

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION AND MOTION )  
OF ZIA NATURAL GAS COMPANY FOR EMERGENCY )  
AUTHORIZATION OF FINANCING TRANSACTION ) Case No. 21- \_\_\_\_\_ -UT  
TO PAY GAS SUPPLY COSTS RELATED TO THE )  
FEBRUARY 2021 EXTREME WEATHER EVENT )  
\_\_\_\_\_ )**

**ZIA NATURAL GAS COMPANY’S APPLICATION AND MOTION  
FOR EMERGENCY AUTHORIZATION OF FINANCING TRANSACTION**

Zia Natural Gas Company (“Zia”), a division of Natural Gas Processing Company (“NGP”), hereby applies to the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) for emergency approval and authorization of a financing transaction so that Zia can pay the extraordinarily high gas supply costs related to the February 2021 extreme temperature event, described below. Zia requests Commission approval by March 24, 2021 so that Zia can close on the financing and obtain funds in time to pay its expected costs for February gas supply.

Emergency approval is needed because Zia expects its gas marketers will require payment for February gas supply by March 25, 2021. Zia’s gas marketers have refused Zia’s requests for delayed payment. While a Commission decision within thirty days of filing an application for approval of a credit agreement is provided in NMSA 1978, § 62-6-9, Zia respectfully requests the Commission set this matter for emergency review and approval so that Zia can obtain the necessary funds to pay its gas supply invoices by March 25, 2021. Without such approval and without the proposed financing, Zia will not be able to pay the extraordinary and unprecedented high costs of gas supply for February 2021, which may risk Zia’s continuing gas supply to serve its customers.

In support of this Emergency Application, Zia states the following:

## **Background on Zia**

1. Zia serves a total of 39,514 customers and operates in four separate service areas in five different counties in New Mexico. In Lea and Eddy Counties, in the southeast corner of New Mexico, Zia operates the Hobbs District, which provides distribution service in Hobbs, Jal, Malaga and to 25 customers directly across the state line in Texas. In Lincoln County, Zia provides transmission and distribution service in Ruidoso, Ruidoso Downs, Alto, Capitan, Carrizozo and surrounding areas, collectively known as the Ruidoso District. In Colfax County, in northeastern New Mexico, Zia provides transmission and distribution service in the Village of Maxwell, the Village of Cimarron, the Town of Springer and areas around Raton, as well as sale for resale service to the City of Las Vegas. This is known as the Maxwell District. In Dona Ana County, in the southern part of the state, Zia operates its Dona Ana System, which provides service to areas in Dona Ana County outside the City of Las Cruces. Zia's service area extends from the Village of Hatch south along the Rio Grande Valley to an area just north of Anthony, New Mexico. Zia provides service within the Village of Hatch, the Town of Mesilla, and other unincorporated areas generally west of I-25, including the Picacho Hills subdivision.

2. As reported in Zia's Gas Supply Plan on file with the Commission, Zia's natural gas marketers are United Energy Trading, DCP Midstream Marketing, and Shell Energy North America. Zia provides an annual summary of its gas supply in its Gas Supply Plan. Zia made its most recent annual filing of its Gas Supply Plan at the Commission on September 25, 2020.

3. Like many utilities, Zia utilizes a Purchased Gas Adjustment Clause ("PGAC") approved by the Commission to pass along natural gas costs to its customers. The Commission last approved Zia's continued use of its PGAC by the Final Order issued on March 29, 2017 in Case No. 16-00293-UT. Zia's most recent annual compliance filing was submitted to the

Commission on September 29, 2020, and included updated gas cost factor statements for Zia's three PGAC regions: Maxwell, Dona Ana, and Hobbs/Lincoln County. Zia currently has a PGAC continuation filing before the Commission in Case No. 20-00201-UT. Zia will very shortly make supplemental filings in that case regarding its proposed PGAC cost recovery mechanism.

**Background on the Extreme Weather Event and Gas Supply Costs**

4. The extreme weather event (the "Event") that occurred during the week of February 14, 2021 did not affect Zia's supply of natural gas to its customers, but had a very large financial impact on Zia through its gas purchases. Zia's service areas along with a large swath of the United States experienced extremely cold temperatures and high demand for natural gas during the weather Event that occurred between February 14 to February 18, 2021. Zia was able to supply gas to all of its customers during the colder weather, did not experience any supply or pressure issues, and did not physically curtail service. Curtailment is not allowed solely due to high prices, thus, Zia continued to serve its customers without interruption during the Event.

5. The natural gas market prices were astronomically high from February 12, 2021 through February 18, 2021, rising higher and faster than Zia could have possibly anticipated. The unprecedented spike in natural gas market prices during that time will have a major direct financial impact on Zia and its customers. Zia intends to make a separate filing to the Commission in the near future regarding a plan to recover costs in a just and reasonable manner. Further, Zia is cooperating with the New Mexico Attorney General ("NMAG") regarding the NMAG's investigation into the extreme and unprecedented gas supply price spikes in February 2021.

6. Zia has not yet received invoices for February gas supply from its gas marketers. As reported in the NMPRC meeting on Wednesday February 24, 2021, Zia estimates that its purchased gas costs during the Event will be in the range of \$18,000,000. For comparison, Zia's

rounded average of its last five years of gas supply costs for the month of February is \$1,450,000, and its gas supply costs for an *entire year* have been in the range of \$10,000,000. Zia is a small utility with zero debt and no existing credit facility. Up to now, Zia has paid its monthly gas supply costs from revenues it receives from its customers through its PGAC. However, Zia's revenues will not be sufficient to pay the extraordinarily high gas supply costs that Zia expects.

7. Due to the extraordinary magnitude of expected gas supply costs for February 2021, Zia discussed the potential for deferral of payment with its gas suppliers because the gas supply costs during the Event were not, and could not have been, anticipated. Zia's gas marketers would not agree to a delay or deferral. While Zia reserves all rights to exercise its legal remedies, pursuing those remedies without making payment creates a substantial risk that the gas suppliers will terminate their contracts to supply Zia with gas, thus leaving Zia with no means to supply gas to its customers. Zia has no reasonable alternative but to seek financing in order to pay its expected gas supply costs for February 2021.

#### **The Proposed Financing**

8. The right of a public utility such as Zia to "issue, assume or guarantee securities and to create liens on its property situated within this state is a special privilege subject to the supervision and control of the commission as set forth in the Public Utility Act." NMSA 1978, § 62-6-6(A).

9. Zia has historically carried no debt, and has no existing credit facility that could cover its expected gas supply costs for February 2021. Upon realizing that the likely magnitude of the February gas supply costs were beyond its expected financial ability based on revenues from customers, Zia reached out to potential lender to obtain sufficient funds to cover its expected gas supply costs for February 2021.

10. Zia is working with Wells Fargo Bank, National Association (“Wells Fargo”) to arrange for financing to cover its expected \$18,000,000 in gas supply charges for February 2021. The term sheet is attached as Exhibit AGW-1 to the Direct Testimony of Anne G. Wheatcroft. As explained further in Ms. Wheatcroft’s testimony, the transaction will provide Zia with \$18,000,000 in credit, at an interest rate of 3.75% and five (5) year maturity.

11. As discussed in the Direct Testimony of Anne G. Wheatcroft, up to now Zia has had no debt, and the proposed financing will constitute the entirety of Zia’s debt. The resulting capital structure will be 27% debt and 73% equity. The 3.75% cost of debt is less than the 5.65% cost of debt the Commission imputed to Zia in its last rate case, Case No. 18-00018-UT. The amount of debt will not exceed the fair value of Zia’s properties and business.

12. The purposes for which Zia proposes to enter this transaction are lawful and within its corporate powers. It is reasonable and prudent for Zia to enter this Agreement at this time in order to ensure it does not default on its obligations to pay for its gas supplies, and does not jeopardize its ongoing supply of gas to serve its customers. Zia recognizes that there are and will be ongoing investigations into the nature and lawfulness of the February 2021 gas supply price spikes, and that some restitution may be forthcoming in the future. Zia intends to cooperate with the NMAG and others in those investigations in order to pursue restitution for itself and its customers. However, Zia is facing the imminent need to pay its gas supply bills coming due in March. Zia cannot wait for the conclusion of investigations and potential litigation that could take months or years to resolve.

13. As demonstrated by this Application and accompanying testimonies and exhibits, the transaction is not inconsistent with the public interest, the purpose is permitted by the Public Utility Act, and the aggregate amount will not exceed the fair value of Zia’s properties and

business. Zia's application, testimonies and exhibits provide the information required by NMSA 1978, §§ 62-6-6 and 62-6-7 and Commission rule 17.1.2.8 NMAC. The transaction complies with statutory and regulatory requirements and should be approved.

**Motion for Expedited Emergency Action**

14. Due to the unique circumstances and emergency nature of the request, Zia respectfully moves the Commission to hear this matter itself, and approve and authorize the proposed financing as soon as possible, and, in any case, by March 24, 2021 so that Zia can obtain the funds it will need to pay its gas supply costs by March 25, 2021.

15. Zia attaches a proposed Form of Notice as Exhibit A to this Application, and requests that the Notice be approved immediately so that Zia can expedite publication in the *Albuquerque Journal*, a newspaper of general circulation in every county in which Zia provides service in New Mexico. Zia further requests that the Commission's review and approval not be delayed beyond March 24, 2021 regardless of date of publication of the Notice.

