

Exhibit 1

Interpretation 192.3 (Transmission Line) 30

March 22, 2010

U.S. Department of Transportation
Pipeline and hazardous materials Safety Administration
1200 New Jersey Avenue, SE
Washington, D.C. 20590

March 22, 2010

New Mexico Public Regulation Commission
Pipeline Safety Bureau
Joe M. Johnson
Acting Bureau Chief
1120 Paseo de Peralta
Santa Fe, New Mexico 87504

Dear Mr. Johnson:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) dated September 15, 2009, you requested an opinion/interpretation on whether the following pipelines operated by New Mexico Gas Company (NMGC) should be regulated as transmission pipelines or distribution pipelines (as described by New Mexico Public Regulation Commission):

1. Animas Power Plant 6" diameter - an intrastate natural gas pipeline that transports natural gas from a transmission line to a large volume customer (Animas Power Plant).
2. Farmington (Bluffview) Power Plant 8" diameter - an intrastate natural gas pipeline that transports natural gas directly from a transmission line to large volume customers (Animas and Bluffview power plants).
3. Tucumcari Mainline - an intrastate natural gas pipeline that transports natural gas directly from a transmission to distribution centers (Tucumcari Townplant, Northeast Regulator Station, and Baker Kelso Regulator Station). This pipeline is a continuation of the Clovis Transmission Line that transports natural gas from El Paso Natural Gas

Company's intrastate pipeline system to New Mexico Gas Company's Northeast Area distribution centers, and is not downstream of a distribution center.

4. NMGC has designated a valve at the Clovis Border Regulator Station as the end point of the Clovis Transmission Line and the beginning of the Tucumcari and Cannon mainlines. The Clovis Transmission line and the Tucumcari and Cannon mainlines all operate at 300 psig. The Tucumcari Mainline runs approximately 62 miles from Mile Post 0 at the Clovis Border Regulator Station to the Tucumcari Townplant distribution center.

5. Cannon Mainline - an intrastate natural gas pipeline that transports natural gas directly from a transmission to distribution centers (Northwest Regulator Station, Mixon lane Regulator Station, Hayfield Farmers Regulator Station, 6084 Regulator Station, Port Air Dairyman Regulator Station, Port Air Farmers Regulator Station, and Clovis Expansion Regulator Station). This pipeline is a continuation of the Clovis Transmission line that transports natural gas from El Paso Natural Gas Company's Intrastate pipeline system to New Mexico Gas Company's Northeast Area distribution centers, and is not downstream of a distribution center.

6. Northeast Distribution Mainline - an intrastate natural gas pipeline. The pipeline is a loop line that can be used to: (a) transports natural gas from El Paso Natural Gas Company's interstate pipeline via NMGC's Clovis Transmission line to the Tucumcari Townplant distribution center without going to the Clovis Border Regulator Station, or (b) transport natural gas to the Clovis Townplant distribution center via the Tucumcari Mainline.

7. Portales Mainline - an intrastate natural gas pipeline that transports natural gas from the Clovis Transmission line, and Transwestern's interstate transmission line to distribution centers (Portales Townplant, Grinder Regulator Station, Baxter Regulator Station, Midway Regulator Station, and Cameo Regulator Station). Pressure on the pipeline is regulated at 200 psig just downstream of the Transwestern interconnect at the Clovis Transmission line. There are no service lines on the Portales Mainline and the pipeline runs approximately 20 miles to the Portales Townplant distribution center.

Based on the provided information, we agree with the New Mexico Public Regulation Commission - Pipeline Safety Bureau (PSB) determinations and PHMSA's responses to the PSB requests are as follows:

1. Regarding the Animas Power Plant 6" line, we believe this line is a transmission line because under the first definition of a transmission line this line transports gas from a transmission line to a large volume customer that is not downstream from a distribution center.

2. Regarding the Farmington (Bluffview) Power plant 8" line, we believe this line is a transmission line because under the first definition of a transmission line this line transports gas from a transmission line to a large volume customer that is not downstream from a distribution center.

3. Regarding the Tucumcari Mainline, we do not consider a decrease in pressure to below 20 percent SMYS at a transmission line to be a "distribution center" and lines downstream of that point to be distribution lines – this would violate the intent of the pipeline safety regulations. We consider a "distribution center" to be the point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customers who purchase it for resale. Therefore, in our opinion, this line is an extension of the Clovis transmission line.

4. Regarding the Cannon Mainline, we do not consider a decrease in pressure to below 20 percent SMYS at a transmission line to be a "distribution center" and lines downstream of that point to be distribution lines – this would violate the intent of the pipeline safety regulations. We consider a "distribution center" to be the point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customers who purchase it for resale. Therefore, in our opinion, this line is an extension of the Clovis transmission line.

5. Regarding the Northeast Distribution Mainline, we do not consider a decrease in pressure to below 20 percent SMYS at a transmission line to be a "distribution center" and lines downstream of that point to be distribution lines – this would violate the intent of the pipeline safety regulations. We consider a "distribution center" to be the point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customers who purchase it for resale. Therefore, in our opinion, this line is an extension of the Clovis transmission line or the Tucumcari Mainline as described by PSB.

6. Regarding the Portales Main line, we do not consider a decrease in pressure to below 20 percent SMYS at a transmission line to be a "distribution center" and lines downstream of that point to be distribution lines – this would violate the intent of the pipeline safety regulations. We consider a "distribution center" to be the point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customers who purchase it for resale. Therefore, in our opinion, this line is an extension of the Clovis Transmission line and Transwestern transmission line.

I hope that this information is helpful to you. If I can be of further assistance, please contact me at (202) 366-4046.

Sincerely,

John A. Gale
Director, Office of Regulations

U.S. Department of Transportation
Pipeline and hazardous materials Safety Administration
1200 New Jersey Avenue, SE
Washington, D.C. 20590

March 22, 2010

Thomas M. Domme
Vice President and General Counsel

New Mexico Gas Company
P.O. Box 97500
Albuquerque, NM 87199-7500

Dear Mr. Domme:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) dated September 25, 2009, you expressed your views concerning a September 15, 2009 request for interpretation submitted to PHMSA by the New Mexico Public Regulation Commission (Commission). You explained that New Mexico Gas Company (NMGC) was engaged in settlement talks with the Commission concerning a matter that potentially involved the issues for which the Commission sought interpretation from PHMSA.

