

NEW MEXICO GAS COMPANY

ORIGINAL RULE NO. 21

INTERRUPTION, CURTAILMENT AND CAPACITY ALLOCATION OF SERVICE

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I. Policy

The Company shall use reasonable diligence in its operations to render continuous service to all of its End-Users other than those End-Users served under Rates expressly permitting Interruptions or Curtailments of service. If for any reason, however, the Company is unable to deliver gas in any one or more of its systems due to a Curtailment, Capacity Constraint, or Interruption, delivery of gas service shall be allocated in accordance with the provisions of this Rule. The Company shall be held harmless for loss of service to End-Users arising from Interruptions or Curtailments executed in compliance with this Rule.

II. Definitions

The following definitions shall apply to this Rule:

- A. Capacity - means the total maximum volume of natural gas that can flow through a facility over a given period of time.
- B. Capacity Allocation - means the process of assigning Capacity among Transportation Customers and the Company as described herein.
- C. Capacity Constraint - means a situation occurring on any of the Company's systems when the nominations of gas for Transportation Customers and Company Sales exceed the physical capacity of receipt point(s), delivery point(s) or any facility on the Company's system.
- D. Company - means New Mexico Gas Company.
- E. Company Sales - means the volume of gas for sale to Sales Customers of the Company.
- F. Constraint Point - means a receipt or delivery point or other location on the Company's systems or segment of a system that is experiencing a Capacity Constraint.
- G. Curtailment - means the failure of natural gas to reach the End-User at the burner tip due to a shortage of gas supply. An allocation of Capacity that limits a Transportation Customer's throughput is not a Curtailment.
- H. End-User - means any person that consumes natural gas in New Mexico who uses the Company's facilities to obtain the gas for consumption and who, at its current location, is, was, or could become a Sales Customer of the Company.
- I. Human Needs End-User - means End-Users that use natural gas for heating the premises where End-Users primarily reside. Human Needs End-Users include residential customers, hospitals, assisted care facilities,

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Advice Notice No. 1

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nursing homes, dormitories, etc. Human Needs End-Users do not include school classrooms and office buildings.

- J. Incremental Capacity - means capacity made available to a Transportation Customer through additional facilities contributed by the Transportation Customer to the Company in accordance with 17.10.660.10D NMAC.
- K. Interruption - means the failure of natural gas to reach the End-User at the burner tip due to conditions with the Company's transmission, distribution, or storage systems when such conditions are not caused by failure of gas supply. An allocation of Capacity that limits a Transportation Customer's throughput is not an Interruption.
- L. Non-NMGC End-User - means an End-User who is not, and at its current location was not and could not become, a direct Sales Customer of the Company.
- M. Sales Customer - means a New Mexico customer of the Company who purchases both natural gas and delivery service from the utility.
- N. System Emergency - means an unplanned situation in which the Company's system or a segment of its system is in imminent danger of failure and implementation of normal Curtailment or Interruption procedures would not rectify the condition.
- O. Transportation - is the provision of contract carriage apart from the procurement of natural gas and includes exchange, fronthaul, backhaul, displacement, storage or any other means of delivering natural gas through the Company's transmission and distribution systems.
- P. Transportation Customer - means a seller or purchaser of natural gas, or a broker or marketer for such seller or purchaser who contracts for Transportation services for that natural gas from the Company.

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II. Applicability

This Rule applies to the allocation of service for Sales Customers and Transportation Customers on the Company's systems or a segment of its system in the event of an Interruption, Curtailment or Capacity Allocation except for Capacity Allocation for nominations by a Transportation Customer through Incremental Capacity.

IV. Allocation Procedure for Interruptions, Curtailments and Capacity Allocation

1. In an event that would require an Interruption or a Curtailment on any of the Company's systems or a segment of its system which is not a System Emergency, the Company shall initially contact large End-Users to seek voluntary agreement to interrupt or curtail service. If such voluntary Interruption or Curtailment is not sufficient, Interruptions and Curtailments on the Company's systems shall be allocated in accordance with the following priority groups in the following order provided, however, that delivery of Transportation Customers' gas supply shall not be curtailed due to a shortage of Company gas supply unless agreed to by the Transportation Customer. Likewise, unless Transportation Customer has contracted for standby service from the Company, shortages from sources supplying gas to Transportation Customers shall not be made up using Company gas, unless agreed to by the Company:

Priority 1 - Residential and other Human Needs End-Users, including supply to End-Users that are necessary to provide service to Human Needs End-Users.

