sisneros	Anthony.sisneros@prc.nm.gov;
Christopher Dunn	Christopher.dunn@prc.nm.gov;
Jack Sidler	Jack.sidler@state.nm.us;
Western Resource Advocates	
Cydney Beadles	cydney.beadles@westernresources.org;
Michael Kenney	Michael.kenney@westernresources.org;
Caitlin Evans	caitlin.evans@westernresources.org;
Gwen Farnsworth	gwen.farnsworth@westernresources.org;
Stacy Tellinghuisen	stacy.tellinghuisen@westernresources.org;
PRC General Counsel Division	
Scott Cameron	Scott.Cameron@prc.nm.gov;
Robert Lundin	Robert.Lundin@prc.nm.gov;
LaurieAnn Santillanes	Laurieann.Santillanes@prc.nm.gov;
Alejandro Rettig y Martinez	Alejandro.Martinez@prc.nm.gov;
Ana Kippenbrock	ana.kippenbrock@prc.nm.gov;
Las Cruces	
Jennifer Vega-Brown	Jvega-brown@las-cruces.org;
Jose F. Provencio	joprovencio@las-cruces.org;
Lisa LaRocque	llarocque@las-cruces.org;
City of Albuquerque	
Bryan Rowland	browland@cabq.gov;

Jennifer Lucero	jenniferlucero@cabq.gov;
Others	
Saul J. Ramos	sramos@nnsa.doe.gov
Anastasia Stevens	Astevens.law@gmail.com
Dwight Etheridge	detheridge@exeterassociates.com
Luke Tougas	l.tougas@cleanenergyregresearch.com
James Dauphinais	jdauphinais@consultbai.com;
Tim Glasco	ta.glasco@lacnm.us;
Richard Mertz	rcmertz7@outlook.com;
Felipe Salcedo	fsalcedo@exeterassociates.com
Anthony Apodaca	aapodaca@tigernaturalgas.com>;
C. Richardson	crichardson@comcast.net
D. Campion	dcampion@smarterworks.net;
Dean Brunton	dean.brunton@pnmresources.com;
David Quezada	dquezada@archdiosf.org;
Dylan Sullivan	dsullivan@nrdc.org;
Irene Norville	irene.norville@hq.doe.gov;
Justin Brant	jbrant@swenergy.org;
Joshua Begay	jbegay@lanl.gov;
J. Burris	jburris@tigernaturalgas.com;
Jackie Ennis	jennis@nrdc.org;
Joe Gomez	jgomez@lavidallena.com;
Jennifer Kallay	jkallay@synapse-energy.com;
J. Randall Woolridge	jrwoolridge@gmail.com;
Kevin Powers	kevin.powers@lacnm.us;
Kevin O'Donnell	kodonnell@novaenergyconsultants.com;
Kenji Takahashi	ktakahashi@synapse-energy.com;
Lance Kaufman	lance@aegisinsight.com;
Larry Blank	lb@tahoeconomics.com;
M. Scruggs	mscruggs@seasavings.com;
Nick Grahf	nickg@icastusa.org;
Sara Gersen	sgersen@earthjustice.org;
Shannon Sweeney	shannon@sweeneyesq.com;
Philo Shelton	philo.shelton@lacnm.us;
Steve Seelye	sseelye@theprimegroupllc.com;

DATED this 16th day of May 2024.

Caitlin Evans
Legal Assistant
Western Resource Advocates