To the extent you questioned the procedural validity of the Commission's request, we find it was properly submitted. PHMSA maintains open and continuous communications with our state regulatory partners at a variety of formal and informal levels. Note that requests for interpretation are explanatory in nature and are intended only to apply existing laws and requirements to a particular scenario presented by the requester. Interpretations do not create new requirements not already in the pipeline safety laws and regulations.

To the extent you questioned the factual details set forth by the Commission in its request, please be advised that PHMSA must assume the scenario presented by the

requester is the one the requester is interested in for purposes of obtaining information on how the regulations would apply. PHMSA makes no attempt to investigate or otherwise verify the information provided by the requester (in some cases, the scenarios presented to PHMSA by a requester may even be hypothetical). In preparing our response to the Commission, however, we were aware of the information you provided in your September 25, 2009 letter and as you know my staff had telephone conversations with NMGC as well as the Commission. For your information, a copy of PHMSA's response to the Commission is enclosed with this letter.

I hope that this information is helpful to you. If I can be of further assistance, please contact me at (202) 366-4046.

Sincerely,
John A. Gale
Director, Office of Regulations

PHP Controlled Correspondence Sheet

PHMSA Control Number :	Action Office	PHP- 30
PHP Control Number: 10-0008	Due Date:	12/14/2009

Writer Thomas M. Domme

Subject : Re: New Mexico Gas Company's Position Concerning New Mexico PSB
September 15, 2009 Request for Opinion/Interpretation of Certain Transmission and
Distribution Pipelines

Action: Opinion/Interpretation

Date Action Action by

Date Note Note by

For more information please contact: Glenda Marshall, Glenda.marshall@dot.gov

New Mexico
GAS COMPANY
P.O. Box 97500
Albuquerque, NM 87199-7500

FAX MEMORANDUM

TO: Jeff Wiese
USDOT/PHMSA

FROM: Tom Domme
New Mexico Gas Company

Number of Pages (including this cover page):6

Dear Mr. Wiese:

Attached please find a copy of my letter sent to you dated September 25, 2009. The original was sent on Friday September 25th and should arrive via first class mail. Also attached is the letter dated September 15, 2009 from the New Mexico Public Regulation Commission's Pipeline Safety Bureau regarding request for opinion/interpretation, which was inadvertently left out of the mailing.

Thank you.

Cc: Avelino Gutierrez (via email)

Joe Johnson (via email)

New Mexico GAS COMPANY
P.O. Box 97500
Albuquerque, NM 87199-7500

September 25, 2009

Jeff Wiese

Avelino Gutierrez

U.S Department of Transportation
Commission P.O. Box 1269

M Public Regulation

Pipeline & Hazardous Materials Safety Administration Santa Fe, NM 87504-1269

East Building, 2nd Floor 1200 New Jersey Avenue, SE
Washington, DC 20590

Joe Johnson
Pipeline Safety Bureau
NM Public Regulation Commission
P.O. Box 1269
Santa Fe, NM 87504-1269

Re: September 15, 2009 New Mexico PSB request for opinion/interpretation.

Gentlemen,

New Mexico Gas Company ("NMGC") is in receipt of a September 15, 2009 request for opinion/interpretation ("Request") from Mr. Joe Johnson, Acting Bureau Chief of Pipeline Safety for the State of New Mexico ("PSB"). A copy of the Request is attached for your convenience. The Request asks for an opinion/interpretation on whether six identified pipelines operated by NMGC are transmission or distribution pipelines and provides an interpretation of 49 C.F.R. 192.3. Our initial review of the Request raises concerns and questions about the procedural validity of the Request, and well as the scope and factual details of the Request, and we will be preparing a detailed response to the Request. In short, in NMGC's view, the interpretation of the regulation in the Request is incorrect in several respects, and fails to recognize the provisions in the remainder of the definition as well as the history behind this issue. NMGC anticipates providing its response within ten days.

By way of brief background, this issue has been the focus of many discussions and meetings in New Mexico between representatives of PSB and the gas utility since at least 1992. It was NMGC's understanding that these discussions were ongoing. As recently as 2007, a settlement discussion was held between PSB and the utility, and over the last two years additional conversations were held between the former PSB Bureau Chief, Bruno Carrara, and NMGC. NMGC anticipated and was told to anticipate a response from PSB directly to NMGC regarding PSB's latest position in these ongoing discussions. NMGC was never informed and was not aware that PSB was intending to submit the Request, and NMGC's input into the form of the request was not sought. NMGC remains of the

opinion that discussion in New Mexico would be the more fruitful avenue for resolution and intends to approach PSB to attempt further discussions on these issues.

As an aside, it is not clear, but it appears that the Request is being made under 49 C.F.R. 190.11 for informal guidance and interpretation. If so, then the Request is technically misdirected to the Associate Administrator, and should be redirected or forwarded consistent with 190.11(b) to the Office of Pipeline Safety generally for an informal interpretation. Further, although not spelled out in 190.11(b), as indicated above, NMGC intends to respond to the Request to provide a fuller and more detailed picture of the issue presented. To the extent leave is required to provide such a response under 190.11(b), NMGC seeks such leave.

Finally, because the Request could have far reaching implications throughout the State of New Mexico, to other states, and even to other utilities, NMGC will be soliciting input from other gas utilities and the American Gas Association on this issue and will either incorporate these positions in its response, or solicit direct input by these entities.

