

**PUBLIC NOTICE OF PROPOSED RATE INCREASE**  
**NATURAL GAS UTILITY RATES**

On March 15, 2019, Natural Gas Processing Co. through its operating division Zia Natural Gas Company (“Zia” or the “Company”), filed a Statement of Intent to Increase Rates (“Statement of Intent”) with the Railroad Commission of Texas for the gas utility rates charged by the Company to customers within Gaines County, TX. The proposed increase in rates will affect all Residential, Small Commercial, and Large Commercial customers within the unincorporated areas of Gaines County, TX.

The proposed effective date of the requested rate changes is May 1, 2019. The proposed rates are the rates approved in New Mexico Public Regulation Commission Case No. 18-00018-UT minus the New Mexico state income tax expense. The proposed rate changes will affect all classes of customers. There are currently only 28 residential customers in Texas served by Zia, and no small or large commercial customers. The rates charged to Texas customers were treated as a revenue credit in the Company’s rate proceeding before the New Mexico Public Regulation Commission and reflect the removal of state income tax, which was calculated as part of the Company’s cost of service, thereby resulting in an actual revenue loss of a small portion of New Mexico state income tax expense for the Utility, based upon the New Mexico approved revenue requirement.

The proposed rates and tariffs are expected to increase the Company’s annual revenues for Zia’s System in Texas by approximately \$1,079 or 8.6% including gas cost or 14.4% excluding gas cost. The proposed change in rates does not constitute a “major change” as that term is defined by Section 104.101 of the Texas Utilities Code.

The Company proposes to implement the rates included in Table 1 below:

**TABLE 1 - Proposed Rate Changes for All Customers**

Customer Class	Number of Customers Affected	Current Customer Charge	Proposed Customer Charge	Current Volumetric Charge (per Mcf or Ccf)	Proposed Volumetric Charge (per Mcf or Ccf)
Residential	28	\$10.96	\$14.00	\$2.698/mcf	\$0.2739/ccf
Small Commercial	0	\$15.15	\$19.50	\$2.698/mcf	\$0.2739/ccf
Large Commercial	0	\$40.53	\$53.00	\$2.698/mcf	\$0.2739/ccf
Irrigation – Small Service	0	New	\$19.50	New	\$0.2739/ccf
Irrigation – Large Service	0	New	\$44.00	New	\$0.2739/ccf

**TABLE 2 - Impact on Average Bill**

Customer Class (Average Monthly Usage Mcf or Ccf)	Current Average Monthly Bill with Gas Cost	Proposed Average Monthly Bill with Gas Cost	Proposed Monthly Increase	Percentage Increase with Gas Cost	Percentage Change without Gas Cost
Residential 42 ccf	\$37.45	\$40.66	\$ 3.21	8.6%	14.4%
Small Commercial 125 ccf	\$94.00	\$98.85	\$ 4.85	5.2%	9.9%
Large Commercial 826 ccf	\$561.55	\$577.37	\$15.82	2.8%	6.0%

The above calculations in Table 1 and Table 2 are based on a \$ 0.3610/ccf cost of gas

The Company also proposes to increase Miscellaneous Service Charges included in Table 3 below.

**TABLE 3 - Miscellaneous Service Charges**

Customer Class	Current Charge	Proposed Charge	Proposed Increase
Returned Payment Fee	\$15.00	\$25.00	\$10.00
Energy Diversion/Meter Tampering Fee	New Fee	\$250.00	New Fee

The above proposed increases in Miscellaneous Service Charges reflect a net increase of \$0 in revenues as Zia does not anticipate activity with the two charges.

Zia does not propose changes to any of its existing tariffs other than the rates reflected above.

Persons with specific questions or desiring additional information about this filing may contact Zia at (575)392-4277. Complete copies of the filed Statement of Intent, including all proposed rates and schedule changes, are available for inspection at the Zia office, located at 510 E. Bender Blvd, Hobbs, NM 88240 or on the Company's website at [http://www.zngc.com/~zngc/?page\\_id=749](http://www.zngc.com/~zngc/?page_id=749). Any affected person within the environs may file written comments or a protest concerning the proposed rate change with the Docket Services Section of the Office of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 30 days following the date on which this change would or has become effective. Please reference Docket No. 10823.

Este aviso tiene como fin informarle a los clientes de la División de Gaines County, TX de Zia Natural Gas Company, an operating division of Natural Gas Processing Co. (“Zia” o la

“Compañía”) que la Compañía ha presentado una solicitud para aumentar las tarifas del servicio público de gas. Esta solicitud afecta a todos los Residential, Small Commercial, and Large Commercial . Las personas que deseen hacer preguntas específicas o recibir más información sobre esta solicitud pueden comunicarse con la Compañía llamando al 1-575-392-4277.