

INFRASTRUCTURE EXPANSION PROGRAM GUIDING PRINCIPLES

In accordance with the Stipulation approved as part of the acquisition of TECO Energy, Inc. and New Mexico Gas Company, Inc. (“NMGC” or the “Company”), by Emera Inc. (“Emera”), in NMPRC Case No. 15-00327-UT (the “Stipulation”), NMGC has established a program to promote economic development within the state of New Mexico by providing up to \$10 million of shareholder funds (“Fund”) to existing communities, or parts of communities in New Mexico, that are currently not served or underserved by natural gas (“Unserved or Underserved Community[ies]”), to help cover the cost of extending NMGC’s natural gas infrastructure to these communities (the “Program”).

Objective and Goals

This Program is intended to promote economic development within the state of New Mexico by providing a Fund for the specific purpose of extending NMGC’s natural gas infrastructure to Unserved or Underserved Community[ies]. The Program is intended to benefit a diverse variety of residential groups and communities, schools, governmental, and business entities located in geographically dispersed NMGC service areas throughout the State.

The Program

This Program establishes the Fund of \$10 million (at shareholder expense, thus never to be recovered from ratepayers), for the purpose of (a) providing funds to match on a 2:1 basis, investments from Participants, (the “Matching Fund”) for the extension of natural gas infrastructure to all or part of existing communities in New Mexico and (b) assisting with conversion costs for customers by providing conversion rebates to customers who convert to natural gas (“Conversion Rebates”).

Project Eligibility

Projects that may be eligible for participation in the Program include the following projects, which in NMGC’s view provide the opportunity for economic development consistent with the

objective and goals of this Program, and for which matching funds sufficient to complete construction of the planned infrastructure expansion project have been received:

1. Projects for extension to existing but unserved residential areas with more than five (5) residential customers.
2. Projects for extension to fewer than 5 existing but unserved residential customers, which, when combined with extension to other existing but unserved entities described in the following paragraph have an annual therm usage equivalent to five (5) or more residential customers (based on average statewide residential therm usage – currently approximately 650 therms).
3. Projects for extension to existing but unserved business entities, schools, governmental facilities, recreational/health facilities, or non-profit facilities that would provide significant economic development benefits to communities, or enhance and serve the community by providing jobs and services to the community.

\$ 10 Million Fund

The allocation of the Fund under this Program will be within the sole discretion of NMGC and will ultimately depend upon the location and type of projects submitted and qualified under the Program. There is no guarantee or assurance that funds will be available to all persons, communities, entities or businesses that apply for funds under this Program, and the Program will be operated by the Company to encourage diverse and widespread development throughout the State of New Mexico.

The \$10 million Fund is composed of the Matching Fund and Conversion Rebates:

Matching Fund: NMGC will match, on a 2:1 basis, the Participants' contribution for the cost of mainline extensions, and consistent with NMGC's Rule No. 16 ("Rule 16") will pay the cost of service lines to the Participants' property line. In order to determine the amount of Matching Funds available for any proposed project, the cost of the mainline extension will be calculated and all applicable credits applied pursuant to NMGC Rules existing at the time of application. The remaining balance will be funded on a 2:1 basis by NMGC, however, the Company's contribution for any one Qualified Project or Customer shall not exceed \$1.5 million from the Matching Fund.

Consistent with the NMGC Rule No. 4 (“Rule 4”), construction and conversion costs for lines constructed on the Participant’s property, or inside the Participant’s home or business, will be the sole responsibility of the Participant, and will not be included in the calculations for the Matching Fund. However, as part of this Program, all Participants in this Program will be eligible to apply for a \$1500.00 Conversion Rebate (described below) to assist in payment of costs incurred by the Participant for lines on the Participant’s property or inside the Participant’s home or business.

Also, as agreed to in the Stipulation, this Program is not intended to provide matching funds for mainline extensions to individual homes or businesses that do not satisfy the eligibility requirements of this Program. NMGC’s line extension policy – Rule 16 – will continue to govern individuals requesting line extension projects. However, even though not eligible for matching funds for extension to their homes, individual customers to whom service is extended during the term of the Program, will each be eligible to apply for the Conversion Rebate which funds will come from the Program funds.

Conversion Rebates: A Conversion Rebate of \$1500 can be applied for by each qualifying homeowner or business that participates in this Program, and as described above, and to individual homeowners or businesses that convert during the period of this Program, even though not a part of this Program. This Conversion Rebate is intended to assist homeowners and businesses in offsetting some of the costs incurred for line extensions on the Participant’s property or for in-house conversion costs which are otherwise not entitled to Matching Fund treatment under this Program.

Payment of the Conversion Rebate will be made after the Participant/Customer applies for the rebate, and after verification by NMGC that a) gas service has been connected to the premises, and b) the first month’s billing and related service connection fees have been paid.

Overview of How the Program Will Work – Applications and Approval

An overview of how the Program will work is described here. For details on the application process and procedure of how the Program will work, please refer to the Infrastructure Expansion Program Application Process document.

1. Projects will be initially considered for Program eligibility by submitting an application package.
2. Program administrators at NMGC will determine whether the applied-for-project qualifies for consideration under the Program.
3. Projects whose estimated costs exceed \$100,000 will be performed under a Special Contract, as set forth in NMGC's Rule 16.
4. A Pending Approval Project will be classified as a Qualified Project once a determination is made by NMGC that it meets all requirements and matching funds from the applicant have been submitted.
5. Construction will begin on Qualified Projects subject to NMGC's ordinary course of business.

Termination of the Program

The Program will end the earlier of when the Fund has been allocated, or at the end of a five-year period which began after the date of delivery of notice for posting on the New Mexico Public Regulation Commission website which was November 17, 2016.

Additional Definitions

The following additional definitions apply to this Program:

1. Customer: Means any one community, development, tribe or pueblo, organization, or entity paying for or applying to receive service from NMGC.
2. Line Extension: Means installation of all distribution field equipment (excluding any service line and service line equipment) necessary to provide gas service.
3. Pending Approval Project: Means an infrastructure expansion project for which an application package has been received from an applicant and an interactive evaluation process has commenced with NMGC, but the proposed project has not yet been determined to be a "Qualified Project."
4. Qualified Project: Means an infrastructure expansion project that has been evaluated by NMGC and determined to meet all of the criteria for scope, and for which Participant's matching funds have been received.

5. Rule 16: Refers to NMGC's Line Extension Policy which outlines the Company procedures for addressing requests by new customers for extending the Company's gas distribution mains and determining the cost of installing necessary equipment to provide customers with reliable natural gas service.
6. Rule 4: Refers to NMGC's Rule describing appropriate locations for meters on a customer's property, and providing that the customer, prior to installation of facilities, shall pay the company for all piping and related expenses from the property line to the meter set. As described herein, the Conversion Rebate will be available to be applied against this provision of Rule 4.
7. Service Line: Means the natural gas line that transports natural gas from a distribution main to the meter.