Very truly yours,

Thomas M. Domme

Vice President and General Counsel

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NEW MEXICO PUBLIC REGULATION COMMISSION

September 15, 2009

Mr. Jeff Wiese, Associate Administrator

US DOT/PHMSA/OPS

PHH-1

1200 New Jersey Avenue, SE

East Bldg., 2nd Floor

Washington, DC 20590

Dear Mr. Wiese:

I am writing to request an opinion/interpretation on whether the following pipelines operated by New Mexico Gas Company (NMGC) are transmission or distribution pipelines:

- 1) Animas Power Plant 6"
- 2) Farmington (Bluffview) Power Plant 8"
- 3) Tucumcari Mainline
- 4) Cannon Mainline
- 5) Northeast Distribution Mainline
- 6) Portales Mainline

NMGC claims that the pipelines are not transmission lines because they operate at less than 20% of specified minimum yield strength.

Our staff has reviewed the definition of transmission lines in 49 CFR § 192.3 and the preamble of the most recent change in this regulation (RSPA-99-6106; Amdt. 192-94) and concluded that the pipelines are transmission lines for the following reasons:

- 1) The Animas Power Plant 6" is an intrastate natural gas pipeline that transports natural gas from a transmission line to a large volume customer (Animas Power Plant). It is our opinion that the pipeline is not downstream of a distribution center. (See Drawing #1)
- 2) The Farmington (Bluffview) Power Plant 8" is an intrastate natural gas pipeline that transports natural gas directly from a transmission line to large volume customers (Animas and Bluffview power plants). (See Drawing #1)
- 3) The Tucumcari Mainline is an intrastate natural gas pipeline that transports natural gas directly from a transmission to distribution centers (Tucumcari Townplant, Northeast Regulator Station, and Baker Kelso Regulator Station). This pipeline is a continuation of the Clovis Transmission Line that transports natural gas from El Paso Natural Gas Company's intrastate pipeline system to New Mexico Gas Company's Northeast Area distribution centers, and is not downstream of a distribution center.

NMGC has designated a valve at the Clovis Border Regulator Station as the end point of the Clovis Transmission Line and the beginning of the Tucumcari and Cannon mainlines. (See Pictures 1,2&3, and Drawing #2) The Clovis Transmission Line and the Tucumcari and Cannon mainlines all operate at 300 psig. The Tucumcari Mainline runs approximately 62 miles from Mile Post 0 at the Clovis Border Regulator Station to the Tucumcari Townplant distribution center. (See Drawing #3)

4) The Cannon Mainline is an intrastate natural gas pipeline that transports natural gas directly from a transmission to distribution centers (Northwest Regulator Station, Mixon Lane Regulator Station, Hayfield Farmers Regulator Station, 6084 Regulator Station, Port Air Dairyman Regulator Station, Port Air Farmers Regulator Station, and Clovis Expansion Regulator Station). This pipeline is a continuation of the Clovis Transmission Line that transports natural gas from El Paso Natural Gas Company's intrastate pipeline system to New Mexico Gas Company's Northeast Area distribution centers, and is not downstream of a distribution center. (See Drawing #2, and Pictures 1,2&3)

5) The Northeast Distribution Mainline is an intrastate natural gas pipeline. The pipeline is a loop line that can be used to: (a) transports natural gas from El Paso Natural Gas Company's interstate pipeline via NMGC's Clovis Transmission Line to the Tucumcari Townplant distribution center without going to the Clovis Border Regulator Station, or (b) transport natural gas to the Clovis Town plant distribution center via the Tucumcari Mainline. (See Drawing #4)

6) The Portales Mainline Is an intrastate natural gas pipeline that transports natural gas from the Clovis Transmission Line, and Transwestern's interstate transmission line to distribution centers (Portales Townplant, Grinder Regulator Station, Baxter Regulator Station, Midway Regulator Station, and Cameo Regulator Station). Pressure on the pipeline is regulated at 200 psig just downstream of the Transwestern interconnect at the Clovis Transmission line. There are no service fines on the Portales Mainline and the pipeline runs approximately 20 miles to the Portales Townplant distribution center.

If you have any questions or need further information, please call me at (505) 490-0675.

Sincerely,

Joe M. Johnson, Acting Bureau Chief

New Mexico Gas Company

October 12, 2009

VIA FEDERAL EXPRESS

Mr. Jeffrey Wiese
U.S Department of Transportation
Regulation Commission

Mr. Avelino Gutierrez
NM Public

Pipeline & Hazardous Materials Safety Administration
East Building, 2nd Floor
87504-1269

P.O. Box 1269
Santa Fe, NM

1200 New Jersey Avenue, SE
Washington, DC 20590

Mr. Joe Johnson
Pipeline Safety Bureau
NM Public Regulation Commission
P.O. Box 1269
Santa Fe, NM 87504-1269

Re: New Mexico Gas Company's Position Concerning New Mexico PSB September 15, 2009 Request for Opinion/Interpretation of Certain Transmission and Distribution Pipelines

Gentlemen:

New Mexico Gas Company ("NMGC") is in receipt of correspondence dated September 15, 2009 from Joe M. Johnson, acting Bureau Chief of the New Mexico Pipeline Safety Bureau ("PSB"). As indicated in our initial correspondence to you on September 25, 2009, NMGC submits this more detailed response to the PSB's September 15, 2009 letter in order to set forth more facts and to provide NMGC's position with regard to these issues.

OPERATIONAL BACKGROUND:

NMGC is a local distribution company which provides service to approximately 500,000 customers throughout the State of New Mexico, and operates approximately 1502 miles of transmission lines and 13060 miles of distribution lines. NMGC purchased these gas assets from Public Service Company of New Mexico ("PNM") on January 30, 2009. At issue here are six separate distribution lines, which PSB seeks to have redesignated as transmission lines. Attached as Attachment A, is a map diagramming four of the lines in dispute: Tucumcari mainline, Northeast distribution mainline, Cannon mainline, and Portales mainline ("Clovis Area Lines"). Also shown on Attachment A is the Clovis mainline which is not part of this dispute. Attached as Attachment B is a diagram

depicting a representation of the other two lines in dispute, the Animas Power Plant line, and the Farmington Bluffview Power Plant line ("Farmington Area Lines").