16. To assist the Commission in expediting the proceeding, Zia provides a proposed initial order attached as Exhibit B to this Application, and requests that the Commission enter this initial order under a single Commissioner signature as provided in 1.2.2.30 NMAC.

17. Zia contacted the Commission's Utility Division Staff ("Staff") and the NMAG for positions regarding this motion for emergency expedited action. The Staff indicated it does not oppose Zia's motion. The NMAG indicated it supports Zia's motion. Thus, Zia's motion is unopposed. However, Staff suggests that it present oral testimony at the hearing instead of filing written testimony due to press of workload.

**Miscellaneous Matters**

18. The testimonies and exhibits of Leslie A. Graham and Anne G. Wheatcroft in support of this Application are filed herewith and made a part hereof.

19. The address of Zia's offices and principal place of business is:

Zia Natural Gas Company  
100 Short Drive  
P.O. Box 888  
Ruidoso Downs, NM 88346  
Phone (575) 378-4277  
Fax (575) 378-4138

20. The following designated representative and attorney should receive all notices, pleadings, orders, and all other documents related to this case:

Leslie A. Graham  
General Manager  
Zia Natural Gas Company  
P.O. Box 888  
Ruidoso Downs, NM 88346  
Phone (575) 378-4277  
Fax (575) 378-4138  
[lgraham@zngc.com](mailto:lgraham@zngc.com)

Joan E. Drake  
Modrall Sperling  
P.O. Box 2168  
Albuquerque, NM 87103-2168  
Phone: (505) 848-1850  
Fax: (505) 848-9710  
[jdrake@modrall.com](mailto:jdrake@modrall.com)

21. As required by 17.1.2.8(B)(4)(e) NMAC, Zia is serving a copy of this Application, with the supporting testimony and exhibits, on the Office of the New Mexico Attorney General.

**WHEREFORE**, Zia respectfully requests that the Commission grant the following relief:

A. Issue as soon as possible an initial order substantially in the form attached as Exhibit B to this Application under a single Commissioner signature pursuant to 1.2.2.30 NMAC, approve the proposed form of notice attached as Exhibit A to this Application so that Zia can immediately submit the notice for publication and post the notice on its website, and establish the

procedural schedule contained in the initial order and proposed form of notice to provide for emergency expedited review and action on Zia's Application;

B. Find and conclude that, in the extraordinary circumstances presented in this case, the Commission will hear the case in open meeting on an emergency expedited basis;

C. Issue an order by March 24, 2021 authorizing Zia to enter the Credit Agreement as described in this Application and the testimony and exhibits filed herewith; and

D. Grant such other approvals, authorizations and relief as requested herein and as the Commission deems necessary and appropriate in connection with the proposed actions described herein, and in the testimony and exhibits filed herewith.

Respectfully submitted this 8<sup>th</sup> day of March, 2021,

MODRALL, SPERLING,  
ROEHL, HARRIS & SISK, P.A.

By: /s/ Joan E. Drake

Joan E. Drake

P.O. Box 2168

Albuquerque, NM 87103-2168

Phone: (505) 848-1850

Email: [jdrake@modrall.com](mailto:jdrake@modrall.com)

*Attorneys for Zia Natural Gas Company,  
a division of Natural Gas Processing Company*



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION AND MOTION )  
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TO PAY GAS SUPPLY COSTS RELATED TO THE )  
FEBRUARY 2021 EXTREME WEATHER EVENT )  
\_\_\_\_\_ )**

**PROPOSED FORM OF NOTICE**

**NOTICE** is hereby given of the following proceeding pertaining to the above-captioned case pending before the New Mexico Public Regulation Commission (“Commission” or “NMPRC”):

On March 8, 2021, Zia Natural Gas Company (“Zia”), a division of Natural Gas Processing Company (“NGP”), filed an Application and Motion for emergency authorization of a proposed financing transaction to pay gas supply costs related to the February 2021 extreme weather event. Zia seeks emergency approval of its proposed financing transaction by March 24, 2021 so that it can pay its February gas supply costs by March 25, 2021. The Application and accompanying testimonies and exhibits describe the need for and key terms of the proposed financing transaction in the amount of approximately \$18,000,000 to cover its extraordinary and unprecedented February 2021 gas supply costs.

Zia, a division of NGP, is certified and authorized to conduct the business of providing public utility service within the State of New Mexico, provides natural gas utility service within the State of New Mexico, and is a public utility as defined by the Public Utility Act. The Commission has assigned Case No. 21- \_\_\_\_\_ -UT to the Emergency Application and all correspondence, pleadings, and other communications shall refer to that case number.

Any interested person may inspect the Application filed in this on Zia's website or access the Commission's website at <https://edocket.nmprc.state.nm.us>. Any inquiries should refer to the Case No. 21- \_\_\_\_\_-UT docket for this case.

The procedural schedule for this case is as follows:

A. Zia shall immediately post the approved Notice on its website, and shall publish as soon as possible the approved Notice once in the *Albuquerque Journal*, which is a newspaper of general circulation in every county in which Zia provides service in New Mexico. Zia shall promptly file affidavits of publication and website posting.

B. Any person desiring to become a party ("intervenor") in this case shall file a motion for leave to intervene in conformity with Rule 1.2.2.23 NMAC on or before March 16, 2021.

C. The Commission's Utility Division Staff ("Staff") shall, and any intervenor may, file direct testimony or a verified statement of position on Zia's Application on or before March 16, 2021.

D. Any rebuttal testimony or response to verified statement of position shall be filed on or before March 18, 2021.

E. The Commission shall hear this matter at an open meeting on or before March 24, 2021.

F. Due to the ongoing COVID-19 pandemic, the hearing shall be conducted via the Zoom videoconference platform. Participation in the hearing shall be limited to party-participants (i.e., counsel, witnesses, and other representatives of the parties), the Commissioners, and other Commission personnel. Other interested persons may view the hearing via a livestream on YouTube provided on the Commission's website at [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us).

G. Public comment shall be taken orally at the commencement of the public hearing in this matter on March 24, 2021. As part of the public hearing, public comment will be taken via the Zoom platform. Therefore, persons interested in providing public comment must request a Zoom invitation by emailing Ana Kippenbrock at Ana.Kippenbrock@state.nm.us by no later than 9:00 a.m. MT on March \_\_\_\_, 2021. Public comments shall be limited to 3 minutes per speaker. However, pursuant to 1.2.2.23(F) NMAC, public comment shall not be considered as evidence in this case. Interested persons may also submit written comments, which shall reference NMPRC Case No. 21-\_\_\_\_-UT, to the Commission via its Records Bureau's email address at: prc.records@state.nm.us. However, as noted above, pursuant to 1.2.2.23(F) NMAC, such comments will not be considered as evidence in this proceeding.

The procedural dates and requirements provided herein are subject to further order of the Commission. The Commission's Rules of Procedure, 1.2.2 NMAC, shall apply in this case except as modified or varied by order of the Commission. The Rules of Procedure and other NMPRC rules are available online at the New Mexico Commission of Public Records, State Records Center and Archives website at <http://www.srca.nm.gov/nmac-home/nmac-titles>.

Anyone filing pleadings, documents or testimony in this case shall, until further notice, comply with the Commission's electronic filing policy, as amended from time to time. This includes filings in pdf format, with electronic signatures, sent to the Records Bureau's email address at: prc.records@state.nm.us within regular business hours of the due date, in order to be considered timely filed. Documents received after regular business hours, will be considered as being filed the next business day. Regular business hours are from 8:00 a.m. to 5:00 p.m. MT. Parties shall serve a copy on all parties of record and Staff. All filings shall be emailed on the date they are filed with the Commission.

Any person with a disability requiring special assistance in order to participate in this proceeding should contact the offices of the Commission at least 24 hours prior to the commencement of the hearing.

**ISSUED at Santa Fe, New Mexico, this \_\_\_\_ day of March 2021.**

**NEW MEXICO PUBLIC REGULATION COMMISSION**

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OF ZIA NATURAL GAS COMPANY FOR EMERGENCY )  
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\_\_\_\_\_ )**

Case No. 21- \_\_\_\_\_ -UT

**PROPOSED FORM OF  
INITIAL PROCEDURAL ORDER**

**THIS MATTER** comes before the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) on Zia Natural Gas Company’s (“Zia”) Application and Motion for Emergency Authorization of Financing Transaction (the “Application”) filed on March 8, 2021. Being duly advised in the premises,

**THE COMMISSION FINDS AND CONCLUDES:**

1. On March 8, 2021, Zia filed its Application pursuant to NMSA 1978, §§ 62-6-6 and 62-6-7 and Commission rule 17.1.2.8 NMAC for emergency expedited approval of its proposed financing transaction so that Zia can pay the extraordinary high gas supply costs related to the February 2021 extreme weather event. In its Application, Zia requests Commission approval by March 24, 2021 so that Zia can close on the financing and obtain funds in time to pay its expected invoices for February gas supply by March 25, 2021. Zia states that, without such approval and without the proposed financing, Zia will not be able to pay the extraordinary and unprecedented high costs of gas supply for February 2021.

2. Pursuant to NMSA 1978, § 62-6-6.A, the right of a public utility such as Zia to “issue, assume or guarantee securities and to create liens on its property situated within this state is a special privilege subject to the supervision and control of the commission as set forth in the Public Utility Act.”