Priority 2 - Small commercial and small industrial service (Rate Nos. 54 End-Users not covered under Priority 1).

Priority 3 - Large commercial service (Rate Nos. 56, 58 and 114 End-Users not covered under Priority 1) except those who have alternative fuel capabilities.

Priority 4 - Other service to End-Users not covered by any other higher Priority.

Priority 5 - Transportation service to a Non-NMGC End-User.

2. Interruptions and Curtailments shall be made within each priority group served within the same delivery segment; as determined by the Company to best maintain the integrity of the delivery segment and to avoid a segment or system failure.
3. Service to Priority 5 customers may be interrupted on a price priority basis, provided that any Priority 5 customer with a term volumetric commitment shall be interrupted only after other Priority 5 customers that have not contracted with a volumetric commitment. A term volumetric commitment, if any, may be

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established between the Company and the Priority 5 customer(s) and shall be for a length of time negotiated between the Company and the Priority 5 customer(s).

4. No Interruption or Curtailment shall be applied to any End-User at any time when any End-User in a lower (i.e., higher numbered) priority group, who is served within the same delivery segment, has not been directed by the Company to effect full Interruption or Curtailment of service.
5. The Company shall notify in advance each End-User to be interrupted or curtailed under the provisions of this Rule of the extent and amount of the Interruption or Curtailment required. If, after such notification, any End-User (other than an End-User in Priority 1) fails to interrupt or curtail during the required period or to the amount required, such End-User shall be assessed a penalty of \$0.90 per therm for all volumes taken in excess of the notified-authorized amount. In addition, the Company shall have the right to disconnect for the term of the needed Interruption or Curtailment any End-User who fails to interrupt or curtail as notified without further notice if service to End-Users in Priority 1 is threatened.
6. Interruptions or Curtailment of End-Users with load components of differing priorities shall be made insofar as feasible according to the priority of each component. In the event it is not feasible to separate the components of an End-User's load, Interruption and Curtailment shall be in accordance with the highest priority (i.e. lowest number) of the load component.
7. Capacity through a Constraint Point shall be allocated within each priority group served by the same system or segment of a system and shall be based on deliveries during the same month in the previous year. For the purposes of this Rule, the Company's Northwest, Southeast and each of the Company's Remote Systems shall be treated as separate and distinct systems. Capacity Allocations shall be made, insofar as feasible such that all End-Users within a priority group served by a system that have nominations of gas at a Constraint Point shall be allocated in the same proportion that each End-User's total deliveries bear to the deliveries of all End-Users in the priority group during the same month of the previous year.
8. This Interruption and Curtailment procedure may be suspended by the Company during any System Emergency (including any segment) or when life or property is endangered.
9. Pursuant to 17.10.650 and 17.10.660 NMAC, the utility is required to report Interruptions, Curtailments, and System Emergencies. The Company shall maintain copies of those reports and make them available upon request.

V. System Emergency

1. The Company, at its sole discretion, may declare a System Emergency.

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2. Under a System Emergency declaration, all End-User's gas supply may be subject to diversion and service may be interrupted or deliveries curtailed by the Company to maintain the ability of the system to deliver natural gas to ensure, to maintain the integrity of as many segments as possible.
3. Under a System Emergency declaration, the Company shall use reasonable efforts to provide to Human Need Customers needed services, including electric and water.
4. The Company will notify each Transportation Customer of the System Emergency as quickly as possible via e-mail, telefax, telephone or electronic bulletin board. In the event the Company diverts a Transportation Customer's supply by curtailing the Transportation Customer's End-Users during a System Emergency, the Company will pay the Transportation Customer for gas actually diverted at its Emergency Gas Services cost of gas rate (as defined in the Company's Rate No. 70). In the event Transportation Customers who have not contracted for Standby Service (as defined in the Company's Rate No. 70) from the Company actually uses system supply gas during a System Emergency while unable to deliver to the Company, the Transportation Customer will pay for gas actually delivered at the Company's Emergency Gas Services cost of gas rate.

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