Clovis Area Lines (Attachment A)

The five pipeline segments shown on Attachment A distribute gas to the eastern portion of NMGC's service area. As indicated on the map, El Paso Natural Gas ("EPNG") and Transwestern Gas Company ("TW") deliver gas to NMGC's system at two locations in this area, the Texico Border Station ("Clovis City Gate") and the TW Border Station ("Portales City Gate"). NMGC takes custody of the gas at these locations and delivers it to end-users. NMGC considers the Clovis City Gate, and Portales City Gates as "distribution centers" for this service area.

Clovis City Gate: EPNG delivers gas to the Clovis City Gate at a pressure of approximately 300 psig. The pressure is reduced at the EPNG Border Station, located in Texas, from approximately 790 psig to approximately 300 psig for delivery into the Clovis City Gate, located in New Mexico.

Clovis ML: The Clovis ML, consisting of 8.38 miles of 8-inch steel pipeline and 8.28 miles of 10-inch steel pipe, delivers gas from the Clovis City Gate to the Clovis Border Station. See Attachment C for a schematic of the Clovis Border Station. This segment of pipeline is downstream of the Clovis City Gate, is already designated a transmission line and is not subject to the request for interpretation contained in the PSB letter.

Tucumcari ML: The Tucumcari ML has an MAOP of 300 psig and is comprised of 46.6 miles of 6-inch steel pipe and 15.6 miles of 8-inch steel pipe. The Tucumcari ML delivers gas to 20 service meters connected directly to the pipeline and to the community of Tucumcari. This segment of pipeline is downstream of the Clovis City Gate.

Northeast Distribution ML: The Northeast Distribution ML has an MAOP of 300 psig and is comprised of 15.9 miles of 4-inch steel pipe and 8.3 miles of 6-inch steel pipe. The Northeast Distribution System is connected to the Clovis ML, east of the Clovis Border Station and ties into the Tucumcari ML. This segment of pipeline delivers gas to 43 service meters connected directly to the pipeline. This segment of pipeline is downstream of the Clovis City Gate.

Cannon ML: The Cannon ML has an MAOP of 300 psig and is comprised of 8.7 miles of 6-inch steel pipe and 1.1 miles of 8-inch steel pipe. This segment of pipeline delivers gas to 26 service meters that are directly connected to the pipeline and to Cannon Air Force Base. This segment of pipeline is downstream of the Clovis City Gate.

Portales City Gate: TW delivers gas to the Portales City Gate at a pressure of approximately 1000 psig. The pressure is reduced to approximately 300 psig for delivery

into the Clovis ML and cut to 200 psig for delivery into the Portales ML. The Portales City Gate is the point where NMGC takes custody of the gas for distribution to the end-user.

Portales ML: The Portales ML has an MAOP of 200 psig and is comprised of 2.25 miles of 5-inch steel pipe, 2.95 miles of 6-inch steel pipe and 6.7 miles of 8-inch steel pipe. The Portales ML begins at the Portales City Gate and delivers gas to the community of Portales.

Farmington Area Lines (Attachment B)

Blanco Hub and Carlton Regulator Station: NMGC takes custody and transfer of gas into its system at the Blanco Hub. Gas is then transported through the Crouch Mesa Transmission Line to the Ronald Regan Regulator Station where the pressure is reduced and is delivered to the Bluffview ML. The Carlton Regulator Station comes off the Bluffview ML and drops the pressure to the Animas ML and the Farmington High Pressure Distribution Line. Custody of the gas entering this system is at the Blanco Hub.

Farmington Power Plant Pipeline (Bluffview ML): The Bluffview ML has an MAOP of 770 psig and is comprised of approximately 3.77 miles of 8-inch steel pipe. NMGC takes custody of gas at the Blanco Hub, which ties into the Crouch Mesa Transmission line. The Bluffview ML is connected to the Crouch Mesa Transmission Line, which has an MAOP of 1220 psig. The pressure is reduced to 705 psig at the Ronald Reagan Regulator Station before entering the Bluffview pipeline. This segment of pipeline delivers gas to Animas ML, Farmington High Pressure Distribution Line and to the Farmington Power Plant. This line is downstream of a distribution center (Blanco Hub), is not dedicated for the sole use of the Farmington Power Plant, and is available to deliver gas to other end-users.

Animas ML: The Animas ML has an MAOP of 600 psig and is comprised of approximately 0.56 miles of 6-inch steel pipe. The Animas ML is connected to the Bluffview ML. The pressure is reduced from 705 psig to 445 psig at the Carlton Regulator Station before entering the Animas pipeline. This segment of pipeline delivers gas to the Animas Power Plant. Additionally, gas is delivered into the Farmington high Pressure Distribution Line at the Carlton Regulator Station at a pressure of 200 psig. This line is downstream of the Blanco Hub distribution center and the Carlton Regulator Station distribution center, is not dedicated for the sole use of the Animas Power Plant and is available to deliver gas to other end-users.

RELEVANT CHRONOLOGY REGARDING CLASSIFICATION ISSUES

By way of background, NMGC sets forth this chronology of events which are relevant to consideration of these issues:

· August 18-20, 1992 — Mr. Joe Johnson, Pipeline Safety Inspector, performs an annual compliance inspection for the Clovis and Portales, N.M. townplants.

· October 9, 1992 — PSB issues a Notice of Probable Violation ("NPV"), attached as Attachment D, in which it cited Gas Company of New Mexico, a division of Public Service Company of New Mexico ("Gas Company"), and NMGC's predecessor, regarding the Clovis ML and Tucumcari ML, citing non-compliance with § 192.705, Transmission Lines; Patrolling and § 192.706 (B), Transmission Lines: Leakage Surveys, for not operating the Clovis ML and the Tucumcari ML as transmission lines.

· November 12, 1992 — The Gas Company responds to PSB acknowledging that the Clovis ML is operated at above 20% SMYS and, therefore, is a transmission line. The Gas Company, however, did not agree that the Tucumcari ML was a transmission line and submitted the following response:

"The Clovis/Tucumcari mainline which is a 127 mile segment of pipeline has historically been designated as distribution pipeline using the definition that it did not transport gas from a gathering line or storage facility to a distribution center or storage facility. Designated as such, annual patrol and leakage survey was performed in accordance with Sections 192.721 and 192.723 respectively.