3. Attached to its Application and in support of Zia's Application are the Direct Testimony of Leslie A. Graham and exhibit, and the Direct Testimony of Anne G. Wheatcroft and exhibits, which the Application states address all the considerations identified in NMSA 1978, Sections 62-6-6 and 62-6-7 and in compliance with Commission Rule 17.1.2.8 NMAC.

4. In support of its Application, Zia provided background on its service area and the extreme weather event in which gas supply prices soared to extraordinary levels, and provided details on the proposed financing.

5. Zia stated that it serves a total of 39,514 customers and operates in four separate service areas in five different counties in New Mexico. In Lea and Eddy Counties, in the southeast corner of New Mexico, Zia operates the Hobbs District, which provides distribution service in Hobbs, Jal, Malaga and to 25 customers directly across the state line in Texas. In Lincoln County, Zia provides transmission and distribution service in Ruidoso, Ruidoso Downs, Alto, Capitan, Carrizozo and surrounding areas, collectively known as the Ruidoso District. In Colfax County, in northeastern New Mexico, Zia provides transmission and distribution service in the Village of Maxwell, the Village of Cimarron, the Town of Springer and areas around Raton, as well as sale for resale service to the City of Las Vegas. This is known as the Maxwell District. In Dona Ana County, in the southern part of the state, Zia operates its Dona Ana System, which provides service to areas in Dona Ana County outside the City of Las Cruces. Zia's service area extends from the Village of Hatch south along the Rio Grande Valley to an area just north of Anthony, New Mexico. Zia provides service within the Village of Hatch, the Town of Mesilla, and other unincorporated areas generally west of I-25, including the Picacho Hills subdivision.

6. As reported in Zia's Gas Supply Plan on file with the Commission, Zia's natural gas marketers are United Energy Trading, DCP Midstream Marketing, and Shell Energy North

America. Zia provides an annual summary of its gas supply in its Gas Supply Plan. Zia made its most recent annual filing of its Gas Supply Plan at the Commission on September 25, 2020.

7. Zia stated that, like many utilities, Zia utilizes a Purchased Gas Adjustment Clause (“PGAC”) approved by the Commission to pass along natural gas costs to its customers. The Commission last approved Zia’s continued use of its PGAC by the Final Order issued on March 29, 2017 in Case No. 16-00293-UT. Zia’s most recent annual compliance filing was submitted to the Commission on September 29, 2020, and included updated gas cost factor statements for Zia’s three PGAC regions: Maxwell, Dona Ana, and Hobbs/Lincoln County. Zia currently has a PGAC continuation filing before the Commission in Case No. 20-00201-UT. Zia stated that it will very shortly make supplemental filings in that case regarding its proposed PGAC cost recovery mechanism.

8. Zia stated that the extreme weather event (the “Event”) that occurred during the week of February 14, 2021 did not affect Zia’s supply of natural gas to its customers, but had a very large financial impact on Zia through its gas purchases. Zia’s service areas along with a large swath of the United States experienced extremely cold temperatures and high demand for natural gas during the weather Event that occurred between February 14 to February 18, 2021. Zia stated that it was able to supply gas to all of its customers during the colder weather, did not experience any supply or pressure issues, and did not physically curtail service.

9. Zia’s Application stated that the natural gas market prices were astronomically high from February 12, 2021 through February 18, 2021. The unprecedented spike in natural gas market prices during that time will have a major direct financial impact on Zia and its customers. Zia stated that it intends to make a separate filing to the Commission in the near future regarding a plan to recover costs in a just and reasonable manner. Further, Zia stated that it is cooperating with

the New Mexico Attorney General (“NMAG”) regarding the NMAG’s investigation into the extreme and unprecedented gas supply price spikes in February 2021.

10. Zia stated that it has not yet received invoices for February gas supply from its gas marketers. As reported in the NMPRC meeting on Wednesday February 24, 2021, Zia estimates that its purchased gas costs for February 2021 will be in the range of \$18,000,000. Zia’s Application provided the comparison that Zia’s rounded average of its last five years of gas supply costs for the month of February is \$1,450,000, and its gas supply costs for an *entire year* have been in the range of \$10,000,000. Zia states it is a small utility with zero debt and no existing credit facility. Up to now, Zia has paid its monthly gas supply costs from revenues it receives from its customers through its PGAC. However, Zia states that its revenues will not be sufficient to pay the extraordinarily high gas supply costs that Zia expects.

11. Due to the extraordinary magnitude of expected gas supply costs for February 2021, Zia discussed the potential for deferral of payment with its gas suppliers. Zia states that its gas marketers would not agree to a delay or deferral, and Zia had no reasonable alternative but to seek financing in order to pay its expected gas supply costs for February 2021.

12. Zia stated that it has historically carried no debt, and has no existing credit facility that could cover its expected gas supply costs for February 2021. Zia stated that it is working with Wells Fargo Bank, National Association (“Wells Fargo”) to arrange for financing to cover its expected \$18,000,000 in gas supply charges for February 2021. The term sheet is attached as Exhibit AGW-1 to the Direct Testimony of Anne G. Wheatcroft. As explained further in Ms. Wheatcroft’s testimony, the transaction will provide Zia with \$18,000,000 in credit, at an interest rate of 3.75% and five (5) year maturity.



13. Zia asserted that the purposes for which Zia proposes to enter this transaction are lawful and within its corporate powers, the financing transaction is in the public interest, and the aggregate amount of indebtedness will not exceed the value of Zia's properties and business. Zia asserted it is reasonable and prudent for Zia to enter this Agreement at this time in order to ensure it does not default on its obligations to pay for its gas supplies, and does not jeopardize its ongoing supply of gas to serve its customers.

14. Zia's Application included a motion for emergency expedited action. Zia requested that, due to the unique circumstances and emergency nature of the request, the Commission hear this matter itself, and approve and authorize the proposed financing as soon as possible, and, in any case, by March 24, 2021 so that Zia can obtain the funds it will need to pay its gas supply costs by March 25, 2021.

15. Zia attached a proposed Form of Notice as Exhibit A to this Application, and requested that the Notice be approved immediately so that Zia can expedite publication in the *Albuquerque Journal*, a newspaper of general circulation in every county in which Zia provides service in New Mexico. Zia further requested that the Commission's review and approval not be delayed beyond March 24, 2021 regardless of date of publication of the Notice.

16. Zia provided a proposed initial procedural order attached as Exhibit B to this Application, and requested that the Commission enter the initial procedural order under a single Commissioner signature as provided in 1.2.2.30 NMAC.

17. Zia Application requested that the Commission grant the following relief:

A. Issue as soon as possible the initial order attached as Exhibit B to the Application under a single Commissioner signature pursuant to 1.2.2.30 NMAC, approve the proposed form of notice attached as Exhibit A to the Application so that Zia can

immediately submit the notice for publication and posting on its website, and establish the procedural schedule contained in the initial order and proposed form of notice to provide for emergency expedited review and action on Zia's Application;

B. Find and conclude that, in the extraordinary circumstances presented in this case, the Commission will hear the case in open meeting on an emergency expedited basis;

C. Issue an order by March 24, 2021 authorizing Zia to enter the Credit Agreement as described in this Application and the testimony and exhibits filed herewith; and

D. Grant such other approvals, authorizations and relief as requested herein and as the Commission deems necessary and appropriate in connection with the proposed actions described herein, and in the testimony and exhibits filed herewith.

18. Zia, a division of NGP, is certified and authorized to conduct the business of providing public utility service within the State of New Mexico, provides natural gas utility service within the State of New Mexico, and is a public utility as defined by the Public Utility Act.

**IT IS THEREFORE ORDERED:**

A. A proceeding concerning Zia's Application is hereby commenced, as provided by this Initial Procedural Order.

B. Zia's Motion for Emergency Expedited Action is GRANTED only to the extent stated herein.

C. The Commission has assigned Case No. 21-\_\_\_\_\_-UT to Zia's Emergency Application and all correspondence, pleadings, and other communications shall refer to that case number.

D. Any interested person may inspect the Application filed in this case on Zia's website or access the Commission's website at <https://edocket.nmprc.state.nm.us>. Any inquiries should refer to the Case No. 21- \_\_\_\_\_-UT docket for this case.

E. The procedural schedule for this case is as follows:

1. Zia shall immediately post the approved Notice on its website, and shall publish as soon as possible the approved Notice once in the *Albuquerque Journal*, which is a newspaper of general circulation in every county in which Zia provides service in New Mexico. Zia shall promptly file affidavits of publication and website posting.

2. Any person desiring to become a party ("intervenor") in this case shall file a motion for leave to intervene in conformity with Rule 1.2.2.23 NMAC on or before March 16, 2021.

3. The Commission's Utility Division Staff ("Staff") shall, and any intervenor may, file direct testimony or a verified statement of position on Zia's Application on or before March 16, 2021.

4. Any rebuttal testimony or response to verified statement of position shall be filed on or before March 18, 2021.

5. The Commission shall hear this matter at an open meeting on or before March 24, 2021.

F. Due to the ongoing COVID-19 pandemic, the hearing shall be conducted via the Zoom videoconference platform. Participation in the hearing shall be limited to party-participants (i.e., counsel, witnesses, and other representatives of the parties), the Commissioners, and other Commission personnel. Other interested persons may view the hearing via a livestream on YouTube provided on the Commission's website at [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us).