GCNM has reviewed the System Certifications for the Clovis/Tucumcari mainlines and are in agreement that the Clovis pipeline segment which is operating at above 20% SMYS shall be patrolled and leak surveyed utilizing the Section 192.705 and 192.706(B) as applicable to this segment. This segment of pipeline is scheduled to be patrolled and leak surveyed between November 16 thru November 30, 1992 and in the future shall be patrolled on a quarterly basis and leak surveyed annually."

· January 21, 1993 — Albino O. Zuniga, P.E. and Pipeline Safety Engineer and Rey S. Medina, Director acknowledged and agreed with Gas Company of New Mexico's conclusion that the Clovis ML was a transmission line because it operated above 20% SMYS. They responded as follows:

"In regard to the Clovis/Tucumcari area pipelines and the probable violations with Section 192.705 and Section 192.706(B) cited in the same letter, we agree with your conclusion that the Clovis pipeline segment operating above 20% SMYS is a transmission line."

· Between 1992 and 2007, PSB conducted several Compliance Inspections regarding the operating status of the Tucumcari ML, Portales ML, Cannon ML, Northeastern Distribution ML and Clovis ML. Except for the Compliance Inspection conducted in 2007, all other Compliance Inspections since 1992 accepted the operating status (as distribution mains) of the Tucumcari ML, Portales ML, Cannon ML and the

Northeast ML. It should be noted that the same inspector that conducted the 1992 Compliance Inspection and several subsequent Compliance Inspections is also the same PSB Inspector that conducted the 2007 Specialized Inspection. PSB has not identified nor addressed any safety concerns or considerations, changes in regulation, policy or conditions of operations that warrant a change in operating status for these pipelines. However, PSB apparently lifted the violation for the Tucumcari ML since the issue was not mentioned as a NPV for the next 14 years.

- May 29-30, 2007 — Joe Johnson, PSB Inspector, performs a Specialized Audit of the Tucumcari ML.

- July 2, 2007 — Mr. Bruno Carrara, P.E., PSB Bureau Chief/Pipeline Safety Engineer, issues a NPV. PSB cites the following probable violation:

- "Item I 4192.706 Transmission lines: Leakage surveys. Leakage surveys of a transmission line must be conducted at intervals not exceeding 15 months, but at least once each calendar year.

- The Tucumcari Mainline is a transmission line as defined in Part 192. Records reviewed indicate that the Tucumcari Mainline was last surveyed for leakage on December 10, 2002 and November 17, 2003."

- August 3, 2007 — PNM responds to the NPV and disputes the probable violation. PNM asserts that the Tucumcari ML is a distribution line and is not a transmission line as defined in §49 CFR 192.3.

- October 4, 2007 - Bruno Carrara, P.E., PSB Bureau Chief/Pipeline Safety Engineer, responds that on September 17, 2007, Mr. Joe Johnson met with certain PNM personnel in the Clovis area and asserted that the Tucumcari ML was not downstream of the "distribution center". Additionally, Mr. Johnson asserted that the Cannon ML, Portales ML and the Northeast Distribution ML were also transmission lines.

- November 9, 2007 — In accordance with PSB's correspondence dated October 4, 2007, PNM scheduled and conducted a compliance/settlement conference with PSB. PSB has had no further written correspondence with PNM or its successor, NMGC.

- June 12, 2008 — At the request of PSB, PNM provides operations information regarding the Tucumcari ML, Cannon ML, Portales ML and the Northeast Distribution ML.

September 10-11, 2008 — Joe Johnson, PSB Inspector, conducts a Specialized Compliance Inspection of the Farmington, NM townplant.

October 2, 2008 - Bruno Carrara, P.E., PSB Bureau Chief/Pipeline Safety Engineer, issues a NPV for the Farmington townplant. PSB cites non-compliance with § 192.705, Transmission Lines; Patrolling and § 192.706 (B), Transmission Lines: Leakage Surveys in regards to the Brazos ML, Bluffview ML and the Animas ML.

November 7, 2008 — PNM disputes the PVs regarding the subject mainlines.

November 10, 2008 — PSB responds that the Brazos ML transports gas from a gathering line, therefore, it meets the definition of the transmission line. In regard to the Animas and Bluffview MLs, PSB's position is that these distribution lines are transmission lines because they transport gas from a transmission line (storage facility) and are not downstream of the "distribution center".

December 3, 2008 — PNM agrees that the Brazos ML does transport gas from a gathering line, therefore, does meet the definition of a transmission line. PNM continues to disagree with PSB regarding the status of the Animas and Bluffview MLs. PNM's position is that these lines are downstream of the "distribution center" and that a transmission line is not a "storage" facility, therefore, the subject pipelines are not transporting gas from a storage facility.

March 4, 2009 — PSB verbally notifies NMGC that it would be issuing a definition of a transmission line soon.

September 15, 2009 — Received copy of correspondence from Joe Johnson, Acting Bureau Chief, regarding a request for opinion/interpretation to PHMSA.

NMGC's POSITION REGARDING THE RECLASSIFICATION OF THE LINES

At all times, NMGC's and its predecessor's position has remained the same: First, regarding the Clovis Area Lines, as shown in Attachment A, the Clovis City Gate, and the Portales City Gate, located at the junction of the Clovis Mainline and the EPNG and Transwestern pipelines are distribution centers, and all lines downstream of these distribution centers, which operate at a hoop stress of 20% or more of SMYS should be classified as transmission lines, whereas all lines downstream of the distribution centers which operate at a hoop stress less than 20% SMYS should be classified as distribution lines. As reflected on Attachment A, these lines are colored red (transmission) or green (distribution) respectively. Since 1992, NMGC's position has remained constant, and is consistent with the definitions in 49 CFR 192.3. Indeed, NMGC's Operations Manual defines a distribution center as follows:

"The distribution center can be represented by either a city gate station, or by the point in which gas flows into piping that is primarily delivered to customers who have purchased it for consumption. Pipelines downstream of the city gate station, if operating less than 20% SMYS, are distribution lines. The city gate station is typically the point of transfer between the interstate pipeline and NMGC."

As reflected in the chronology above, in 1992, the Gas Company initially identified the Clovis ML and Tucumcari ML as distribution lines consistent with 49 CFR 192.3 because these lines did not transport gas from a gathering line or storage facility to a distribution center or storage facility, and because each of these lines was downstream of a distribution center. Upon additional review of the System Certifications, the Gas Company determined that the Clovis ML should be classified as a transmission line under 49 CFR 192.3 because it operated slightly above 20% SMYS. The Company contended, and PSB did not dispute that other portions of the lines, those operating below 20% SMYS, would remain classified as distribution lines. This determination was not disputed until the audit in 2007.

With regard to the Farmington Area Lines, NMGC and its predecessors have consistently contended that the Bluffview ML and the Animas ML are downstream of the distribution centers identified as the Blanco Hub and the Carlton Regulator Station, and, as it had done with the Clovis Area Lines, all lines downstream of these distribution centers, which operate at a hoop stress of 20% or more of SMYS should be classified as transmission lines, whereas all lines downstream of the distribution centers which operate at a hoop stress less than 20% SMYS should be classified as distribution lines.¹

ARGUMENT

PSB's September 15, 2009 letter misapplies the definition in 49 CFR 192.3 to the facts, and in doing so argues that the lines which are currently identified as distribution lines should now be reclassified as transmission lines. PSB does this by first stating incorrectly in each of the six instances cited in its letter, that each of the pipelines in question "transports natural gas from a transmission line to a distribution center and thus the line is a transmission line" (disregarding the distribution centers that had previously been recognized and agreed to by PSB), and secondly by never addressing the effect on classification caused by different levels of percentage of SMYS.

49 C.F.R. 192.3 provides:

"Transmission line means a pipeline, other than a gathering line, that: (1) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large

volume customer that is not downstream from a distribution center; (2) Operates at a hoop stress of 20% or more of SMYS; or (3) Transports gas within a storage field."

All of the lines in question fail all parts of this test and therefore require continued classification as distribution lines. First, the lines in question, are downstream from a distribution center; second, these lines do not operate at a hoop stress of 20% or more of SMYS; and third, these lines do not transport gas within a storage field. For all of these reasons, these lines, except where previously identified and agreed to, and except the Bluffview ML for the reasons stated above, do not satisfy the definition of "transmission line" contained in 49 C.F.R. 192.3 and should remain classified as distribution lines.

First, contrary to the arguments made by PSB in its September 15, 2009 letter, the lines which PSB seeks to redesignate, are downstream of distribution centers. These lines are not transporting natural gas directly from a transmission line to a distribution center. Instead, these lines are delivering gas from a distribution center to the end-user. Because the Clovis City Gate and the Portales City Gate serve as distribution centers under the definition of 49 CFR 192.3, the Clovis Area Lines downstream of these distribution centers are not transmission lines unless they satisfy the other parts of the 49 CFR 192.3 definition. For the same reason, the Farmington Area Lines are downstream of the Blanco Hub and Carlton Regulator Station distribution centers and likewise are not transmission lines unless they satisfy the other parts of the 49 CFR 192.3 definition of transmission lines.

In preparing this response, NMGC determined that the SMYS for the Bluffview ML is at 19.98%. Although technically below the 20% requirement of 49 CFR 192.3, this is close enough that NMGC is willing to agree to classify the Bluffview ML as a transmission line.

Although the term "distribution center" is not defined in 49 CFR 192.3, several of the Interpretations of 49 CFR 192.3 have touched on a definition of distribution center. For example, in Interpretation #5 of 49 CFR 192.3, the question: "what constitutes a distribution center?" was asked. In response, OPS opined that "under this definition [the definition in 49 CFR 192.3], one terminus of a transmission line is a 'distribution center'. This terminus marks entry of gas into a distribution system." See also, Interpretations #6 and #12. These definitions are consistent with the agreed-to designation of the Clovis and Portales City Gates as the distribution centers for the Clovis Area Lines, and with the designation of the Blanco Hub and Carlton Regulator Stations as distribution centers for the Farmington Area Lines. Under the definition in Interpretations 5, 6 and 12, a "city gate" serves the purpose of distribution center since a "city gate" is defined as the point of demarcation between a natural gas transmission pipeline and the local distribution company. The city gate is the most common point of sale in the retail natural gas business transferring control of the gas and generally, as in this case, stepping down the pressure of the gas to make the gas available for sale or transfer to customers. Consistent with 49 CFR 192.3, the Clovis and Portales City Gate distribution centers, and the Blanco Hub

and Carlton Regulator Stations, break any direct connection between the delivering transmission lines and the areas downstream, including customers.

Second, consistent with the second portion of the definition of 49 CFR 192.3, those portions of the lines which are downstream from the City Gates, which meet or exceed the 20% SMYS provision of the definition 49 CFR 192.3, have already been, or are agreed to be, reclassified as transmission lines.

As noted, these same conclusions were reached by the Gas Company and PSB in 1992, and were memorialized by those parties at that time. Between 1992 and 2007, NMGC and its predecessors were not made aware of any change in the language of the regulation, or its interpretations, or any other change of law or regulation which would call for a change in the designation of these lines.

Additionally, while it is not determinative of the question of regulatory interpretation, PSB has not at any time identified any safety concerns as the basis for reconsideration of how PSB interprets or applies the definition of a transmission line in CFR 192.3 to the subject lines. In fact, in its call for interpretation, PSB refers only to 49 C.F.R. 192.3 and a recent preamble to the regulation. But neither of these documents support any interpretation of "transmission line" under 49 CFR 192.3 other than has been applied consistently to these lines since 1992. As PHMSA is aware, NMGC's facilities have undergone many Compliance Inspections since 1992, and the regulatory issue before you has not been raised during any of these inspections.