G. Public comment shall be taken orally at the commencement of the public hearing in this matter on March 24, 2021. As part of the public hearing, public comment will be taken via the Zoom platform. Therefore, persons interested in providing public comment must request a Zoom invitation by emailing at Ana.Kippenbrock@state.nm.us by no later than 9:00 a.m. MT on March \_\_\_\_, 2021. Public comments shall be limited to 3 minutes per speaker. However, pursuant to 1.2.2.23(F) NMAC, public comment shall not be considered as evidence in this case. Interested persons may also submit written comments, which shall reference NMPRC Case No. 21-\_\_\_\_-UT, to the Commission via its Records Bureau's email address at: prc.records@state.nm.us. However, as noted above, pursuant to 1.2.2.23(F) NMAC, such comments will not be considered as evidence in this proceeding.

H. The procedural dates and requirements provided herein are subject to further order of the Commission. The Commission's Rules of Procedure, 1.2.2 NMAC, shall apply in this case except as modified or varied by order of the Commission. The Rules of Procedure and other NMPRC rules are available online at the New Mexico Commission of Public Records, State Records Center and Archives website at <http://www.srca.nm.gov/nmac-home/nmac-titles>.

I. Anyone filing pleadings, documents or testimony in this case shall, until further notice, comply with the Commission's electronic filing policy, as amended from time to time. This includes filings in pdf format, with electronic signatures, sent to the Records Bureau's email address at: prc.records@state.nm.us within regular business hours of the due date, in order to be considered timely filed. Documents received after regular business hours, will be considered as being filed the next business day. Regular business hours are from 8:00 a.m. to 5:00 p.m. MT. Parties shall serve a copy on all parties of record and Staff. All filings shall be emailed on the date they are filed with the Commission.

J. Any person with a disability requiring special assistance in order to participate in this proceeding should contact the director of Administrative Services Jim Williamson at [Jim.Williamson@state.nm.us](mailto:Jim.Williamson@state.nm.us) or (505) 467-9116 at least 24 hours prior to the commencement of the hearing.

K. A copy of this Initial Order shall be served upon all persons listed on the attached certificate of service via email.

L. This Initial Procedural Order is effective immediately.

**ISSUED at Santa Fe, New Mexico, this \_\_\_\_ day of March 2021.**

**NEW MEXICO PUBLIC REGULATION COMMISSION**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION AND MOTION )  
OF ZIA NATURAL GAS COMPANY FOR EMERGENCY )  
AUTHORIZATION OF FINANCING TRANSACTION )  
TO PAY GAS SUPPLY COSTS RELATED TO THE )  
FEBRUARY 2021 EXTREME WEATHER EVENT )  
\_\_\_\_\_ )**

**Case No. 21-\_\_\_\_\_-UT**

**PREPARED DIRECT TESTIMONY**

**OF**

**LESLIE A. GRAHAM**

**On Behalf of  
Zia Natural Gas Company**

**March 8, 2021**

**NMPRC CASE NO. 21-\_\_\_\_\_ -UT**  
**DIRECT TESTIMONY OF LESLIE A. GRAHAM**

**I. WITNESS INTRODUCTION**

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

**A.** My name is Leslie A. Graham and I am employed by Natural Gas Processing Co. (“NGP”). I work at the Zia Natural Gas Company main office at 100 Short Drive, PO Box 888, Ruidoso Downs, NM, 88346.

**Q. WHAT ARE YOUR POSITION AND RESPONSIBILITIES WITH NGP?**

**A.** I am the General Manager for NGP’s utility divisions, and I have been in this position since January 1, 2002. In 2014, my title was changed from Division Manager to General Manager, but my responsibilities remained the same. As General Manager, I am responsible for overseeing all day-to-day operations for NGP’s divisions Zia Natural Gas Company (“Zia” or “the Company”) and Wyoming Gas Company (“WGC”). I am responsible for supervising and preparing the operating budget, operation and maintenance, its customer service operations, accounts payable and receivable, its construction program, and regulatory compliance, under the New Mexico Public Regulation Commission (“Commission” or “NMPRC”), Wyoming Public Service Commission (“WYPSC”), and the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) rules and regulations. Prior to being promoted to General Manager, I was the District Manager for Zia’s Hobbs District, beginning in September of 1998. There I was responsible for day-to-day operations of the Hobbs District. In addition, I was responsible for preparing the Hobbs District budget, engineering and executing construction plans, handling any customer issues, and ensuring regulatory compliance. Before coming to work for NGP, I worked for Aera Energy, LLC as a production engineer, from July 1, 1997 to May 15,

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1 1998, and Mobil Exploration and Producing, U.S., as a production engineer from June 26,  
2 1995 to June 30, 1997.

3 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
4 **PROFESSIONAL QUALIFICATIONS.**

5 **A.** I have a Bachelor of Science degree in Chemical Engineering and Petroleum Refining from  
6 the Colorado School of Mines. I also have taken training in Gas Distribution Engineering  
7 from the Institute of Gas Technology, Utility Rate Design sponsored by the American Gas  
8 Association, and Distribution Integrity Management Planning offered by the Gas  
9 Technology Institute. I am currently a member of the American Institute of Chemical  
10 Engineers, Society of Petroleum Engineers, New Mexico Gas Association, and the New  
11 Mexico Oil and Gas Association.

12 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

13 **A.** I am testifying on behalf of the applicant, Zia Natural Gas Company.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

15 **A.** Yes, I have recently testified in Zia's last rate case, Case No. 18-00018-UT and Zia's recent  
16 energy efficiency case, Case No. 18-00280-UT. For a complete list, please refer to Exhibit  
17 LAG-1.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 **A.** I will provide background on Zia Natural Gas Company and will describe the  
20 circumstances regarding the extreme weather event and high gas supply prices that led to  
21 the need for Zia to seek financing in order to pay its expected gas supply bills for February  
22 2021.

23 **Q. DO ANY OTHER WITNESSES TESTIFY ON BEHALF OF ZIA?**



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1   **A.**    Yes. Anne G. Wheatcroft explains the proposed financing amount and terms, and the effect  
2           on the Company’s capital structure and balance sheet.

3   **Q.**    **DO YOU SPONSOR ANY EXHIBITS WITH YOUR TESTIMONY?**

4   **A.**    Yes, I sponsor Exhibit LAG-1, a testimony case list.

5   **Q.**    **WAS THIS EXHIBIT PREPARED BY YOU OR UNDER YOUR DIRECT**  
6           **SUPERVISION AND CONTROL?**

7   **A.**    Yes.

8   **Q.**    **IS THIS EXHIBIT TRUE AND CORRECT TO THE BEST OF YOUR**  
9           **KNOWLEDGE AND BELIEF?**

10  **A.**    Yes.

**II.    BACKGROUND ON ZIA**

12  **Q.**    **PLEASE PROVIDE BRIEF BACKGROUND ON ZIA.**

13  **A.**    Zia serves a total of 39,514 customers and operates in four separate service areas in five  
14           different counties in New Mexico. In Lea and Eddy Counties, in the southeast corner of  
15           New Mexico, Zia operates the Hobbs District, which provides distribution service in  
16           Hobbs, Jal, Malaga and to 25 customers directly across the state line in Texas. In Lincoln  
17           County, Zia provides transmission and distribution service in Ruidoso, Ruidoso Downs,  
18           Alto, Capitan, Carrizozo and surrounding areas, collectively known as the Ruidoso District.  
19           In Colfax County, in northeastern New Mexico, Zia provides transmission and distribution  
20           service in the Village of Maxwell, the Village of Cimarron, the Town of Springer and areas  
21           around Raton, as well as sale for resale service to the City of Las Vegas. This is known as  
22           the Maxwell District. In Dona Ana County, in the southern part of the state, Zia operates  
23           its Dona Ana System, which provides service to areas in Dona Ana County outside the City  
24           of Las Cruces. Zia’s service area extends from the Village of Hatch south along the Rio

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1 Grande Valley to an area just north of Anthony, New Mexico. Zia provides service within  
2 the Village of Hatch, the Town of Mesilla, and other unincorporated areas generally west  
3 of I-25, including the Picacho Hills subdivision.

4 **Q. PLEASE PROVIDE BRIEF BACKGROUND ON ZIA’S GAS SUPPLY.**

5 **A.** As reported in Zia’s Gas Supply Plan on file with the Commission, Zia’s natural gas  
6 marketers are United Energy Trading, DCP Midstream Marketing, and Shell Energy North  
7 America. Zia provides an annual summary of its gas supply in its Gas Supply Plan. Zia  
8 made its most recent annual filing of its Gas Supply Plan at the Commission on September  
9 25, 2020.

10 **Q. PLEASE PROVIDE BRIEF BACKGROUND ON ZIA’S COST RECOVERY OF**  
11 **GAS SUPPLY COSTS.**

12 **A.** Like many utilities, Zia utilizes a Purchased Gas Adjustment Clause (“PGAC”) approved  
13 by the Commission to pass along natural gas costs to its customers. The Commission last  
14 approved Zia’s continued use of its PGAC by the Final Order issued on March 29, 2017 in  
15 Case No. 16-00293-UT. Zia’s most recent annual compliance filing was submitted to the  
16 Commission on September 29, 2020, and included updated gas cost factor statements for  
17 Zia’s three PGAC regions: Maxwell, Dona Ana, and Hobbs/Lincoln County. Zia currently  
18 has a PGAC continuation filing before the Commission in Case No. 20-00201-UT. Zia  
19 will very shortly make supplemental filings in that case in response to the Commission’s  
20 questions issued on March 2, 2021, and regarding its proposed PGAC cost recovery  
21 mechanism.