Finally, NMGC's position is consistent with the industry guidelines as set forth by the American Gas Association ("AGA") in its industry guideline dated June 23, 2004. A copy of these guidelines is attached as Attachment E. As reflected in the diagrams in Attachment E, lines downstream of a distribution center with pressures less than said 20% of SMYS, are considered to be distribution lines. Please see figure 7 on page 5 of 6 of Attachment E. Likewise, lines downstream of distribution centers with 20% SMYS or greater are considered to be transmission lines. Please see figure 8 on page 5 of 6. Figures 7 and 8 are diagrams of the situation presented here. As indicated, NMGC had previously identified those portions of the line downstream of the Clovis City Gate and Portales City Gate, with greater than 20% SMYS, and now identifies those portions of the lines downstream of the Blanco Hub, with close to 20% SMYS, which it will consider as transmission lines.

While NMGC recognizes the authority of PHMSA to issue guidance opinions pursuant to 49 CFR 190.11, this matter should not be a part of that process. Instead, given the long history and complicated history of the treatment of these lines, this issue should first be handled by the controlling state agency applying the current definitions and consistent with the historical treatment of these lines. At a minimum, PHMSA should consider the historical treatment of these lines when issuing any interpretation relating to them.

New Mexico Gas Company is prepared to assist PHMSA in moving this issue forward. As reflected in the detail presented in this response, NMGC would like to be heard prior to any interpretation based on the presentation of PSB. Please let me know if there is any additional information you require.

Yours Truly,
Thomas M. Domme

See Original for:

ATTACHMENT A
ATTACHMENT B
ATTACHMENT C

ATTACHMENT D

State of New Mexico
State Corporation Commission
Pipeline Safety Engineering Division
P.O. Drawer 1269
Sante Fe
87504-1269

October 9, 1992

Mr. Steve Emerick, Chief Engineer
Gas Company of New Mexico
414 silver, SW – Alvarado Square
Albuquerque, New Mexico 87158-2512

Dear Mr. Emrick:

On August 18, 19, and 20 1992, Joe. Johnson of this office conducted the annual compliance inspection for the Clovis and Portales Town plants. As a result of that inspection, the following probable violations were noted:

Item I Transmission Lines: Patrolling per Section 192.705. Intervals between patrols may not be longer than 15 months, but at least once each calendar year in Class 1 and 2 locations.

The transmission lines are patrolled by leak survey every 5 years and was last done in 1990.

Item II Transmission Lines: Leakage Surveys per Section 192.706(B). Leakage surveys of transmission lines must be conducted at intervals not exceeding 15 months, but at least once each calendar year.

The transmission lines were last surveyed for leakage in 1990.

Item III Pressure Limiting and Regulating stations: Testing of Relief Devices per Section 192.739(c). Each pressure regulating station and its equipment must be inspected and tested to determine that it is set to function at the correct pressure.

Records reviewed show that overpressure protection at several regulator stations are set to operate at a pressure in excess of the system MAOP plus the allowable build up.

Item IV Pressure Limiting and Regulating stations: Inspection and Testing per Section 192.743(B). Review and calculation of the required capacity of the relieving device at each station must be made at intervals not exceeding 15 months, but at least once each calendar year, and these required capacities compared with the rated or experimentally determined relieving capacity of the device for the operating conditions under which it works. After the initial calculations, subsequent calculations are not required if the review documents that parameters have not changed in a manner that would cause capacity to be less than required.

The required capacity of the relief valves have not been determined by calculation or tests.

Our letter to you on August 30, 1991, cited the Gas Company of New Mexico for not having determined the required capacity of certain relief devices in the Clovis Townplant by calculation. Our inspections conducted this year have revealed that this probable violation exists not only in the Clovis/Portales operations area but in several others as well. We consider this to be a repeat violation for the company. Please be advised that if the required relief capacities are not determined as required companywide this office will consider enforcement action in accordance with sections 190.213 and 190.235, which may result in the assessment of civil penalties of up to \$10,000.00 per day not to exceed \$500,000.00 for any related series of violations.

Please submit written comments to this office by November 9, 1992, to include the actions to be taken to correct these probable violations within a reasonable period of time.

Should you have any questions concerning this matter, please do not hesitate to call us at 827-3549.

Sincerely,
Rey S. Medina,
Director
Albino O. Zuniga, P.E.
Pipeline Safety Engineer

GAS COMPANY OF NEW MEXICO
STEVEN C. EMRICK

Chief Engineer - Gas Operations

November 12, 1992

Mr. Rey Medina
NM State Corporation Commission
Pipeline Safety Engineering Division
P.O. Drawer 1269
Santa Fe, New Mexico 87504-1269

RE: Annual Compliance Inspection - Clovis/Portales Dear

Mr. Medina

On August 18, 19, and 20 1992 Mr. Joe Johnson of your office conducted the annual compliance inspection of the Clovis/Portales distribution systems. As a result of the inspection there were four probable violations noted. The following response according to probable violation item number is provided.

Item I: Section 192.705 - Transmission Lines: Patrolling

Item II: Section 192.706(B) - Transmission Lines: Leakage Surveys

The Clovis/Tucumcari mainline which is a 127 mile segment of pipeline has historically been designated as distribution pipeline using the definition that it did not transport gas from a gathering line or storage facility to a distribution center or storage facility. Designated as such, annual patrol and leakage survey was performed in accordance with Sections 192.721 and 192.723 respectively.

GCNM has reviewed the System Certifications for the Clovis/Tucumcari mainlines and are in agreement that the Clovis pipeline segment which is operating at above 20% SYMS shall be patrolled and leak surveyed utilizing the Section 192.705 and 192.706(B) as applicable to this segment. This segment of pipeline is scheduled to be patrolled and leak surveyed between November 16 thru November 30, 1992 and in the future shall be patrolled on a quarterly basis and leak surveyed annually.

Item III: Section 192.739(C) - Pressure Limiting and Regulating Stations: Testing of Relief Devices

Item IV: Section 192.743(B) - Pressure Limiting and Regulating Stations: Inspection and Testing

The 24 district regulator stations noted in these two probable violations were scheduled for their annual inspections at a date later than your office's annual compliance inspection was conducted. As a result the record review by Mr. Joe Johnson was performed on station inspection sheets from the 1991 annual regulator inspection and therefore the relief valve capacity and discharge set point pressures did not reflect the new system MAOPs.

During 1992 the Clovis area personnel have reviewed the system certifications for their entire area and have adjusted MAOPs accordingly in their effort to prevent a repeat violation from your office in the 1992 compliance inspection: As a result of this action the repeat probable violations have been noted by your office.

As note to this action please be advised that the affected district regulator station relief valves set point pressures have been tested to match system MAOPs and calculations performed to verify adequate capacity. This activity was undertaken between October 22 thru October 29, 1992.

GCNM in it's continuing efforts to prevent repeat violations related to the calculation of relief valve and regulator capacities included this information in our Pipeline Safety Bulletins of May 20, 1992 and again on September 13, 1992. (Copies Attached)

It is hoped that this action is sufficient to eliminate the repeat probable violations as stated in your letter of October 9, 1992 and if additional information or clarification is required, please advise.

Sincerely,

Steven Emerick

State of New Mexico
State Corporation Commission
P.O. Drawer 1269
Santé Fe 87504-1269

January 21, 1993

Mr. Steven C. Emrick
Chief Engineer - Gas Operations Gas Company of New Mexico
P.O. Box 26400
Albuquerque, New Mexico 87125

Dear Mr. Emrick:

Thank you for your letter of November 12, 1992. We acknowledge correction of the probable violations with Section 192.739(C) - Pressure Limiting and Regulating Stations: Testing of Relief Devices and Section 192.743(B) Pressure Limiting and Regulating Stations: Inspection and Testing cited in our letter to you dated October 9, 1992.

In regard to the Clovis/Tucumcari area pipelines and the probable violations with Section 192.705 and Section 192.706(B) cited in the same letter, we agree with your conclusion that the Clovis pipeline segment operating above 20% SMYS is a transmission line.

Should you have any questions, please do not hesitate to call us at 827-3549.

Sincerely,
Rey S. Medina, Director
Albino O. Zuniga, P.E.
Pipeline Safety Engineer

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ATTACHMENT E

American gas Association

Transmission Line Definition

June 23, 2004

The transmission line definition task group, consisting of representatives of the pipeline integrity task group, has reached consensus on a suggested approach to take regarding the transmission line definition. The task group's approach was initially endorsed by the Operations Safety Regulatory Action Committee (OSRAC) at its last meeting in February 2004.

The document provides general guidelines to assist member companies in confirming the beginning and end of their transmission and distribution pipelines. The use of this document is purely voluntary. A company should consult its own legal counsel and technical staff to form regulatory determinations that are appropriate for the company, based on the operating characteristics of its pipeline system and applicable state regulations.

The following documents were reviewed by the transmission task group:

- Part 192 definition of a transmission line

- ASME B31.8 definition of a transmission line as well as scope diagram presented in figures Q2 and Q3.

- State industry regulatory review committee (SIRRC) report regarding discussion on possible changes to the transmission line definition.
- Past OPS interpretations (20+) on the transmission line definition.

The task group's status and recommendations are listed below.

1. AGA has requested, and OPS has tentatively agreed to exclude the transmission definition discussion from the integrity management protocols. Operators would apply the definition as they have been, and any pipelines reported to OPS as transmission (transmission annual report and NPMS), are those that are potentially subject to the IMP rule. (Note: AGA will call for a formal rule making to change the transmission line definition if OPS attempts to include it within the audit protocols and the projected outcome is unfavorable to AGA members.)

2. The next phase is for operators to continue to identify and manage transmission pipelines for gas integrity management consistent with company guidelines and the pipeline safety codes. The 4 positions identified below should help in that effort.

The task group's recommendations on 4 positions regarding the transmission line definition are presented below:

Position 1 - Distribution Center

The distribution center can be represented by either a city gate station, or by the point in which gas flows into piping that is primarily delivered to customers who have purchased it for consumption. Pipelines downstream of the city gate station, if operating less than 20% SMYS, are distribution lines. The city gate station is typically the point of transfer between the interstate pipeline and the local distribution company. However, a city gate station may not exist if a local distribution company does not actually purchase gas from a supplier.

In figures 1-4 below**, segment A-B is a distribution line. This is supported by the ASME B31.8 definition of transmission line which includes the scope diagram Figure Q3 and Q2. **See original for figures

Position 2 - Storage Facilities

- a. An interstate transmission pipeline is not a storage facility.

b. The term storage facility in the definition should be changed to storage field. This is consistent with the consensus reached by the State Industry Regulatory Review Committee (SIRRC). The SIRRC report stated "In the proposed transmission line definition, SIRRC agreed "storage field" should replace the current "storage facility," as a storage facility could include an LNG facility, and pipelines to or from an LNG facility would not necessarily be transmission lines; this is also consistent with the current use of "storage field" later in the definition."

c. Pipelines within storage fields are transmission lines as the OPS definition states, however, pipelines from the storage field to a distribution line, are not transmission lines provided they operate below 20% SMYS.

Based on these points, in figures 5-6 below**, segments A-B and C-D are distribution lines, provided they operate below 20% SMYS. **See original for figures

Position 3 - Large Volume Customer

a. No standard definition of a large volume customer should exist. Operators should have the flexibility to define a large volume customer based on the size and complexity of their systems.

b. Since the gate station is the distribution center (as discussed under Position 1), then pipelines to large volume customers downstream of the gate station are distribution lines.

In both figures 7 and 8 below**, segment C-D is a distribution line. In figure 9, segment C-D is considered a transmission line. **See original for figures

Position 4 – Segments of Transmission Lines in Distribution systems

Distribution pipelines upstream of transmission lines are not transmission pipelines.

In figure 10 below**, segment B-C is the only transmission pipeline segment in this system. Segments A-B and C-D are distribution. **See original for figures