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DIRECT TESTIMONY OF LESLIE A. GRAHAM

**III. THE EXTREME WEATHER EVENT AND GAS SUPPLY COSTS**

**Q. PLEASE DESCRIBE THE CIRCUMSTANCES REGARDING THE EXTREME WEATHER EVENT.**

**A.** The extreme weather event (the “Event”) that occurred during the week of February 14, 2021 did not affect Zia’s supply of natural gas to its customers, but had a very large financial impact on Zia through its gas purchases. Zia’s service areas along with a large swath of the United States experienced extremely cold temperatures and high demand for natural gas during the weather Event that occurred between February 14 to February 18, 2021. Zia was able to supply gas to all of its customers during the extreme cold weather, did not experience any supply or pressure issues, and did not physically curtail service. Curtailment is not allowed solely due to high prices, thus, Zia continued to serve its customers without interruption during the Event.

**Q. PLEASE DESCRIBE WHAT HAPPENED TO GAS SUPPLY PRICES DURING THE EXTREME WEATHER EVENT.**

**A.** The natural gas market prices were astronomically high from February 12, 2021 through February 18, 2021, rising higher and faster than Zia could have possibly anticipated. The unprecedented spike in natural gas market prices during that time will have a major direct financial impact on Zia and its customers. Zia intends to make a separate filing to the Commission in the near future regarding a plan to recover costs in a just and reasonable manner. Further, Zia is cooperating with the New Mexico Attorney General (“NMAG”) regarding the NMAG’s investigation into the extreme and unprecedented gas supply price spikes in February 2021.

**Q. HAS ZIA ESTIMATED ITS GAS SUPPLY COSTS FOR FEBRUARY 2021?**

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1 A. Zia has not yet received invoices for February gas supply from its gas marketers. As  
2 reported in the NMPRC meeting on Wednesday February 24, 2021, Zia estimates that its  
3 purchased gas costs during the Event will be in the range of \$18,000,000. For comparison,  
4 Zia's rounded average of its last five years of gas supply costs for the month of February  
5 is \$1,450,000, and its gas supply costs for an *entire year* have been in the range of  
6 \$10,000,000.

7 **Q. DOES ZIA HAVE SUFFICIENT CASH RESERVES TO PAY THAT AMOUNT?**

8 A. No, it does not. Zia is a small utility with zero debt and no existing credit facility. Up to  
9 now, Zia has paid its monthly gas supply costs from revenues it receives from its customers  
10 through its PGAC. However, Zia's revenues will not be sufficient to pay the extraordinary  
11 and unprecedented high gas supply costs that Zia expects to be charged by its gas marketers  
12 for February 2021 gas supply.

13 **Q. WHEN DOES ZIA EXPECT IT WILL NEED TO PAY ITS GAS MARKETERS**  
14 **FOR FEBRUARY 2021 GAS SUPPLY?**

15 A. Zia expects to receive invoices from its gas marketers around March 10, 2021, and that it  
16 will need to pay the balances due by no later than March 25, 2021.

17 **Q. DID ZIA SEEK A DEFERRAL OR DELAY IN THE PAYMENT DEADLINES?**

18 A. Yes. Zia spoke with representatives of its gas marketers to delay payment because the gas  
19 supply costs during the Event were not, and could not have been, anticipated. Zia's gas  
20 marketers would not provide a delay or deferral.

21 **Q. DID ZIA CONSIDER REFUSING TO PAY OR MAKING A PARTIAL PAYMENT**  
22 **OR DISPUTING THE AMOUNT DUE?**

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1 **A.** Yes. However, to avoid potential breach of contract or penalties, and to protect its supply  
2 of gas going forward, Zia intends to pay the full amount due. However, Zia intends to pay  
3 the amount due in two payments: the first will be an amount based on what Zia considers  
4 to be a reasonable rate for a cold period in February, and the second will be the remaining  
5 excess amount that Zia will pay under protest. While Zia reserves all rights to exercise its  
6 legal remedies, pursuing those remedies without making payment creates a substantial risk  
7 that the gas suppliers will terminate their contracts to supply Zia with gas, thus leaving Zia  
8 with no means to supply gas to its customers.

9 **Q. DOES ZIA HAVE ANY REASONABLE ALTERNATIVES OTHER THAN TO**  
10 **SEEK FINANCING TO PAY ITS GAS SUPPLY COSTS?**

11 **A.** No, it does not. Zia is a small utility and does not maintain cash reserves to pay \$18,000,000  
12 in gas supply costs for a single month. Zia is cooperating in the NMAG’s investigation  
13 effort as requested by the NMAG. In the meantime, Zia must pay its February gas supply  
14 bills by March 25 and, due to the exorbitant costs of gas supply during February, Zia must  
15 obtain the proposed financing to do so.

16 **IV. THE PROPOSED FINANCING TRANSACTION**

17 **Q. HAS ZIA ARRANGED FOR FINANCING TO COVER ITS COSTS FOR GAS**  
18 **SUPPLY FOR FEBRUARY 2021?**

19 **A.** Yes. Zia is working with Wells Fargo Bank, National Association (“Wells Fargo”) to  
20 arrange for financing to cover its expected \$18,000,000 in gas supply charges for February  
21 2021.

22 **Q. WHEN DOES ZIA EXPECT TO CLOSE ON THIS TRANSACTION?**

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1 A. Zia has received a term sheet, attached as Exhibit AGW-1, and is working with Wells Fargo  
2 to finalize the agreement. We must close on the loan on or before March 24, 2021 in order  
3 to pay our bills to gas suppliers due on March 25, 2021. Further details regarding the  
4 financing transaction are provided in the Direct Testimony of Anne G. Wheatcroft.

5 **Q. WHAT IS YOUR UNDERSTANDING OF THE STANDARDS FOR COMMISSION**  
6 **APPROVAL OF A UTILITY’S PROPOSED FINANCING TRANSACTION?**

7 A. I am not a lawyer, but I have reviewed the applicable sections of the Public Utility Act,  
8 NMSA 1978, §§ 62-6-6 and 62-6-7, and the Commission’s rule regarding utility  
9 applications relating to securities, 17.1.2.8 NMAC, and my responses are informed by my  
10 review of those authorities.

11 My understanding is that pursuant to NMSA 1978, § 62-6-6.B, a utility may issue,  
12 assume or guarantee securities payable at periods of more than eighteen months with the  
13 Commission’s approval. Section 62-6-6.B(5) provides that the purpose of the financing  
14 may include the discharge or lawful refunding of the utility’s obligations. Section 62-6-7  
15 of the statute requires the utility to file a written petition to the Commission setting forth  
16 the pertinent facts and requesting an order authorizing the proposed financing for the  
17 specified purpose. Section 62-6-7 also provides that the Commission may but is not  
18 required to issue notice and hold a hearing. Finally, section 62-6-7 provides that the  
19 Commission shall enter a written order approving the petition and authorizing the proposed  
20 transaction unless the Commission finds that: (1) the transaction is inconsistent with the  
21 public interest, or (2) the purpose of the transaction is not permitted by the statute, or (3)  
22 the aggregate amount of financing to be outstanding will exceed the fair value of the  
23 properties and business of the public utility.

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1           The Commission’s rule 17.1.2.8.B NMAC requires an application and testimony  
2 that explain the proposed transaction and address in detail any features that may have  
3 significant impact on ratepayers or the Commission’s ability to regulate the utility. The  
4 rule requires the transaction documents to be filed if available, and requires the contents to  
5 be summarized in testimony, including terms such as interest rate, maturities, terms of call  
6 and restrictions, necessity for security, manner of sale, and proposed purchasers. The rule  
7 requires utilities with continuing financing to file annual information reports and provide  
8 any new information (Zia has no existing financing so this provision is not currently  
9 applicable, but will apply going forward if Zia’s financing request is approved).

10           The rule 17.1.2.8.C NMAC further provides that a hearing examiner will be  
11 assigned to preside over the proceeding unless otherwise ordered by the Commission. The  
12 Commission will decide whether a hearing is required and if not, then public comment will  
13 be taken and the application will be disposed of at an open meeting. Finally, the rule  
14 17.1.2.8.D NMAC provides that the applicant shall publish notice of the filing in a  
15 newspaper of general circulation in every county in which the utility serves, details what  
16 must be included in the notice, and requires the utility to promptly file an affidavit of  
17 publication with the Commission.

18           I address Zia’s compliance with each of these requirements below.

19 **Q. DOES ZIA PROPOSE TO ENTER FINANCING PAYABLE AT MORE THAN**  
20 **EIGHTEEN MONTHS?**

21 A. Yes. Zia was unable to obtain financing with a term less than eighteen months. The term  
22 of Zia’s proposed financing is five years. Accordingly, Zia is filing this application for

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**DIRECT TESTIMONY OF LESLIE A. GRAHAM**

1 Commission approval of financing with a maturity greater than eighteen months pursuant  
2 to NMSA 1978, §§ 62-6-6 and 62-6-7 and Commission rule 17.1.2.8 NMAC.

3 **Q. IS THE PURPOSE OF ZIA’S FINANCING TO DISCHARGE OR LAWFULLY**  
4 **FUND ITS OBLIGATIONS IN COMPLIANCE WITH NMSA 1978, § 62-6-6?**

5 A. Yes. The financing will be used to pay Zia’s expected costs of gas supply for February  
6 2021. Zia was and is obligated to serve its customers provided physical supply is not  
7 curtailed, which it was not during February 2021. Zia incurred its February 2021 gas supply  
8 costs in the course of fulfilling its obligation to serve its customers.

9 **Q. IS THE TRANSACTION IN THE PUBLIC INTEREST?**

10 A. Yes, it is. The proposed financing will allow Zia to fulfill its obligations to pay for its costs  
11 of gas supply for February 2021, which it used to serve customers without interruption  
12 during the extreme weather event. As explained in the Direct Testimony of Anne G.  
13 Wheatcroft, the financing terms are fair and reasonable. Without the financing, Zia will not  
14 be able to pay its costs for gas supply, which would threaten Zia’s ability to obtain gas  
15 supply going forward and its ability to continue to serve its customers.

16 **Q. IS THE PURPOSE OF THE PROPOSED FINANCING PERMITTED BY LAW?**

17 A. Yes. The Public Utility Act, section 62-6-6.B(5) expressly provides for financing for a  
18 utility’s discharge or lawful funding of its obligations.

19 **Q. WILL THE AGGREGATE AMOUNT OF FINANCING EXCEED THE FAIR**  
20 **VALUE OF ZIA’S PROPERTIES AND BUSINESS?**

21 A. No. As explained in the Direct Testimony of Anne G. Wheatcroft, the proposed financing  
22 will not exceed the fair value of Zia’s properties and business.

23 **Q. WHAT EFFECT WILL THE FINANCING HAVE ON CUSTOMERS?**



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1 A. Zia’s customers will benefit by continuing to receive gas utility service. Without the  
2 financing, Zia has no way to pay its gas supply bills and may be cut off by its current  
3 suppliers. Even if it exercises its legal remedies and prevails, without the financing, Zia  
4 risks losing its gas supply. As a small utility, it is already difficult for Zia to obtain gas  
5 supply, and default in payment would likely result in even more difficulty obtaining  
6 reliable supply. Zia intends to shortly make a filing to the Commission regarding a  
7 proposed cost recovery mechanism under its PGAC. The Commission will be able to  
8 review cost recovery and customer bill impact issues in that proceeding.

9 **Q. WILL THE PROPOSED FINANCING TRANSACTION HAVE ANY IMPACT ON**  
10 **THE COMMISSION’S ABILITY TO REGULATE ZIA?**

11 A. No, it will not.

12 **Q. HAS CORPORATE AUTHORITY BEEN GIVEN FOR ZIA TO ENTER THE**  
13 **PROPOSED FINANCING TRANSACTION?**

14 A. Yes. No other approval, other than the Commission’s approval, is needed for Zia to enter  
15 this transaction.

16 **Q. HAS ZIA FILED A WRITTEN PETITION TO THE COMMISSION SETTING**  
17 **FORTH THE PERTINENT FACTS AND REQUESTING AN ORDER**  
18 **AUTHORIZING THE PROPOSED FINANCING FOR THE SPECIFIED**  
19 **PURPOSE AS REQUIRED BY NMSA1978, § 62-6-7?**

20 A. Yes. Zia’s Application and accompanying testimonies and exhibits in this case provide the  
21 pertinent facts, including the events that led to the need for the financing, the terms of the  
22 proposed financing, and request for an order authorizing the proposed financing for the  
23 specified purpose of paying Zia’s expected gas supply costs for February 2021.

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1 Q. HAS ZIA COMPLIED WITH ALL STATUTORY AND REGULATORY  
2 REQUIREMENTS AND DEMONSTRATED THAT ITS PROPOSED FINANCING  
3 SHOULD BE APPROVED?

4 A. Yes, it has.

5 V. MOTION FOR EMERGENCY EXPEDITED ACTION

6 Q. DOES ZIA INVOKE THE COMMISSION'S DISCRETION REGARDING A  
7 HEARING AS PROVIDED IN NMSA 1978, § 62-6-7 AND RULE 17.1.2.8 NMAC?

8 A. Yes. Zia requests the Commission hear this case itself on an emergency basis so that the  
9 Commission's review and issuance of a final order approving the proposed financing can  
10 be completed on or before March 24, 2021 so that Zia may obtain the necessary financing  
11 to pay its gas supply costs no later than March 25, 2021.

12 Q. DOES ZIA REQUEST IMMEDIATE APPROVAL TO PUBLISH ITS PROPOSED  
13 NOTICE?

14 A. Yes. Zia requests immediate approval to expeditiously publish notice one time in the  
15 *Albuquerque Journal*, a newspaper of general circulation in every county in which Zia  
16 serves, and to not delay the proceeding or the Commission's approval beyond March 24,  
17 2021 regardless of date of publication of notice. Zia provides a proposed form of notice  
18 attached as Exhibit A to the Application, and is ready to submit the notice for publication  
19 immediately upon Commission approval.

20 Q. DOES ZIA REQUEST THE COMMISSION SET AN EMERGENCY EXPEDITED  
21 SCHEDULE IN THIS CASE DUE TO THE EXTRAORDINARY  
22 CIRCUMSTANCES PRESENTED HERE?

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1 A. Yes. As I have explained, Zia needs to close on the proposed financing no later than March  
2 24, 2021 in order to be able to pay its February 2021 gas supply costs by March 25, 2021.  
3 To assist the Commission in expediting the proceeding, Zia provides a proposed initial  
4 order attached as Exhibit B to the Application, and requests that the Commission enter this  
5 initial order under a single Commissioner signature as provided in 1.2.2.30 NMAC.

**VI. CONCLUSION**

7 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

8 A. While Zia experienced no drop in pressure or physical supply and continued to serve  
9 customers during the extreme weather event, Zia expects it will be presented with  
10 extraordinary gas supply bills totaling around \$18,000,000 that will be due by March 25,  
11 2021. The purpose of Zia's proposed financing is to obtain funds to pay those costs by  
12 March 25, 2021. Zia's application, testimonies and exhibits provide detailed information  
13 regarding the proposed financing transaction. The proposed financing complies with  
14 applicable statutory requirements and the Commission's rule. Zia's requests for emergency  
15 expedited review and approval should be granted in light of the extraordinary  
16 circumstances presented here.

17 **Q. IN YOUR OPINION, IS ZIA'S REQUESTED FINANCING IN THE PUBLIC**  
18 **INTEREST AND IN COMPLIANCE WITH THE STANDARDS FOR**  
19 **APPROVAL?**

20 A. Yes, Zia's requested financing is in the public interest and complies with the law, and Zia's  
21 petition provides the required information. Zia's request should be approved on an  
22 emergency basis so that Zia can fulfill its obligations to pay its extraordinary February  
23 2021 gas supply costs by March 25, 2021.

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**DIRECT TESTIMONY OF LESLIE A. GRAHAM**

- 1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**
- 2 **A. Yes, it does.**

LISTING OF CASES IN WHICH I HAVE TESTIFIED BEFORE THE NEW MEXICO  
PUBLIC REGULATION COMMISSION

| <u>CASE NO.</u> | <u>DESCRIPTION</u>   |
|-----------------|--|
| 05-00004-UT     | Changes to Rules Rates and Forms<br>Advice Notice 41                 |
| 05-00252-UT     | Acquisition of Springer's Natural Gas System                         |
| 05-00325-UT     | Acquisition of Capitan Carrizozo Natural Gas                         |
| 07-00137-PL     | Pipeline Incident in Hobbs, NM                                       |
| 08-00036-UT     | Zia Natural Gas Rate Case 2008                                       |
| 10-00272-UT     | Acquisition of Two Gas Systems in Dona Ana County                    |
| 11-00457-UT     | Acquisition of Village of Wagon Mound Gas System                     |
| 13-00235-UT     | Approval of Voluntary Service Area Agreement, Dona Ana<br>County     |
| 16-00021-UT     | Approval for Energy Efficiency Application and Program<br>Rate Rider |
| 18-00018-UT     | Zia Natural Gas General Rate Application 2018                        |
| 18-00280-UT     | Zia Natural Gas Energy Efficiency Program Application                |

LISTING OF CASES IN WHICH I HAVE TESTIFIED BEFORE THE WYOMING  
PUBLIC SERVICE COMMISSION

| <u>DOCKET NO.</u> | <u>DESCRIPTION</u>   |
|-------------------|--|
| 30009-48-GR-08    | Wyoming Gas Company General Rate Increase 2009                         |
| 30009-60-GR-16    | Wyoming Gas Company General Rate Increase 2016                         |
| 50051-2-PR-16     | Natural Gas Processing, NG Transmission Discontinue<br>Utility Service |
| 30009-63-GA-17    | Application to Amend Wobbe Indices                                     |
| 30009-69-GM-19    | Application for Infrastructure Integrity Management Rider              |

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
ZIA NATURAL GAS COMPANY FOR EMERGENCY )  
AUTHORIZATION OF FINANCING TRANSACTION )  
TO PAY GAS SUPPLY COSTS RELATED TO THE )  
FEBRUARY 2021 EXTREME WEATHER EVENT )  
\_\_\_\_\_ )**

**Case No. 21-\_\_\_\_\_-UT**


**UNSWORN VERIFICATION**

Leslie A. Graham, under penalty of perjury under the laws of the State of New Mexico, states:

1. I make this unsworn verification pursuant to the Commission's Temporary NMPRC Electronic Filing Policy issued March 20, 2020, the Commission's Order Finding Need for the Adoption and Issuance of an Immediate Emergency Rule Amending NMPRC Rules of Procedure 1.2.2. NMAC to Provide for Electronic Filing and Order Granting Temporary Variance to NMPRC Employees issued October 7, 2020, and New Mexico R. 1-011(B) NMRA.

2. I have read the foregoing Prepared Direct Testimony of Leslie A. Graham and am familiar with its contents, and they are true and correct based on my personal knowledge and belief.

Dated: March 8, 2021

  
\_\_\_\_\_  
Leslie A. Graham

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
ZIA NATURAL GAS COMPANY FOR EMERGENCY )  
AUTHORIZATION OF FINANCING TRANSACTION )  
TO PAY GAS SUPPLY COSTS RELATED TO THE )  
FEBRUARY 2021 EXTREME WEATHER EVENT )  
\_\_\_\_\_ )**

**Case No. 21-\_\_\_\_\_-UT**

**PREPARED DIRECT TESTIMONY**

**OF**

**ANNE G. WHEATCROFT**

**On Behalf of  
Zia Natural Gas Company**

**March 8, 2021**

NMPRC CASE NO. 21-\_\_\_\_\_-UT  
DIRECT TESTIMONY OF ANNE G. WHEATCROFT

**I. WITNESS INTRODUCTION**

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

A. Anne G. Wheatcroft, Controller, Natural Gas Processing Co., 101 Division Street, Worland, Wyoming 82401.

**Q. HOW LONG HAVE YOU BEEN WITH NATURAL GAS PROCESSING CO. AND WHAT ARE YOUR ROLES AND RESPONSIBILITIES?**

A. I am the Controller for Natural Gas Processing Co. (“NGP”) and have been in this position since December 2010. I am responsible for all of the accounting functions for NGP and both of the divisions; Zia Natural Gas Company (“Zia”) and Wyoming Gas Company (“WGC”). I oversee all of the daily accounting functions that originate at each division. From this daily activity, I supervise and prepare the individual and consolidated financial statements. I am also responsible for preparing the annual financial reports and oversee the preparation of the audited financial statements and the tax return.

**Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS?**

A. I received a Bachelor of Science Degree in Business Administration from Colorado State University and a Master of Professional Accountancy Degree from Montana State University. I am a Certified Public Accountant, with licenses in Montana and Wyoming. I have attended the American Gas Association Accounting Conference and a PricewaterhouseCoopers Rate Case class. I am currently a member of the American Institute of Certified Public Accountants. Prior to NGP, I worked in Public Accounting as an Auditor for four years.

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**



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1 **A.** I am testifying on behalf of the applicant, Zia.

2 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO PUBLIC**  
3 **REGULATION COMMISSION (“COMMISSION” OR “NMPRC”)?**

4 **A.** Yes, I previously testified before the Commission in Zia’s last rate case, Case No. 18-  
5 00018-UT. I have also testified before the Wyoming Public Service Commission in Docket  
6 No. 30009-60-GR-16 and Docket No. 50051-2-PR-16.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 **A.** The purpose of my testimony is to describe Zia’s proposed financing transaction and its  
9 effect on the Company’s capital structure and balance sheet.

10 **Q. DO YOU SPONSOR ANY EXHIBITS?**

11 **A.** Yes, I sponsor the following exhibits:

12 Exhibit AGW-1, Well Fargo, Summary of Terms and Conditions

13 Exhibit AGW-2, Debt and Equity, Capital Structure Analysis

14 Exhibit AGW-3, Balance Sheet

15 **Q. WHERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT**  
16 **SUPERVISION AND CONTROL?**

17 **A.** The Wells Fargo term sheet, Exhibit AGW-1, was prepared by Wells Fargo and is a true  
18 and correct copy. Exhibits AGW-2 and AGW-3 were prepared by me or under my direct  
19 supervision.

20 **Q. ARE THESE EXHIBITS TRUE AND CORRECT TO THE BEST OF YOUR**  
21 **KNOWLEDGE AND BELIEF?**

22 **A.** Yes.  
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**II. FINANCING TRANSACTION**

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**Q. PLEASE DESCRIBE THE TERMS OF THE FINANCING TRANSACTION.**

A. The proposed security is a term loan for \$18,000,000.00 at a fixed annual interest rate of 3.75% and a term of five (5) years. The repayment schedule allows Zia to make interest only payments in year one and then principal and interest payments in years two through five. The loan commitment fee is 0.50% of the loan amount and the bank fees are estimated at \$30,000. Finally, there is no prepayment penalty. Please see Exhibit AGW-1 for a Summary of the Terms and Conditions.

**Q. HAS ZIA FILED A COPY OF THE PROPOSED FINANCING AGREEMENT?**

A. Not yet. Zia does not yet have a copy of the proposed financing agreement but will provide that when it is available. Exhibit AGW-1 provides a summary of the terms and conditions of the proposed transaction. Zia will file the final transaction documents as a compliance filing along with a verified report stating the final terms and conditions and any changes from the terms and conditions represented in the Application and accompanying testimonies and exhibits.

**Q. WHY DID ZIA CHOOSE TO ENTER THIS TRANSACTION WITH WELLS FARGO?**

A. Wells Fargo is Zia’s banker and is familiar with the Company and its cash flow and status as a regulated public utility. As I explained above, Zia has no debt, so it has no established relationship with a lender. However, Zia’s existing relationship with Wells Fargo provided a knowledge base from which to negotiate the proposed transaction on a highly expedited basis in light of the extraordinary circumstances presented here.

**Q. IS THIS AN ARMS-LENGTH TRANSACTION?**

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1 A. Yes, it is. While Wells Fargo is familiar with Zia as its banker, there is no corporate or  
2 other affiliation between Wells Fargo and Zia, and the negotiations for this transaction are  
3 proceeding in an arms-length manner.

4 **Q. WHY IS THE LENGTH OF THE LOAN 5 YEARS?**

5 A. Wells Fargo is aware the Zia has a purchase gas cost recovery clause (“PGAC”) approved  
6 by the Commission and that Zia’s recovery of the extraordinary gas purchase expenses  
7 incurred during February 2021 has not been fully reviewed and approved by the  
8 Commission. Therefore, Wells Fargo reviewed the proposed loan using different  
9 repayment scenarios and determined that 5 years, rather than a shorter term, would be more  
10 practical in light of the current uncertainty regarding the extent to which, and the time  
11 frame over which Zia will be able to recover its gas supply costs from customers.

12 **Q. DOES ZIA INTEND TO RECOVER THE PURCHASED GAS COSTS IN 5**  
13 **YEARS?**

14 A. No, the length of the term of the loan is not tied to the purchased gas cost recovery. In fact,  
15 there is no prepayment penalty because Wells Fargo recognized that it might be possible  
16 to have a shorter cost recovery and loan repayment schedule.

17 **Q. WHAT EFFECT WILL THE PROPOSED TRANSACTION HAVE ON THE**  
18 **COMPANY’S CAPITAL STRUCTURE?**

19 A. The Company does not currently have debt. Therefore, if the financing is approved, the  
20 Company’s capital structure will change to include the proposed debt. In Zia’s most recent  
21 rate case, Case No. 18-00018-UT, the approved capital structure included an imputed cost  
22 of debt of 5.65% to determine an appropriate rate of return on rate base. The proposed  
23 transaction will actually result in a lower cost of debt (3.75%) than was imputed in the

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1 recent rate case. Please see Exhibit AGW-2. In Case No. 18-00018-UT, the imputed  
2 capital structure was 47.12% debt and 52.88% equity. Please see Exhibit AGW-2. The  
3 proposed financing will still result in an actual capital structure that is a lower debt  
4 percentage of 27%, therefore there is no adverse effect upon the capital structure that was  
5 used for rate design in the recent rate case.

6 **Q. WHAT EFFECT WILL THE PROPOSED TRANSACTION HAVE ON THE**  
7 **COMPANY'S BALANCE SHEET?**

8 A. The Company will record a long term liability on the balance sheet for the term loan. The  
9 Company intends to shortly file an application regarding a proposed cost recovery  
10 mechanism under its PGAC for recovery of the extraordinary gas purchase expenses, which  
11 would then be recorded as an asset. Both transactions would then result in no net change  
12 to the Company's balance sheet. Exhibit AGW-3 is the balance sheet for Zia as of  
13 September 30, 2020 and September 30, 2019, with the most recent quarterly data available.

14 **Q. WILL THE AMOUNT OF THE PROPOSED FINANCING EXCEED THE FAIR**  
15 **VALUE OF THE COMPANY'S PROPERTIES AND BUSINESS?**

16 A. No. The amount of proposed financing is less than the net utility plant on the Company's  
17 books, less than the Company's total assets, and less than the total equity of the Company.  
18 See Exhibits AGW-2 and AGW-3.

19 **III. CONCLUSION**

20 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

21 A. The extraordinary gas purchase expenses incurred by the Company as a result of the  
22 February 2021 weather event have placed the Company in the situation where a financing  
23 facility must be obtained quickly. The proposed financing arrangement will allow the

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1 Company to meet its obligations to its suppliers and to continue to provide a safe, reliable  
2 gas supply to its customers. As the Company has a strong financial position and a solid  
3 banking relationship, the Company is able to quickly and effectively react to the  
4 extraordinary event. The rates and terms of the financing allow the Company the flexibility  
5 to continue the regulatory process to recover the gas purchase expenses in a reasonable  
6 manner.

7 **Q. IN YOUR OPINION, ARE THE AMOUNT AND TERMS OF THE PROPOSED**  
8 **FINANCING FAIR AND REASONABLE?**

9 **A.** Yes. The rate and terms are fair and reasonable. Due to the emergency nature of the  
10 financing, we did not have the time to negotiate or obtain comparable quotes, however, the  
11 rate is still less than the authorized cost of debt in Case No. 18-00018-UT of 5.65% and is  
12 consistent with current market conditions.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

14 **A.** Yes, it does.

15


 WELLS  
FARGO

## **Summary of Terms and Conditions – New Mexico Attachment A**

**FOR DISCUSSION PURPOSES ONLY- NOT A COMMITMENT TO LEND**

**LENDER:** Wells Fargo Bank, National Association (“Wells Fargo”)

**BORROWER:** Natural Gas Processing Co.

**TYPE OF CREDIT:** Term Loan

**PURPOSE:** Finance of Natural Gas Bill due to price fluctuation during weather event February 2021

**LOAN AMOUNT:** \$18,000,000.00

**FACILITY FEE:** Commitment Fee of .50%

**MATURITY DATE:** 5 years following closing

**COLLATERAL:** Blanket UCC filing and revenue pledge (to be filed the sooner of 90 days of close or upon PUC approval)

**INTEREST RATE:** 3.75% fixed

**REPAYMENT TERMS:** Interest only Year 1, P/I payments years 2-5

**PREPAYMENT FEE:** None

**OTHER FEES AND EXPENSES:** Borrower to pay fees, costs and expenses of Wells Fargo (including fees paid by Wells Fargo to third parties and allocated costs of Wells Fargo personnel) in connection with loan documentation negotiation and preparation and related diligence, including without limitation, attorneys’ fees, filing and recording fees, and the cost of any environmental reviews, property condition reports, flood insurance searches, appraisals, and title insurance.

Estimated Fees – Fees may vary depending on the complexity of the financing

|              |   |
|--------------|---|
| Bank Counsel | McGuire Woods LLP estimated at \$30,000 |
|--------------|---|

**Zia Natural Gas Company  
Analysis of Financing Transaction**

**Exhibit AGW-2**

|   |           |                   |
|---|-----------|-------------------|
| <b>Zia Natural Gas Company Wells Fargo Term Loan Facility</b> | <b>\$</b> | <b>18,000,000</b> |
| <b>Total Net Utility Plant in Service September 30, 2020</b>  | <b>\$</b> | <b>50,204,471</b> |

**Comparative Financial Analysis Ratios**

| <b>DEBT TO EQUITY RATIO</b> | <b>9/30/2020</b> | <b>Pro Forma Balance</b> |
|-----------------------------|------------------|--------------------------|
| Total Long Term Liabilities | 0                | 18,000,000               |
| Total Equity                | 49,245,617       | 49,245,617               |
| <b>Total Debt/Equity</b>    | <b>0%</b>        | <b>37%</b>               |

| <b>DEBT TO ASSET RATIO</b> | <b>9/30/2020</b> | <b>Pro Forma Balance</b> |
|----------------------------|------------------|--------------------------|
| Total Debt                 | 0                | 18,000,000               |
| Total Assets               | 56,528,108       | 56,528,108               |
| <b>Total Debt/Assets</b>   | <b>0%</b>        | <b>32%</b>               |

| <b>CAPITAL STRUCTURE</b>       | <b>9/30/2020</b>  |             | <b>Pro Forma Balance</b> |             | <b>Case No. 18-00018-UT</b> |             |
|--------------------------------|-------------------|-------------|--------------------------|-------------|-----------------------------|-------------|
|                                | <b>\$</b>         | <b>%</b>    | <b>\$</b>                | <b>%</b>    | <b>%</b>                    | <b>Cost</b> |
| Total Debt                     | 0                 | 0%          | 18,000,000               | 27%         | 47.12%                      | 5.65%       |
| Total Equity                   | 49,245,617        | 100%        | 49,245,617               | 73%         | 52.88%                      | 10.06%      |
| <b>Total Capital Structure</b> | <b>49,245,617</b> | <b>100%</b> | <b>67,245,617</b>        | <b>100%</b> |                             |             |

**ZIA NATURAL GAS COMPANY  
BALANCE SHEET**

**Exhibit AGW-3**

| LINE NO. | DESCRIPTION                                  | 9/30/2020         | 9/30/2019         |
|----------|--|-------------------|-------------------|
|          |  | \$                | \$                |
| 1        | ASSETS                                       |                   |                   |
| 2        | TOTAL CURRENT ASSETS                         | 6,975,300         | 7,023,310         |
| 3        | PURCHASED GAS ADJUSTMENTS                    | (494,576)         | (278,088)         |
| 4        | ENERGY EFFICIENCY BALANCING                  | (157,086)         | (346,245)         |
| 5        | PROPERTY, PLANT & EQUIPMENT                  |                   |                   |
| 6        | Net Transmission Plant in Service            | 4,429,365         | 4,569,994         |
| 7        | Net Distribution Plant in Service            | 41,760,438        | 41,674,129        |
| 8        | Net General Plant in Service                 | 3,336,520         | 3,534,922         |
| 9        | Net Intangible Plant                         | 602,623           | 742,820           |
| 10       | NET UTILITY PLANT IN SERVICE                 | 50,128,947        | 50,521,864        |
| 11       | CONSTRUCTION WORK IN PROGRESS                | 329,480           | 155,987           |
| 12       | PLANT ACQUISITION ADJUSTMENT                 | (253,957)         | (300,131)         |
| 13       | <b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b> | <b>50,204,471</b> | <b>50,377,719</b> |
| 14       | <b>TOTAL ASSETS</b>                          | <b>56,528,108</b> | <b>56,776,696</b> |
| 15       | LIABILITIES AND EQUITY                       |                   |                   |
| 16       | TOTAL CURRENT LIABILITIES                    | 2,699,771         | 3,107,027         |
| 17       | TOTAL LONG TERM LIABILITIES                  | -                 | -                 |
| 18       | TOTAL DEFERRED CREDITS                       | 4,582,720         | 4,506,130         |
| 19       | EQUITY                                       | 46,695,479        | 46,030,331        |
| 20       | CURRENT YEAR NET INCOME (LOSS)               | 2,550,138         | 3,133,208         |
| 21       | TOTAL EQUITY                                 | 49,245,617        | 49,163,539        |
| 22       | <b>TOTAL LIABILITIES AND EQUITY</b>          | <b>56,528,108</b> | <b>56,776,696</b> |



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**TO PAY GAS SUPPLY COSTS RELATED TO THE )**  
**FEBRUARY 2021 EXTREME WEATHER EVENT )**  
\_\_\_\_\_ )

**UNSWORN VERIFICATION**

Anne G. Wheatcroft, under penalty of perjury under the laws of the State of New Mexico, states:

1. I make this unsworn verification pursuant to the Commission’s Temporary NMPRC Electronic Filing Policy issued March 20, 2020, the Commission’s Order Finding Need for the Adoption and Issuance of an Immediate Emergency Rule Amending NMPRC Rules of Procedure 1.2.2. NMAC to Provide for Electronic Filing and Order Granting Temporary Variance to NMPRC Employees issued October 7, 2020, and New Mexico R. 1-011(B) NMRA.

2. I have read the foregoing Prepared Direct Testimony of Anne G. Wheatcroft and am familiar with its contents, and they are true and correct based on my personal knowledge and belief.

Dated: 3-7-2021

*/s/ Anne G. Wheatcroft*  
Anne G. Wheatcroft

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\_\_\_\_\_ )

**CERTIFICATE OF SERVICE**

I hereby certify that, on this date, a true and correct copy of *Zia Natural Gas Company's Application for Emergency Authorization of Financing Transaction and its accompanying exhibits, the Prepared Direct Testimony of Leslie A. Graham and accompanying exhibits, the Prepared Direct Testimony of Anne G. Wheatcroft and accompanying exhibits, and this Certificate of Service* were electronically served by email to each of the following listed below.

|                     |  |
|---------------------|--|
| Michael C. Smith    | <a href="mailto:MichaelC.Smith@state.nm.us">MichaelC.Smith@state.nm.us</a>             |
| Judith Amer         | <a href="mailto:Judith.Amer@state.nm.us">Judith.Amer@state.nm.us</a>                   |
| Brad Borman         | <a href="mailto:Bradford.Borman@state.nm.us">Bradford.Borman@state.nm.us</a>           |
| John Bogatko        | <a href="mailto:John.Bogatko@state.nm.us">John.Bogatko@state.nm.us</a>                 |
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| Gideon Elliot       | <a href="mailto:gelliot@nmag.gov">gelliot@nmag.gov</a>                                 |
| Robert Lundin       | <a href="mailto:rlundin@nmag.gov">rlundin@nmag.gov</a>                                 |

DATED this 8<sup>th</sup> day of March, 2021,

MODRALL, SPERLING,  
ROEHL, HARRIS & SISK, P.A.

By: /s/ Joan E. Drake

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*Attorneys for Zia Natural Gas Company,  
a division of Natural Gas Processing Company*