

ZIA NATURAL GAS COMPANY

INTEGRATED RESOURCE PLAN

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I. Objectives

This report updates and summarizes Zia Natural Gas Company's Integrated Resource Plan ("IRP") pursuant to New Mexico Public Regulation Commission ("Commission") Rule 17.7.4 NMAC, Integrated Resource Plans for Gas Utilities ("IRP Rule").

The IRP Rule, which incorporates the objective of insuring customer demand is met and evaluating natural gas resources, involves much of the same factors Zia currently employs in developing its gas supply portfolio. An IRP is a public utility's plan to meet retail customers existing and future demand, which includes the evaluation of supply-side and demand-side options that create a reliable resource mix to accommodate customer demand. In the review of supply-side options and future demand, Zia has interpreted the Commission's rule on purchased gas adjustment clauses, 17.10.640 NMAC ("Rule 640") as also requiring gas utilities to develop a gas supply plan which will insure that the utility's customers receive reliable gas supply at the lowest reasonable cost. Zia's Rate No. 5, Purchased Gas Adjustment Clause, also reflects Zia's goals of 1) providing customers with reliable gas supply; 2) providing customers reasonable and stable prices that reflect market conditions over time; and 3) assuring Zia cost recovery for all prudently-incurred natural gas supply related expenditures by meeting the standards of the Commission.

The IRP Rule requires a public advisory process, in which the utility informs and seeks input from the public to develop its IRP. In addition to the public advisory process, the IRP Rule requires a utility's IRP report to address current load forecast, description of existing portfolio of resources, a summary of foreseeable resource needs for the planning period, anticipated resources to be added during the planning period and the evaluation of various options that could reasonably be added to the utility's resource portfolio, a summary

description of natural gas supply sources and delivery systems, a summary identification of critical facilities susceptible to supply-source or other failures, a description of the public advisory process, and other information that may aid the Commission in reviewing the utility's planning processes. 17.7.4.10 NMAC. To address all of these factors, Zia's IRP report is organized as follows:

- Description of Company, Operations, Delivery Systems, Facilities, and Natural Gas Supply Sources.
- The Gas Supply Planning Period and the IRP Planning Period.
- The Gas Supply Procurement, Portfolio of Resources, and Load Forecast Method.
- Critical Facilities.
- Load Management, Foreseeable Resource Needs, and Future Demand.
- Public Advisory Process.
- Regulatory Developments.

Attached as Exhibit 1 to this IRP report is a copy of Zia's consolidated public advisory presentation regarding its IRP development.

II. Description of Company, Operations, Delivery Systems, Facilities, and Natural Gas Supply Sources

In order to provide a better basis for understanding Zia's plans and strategies, a detailed analysis of Zia's natural gas distribution and transportation system follows.

Zia is an operating division of Natural Gas Processing Co. ("NGP"), a Wyoming corporation headquartered in Worland, Wyoming. NGP provides executive management and staff services to its two utility operating divisions, Zia and Wyoming Gas Company. NGP is the corporate entity regulated by the Commission, having received its original Certificate of

Public Convenience and Necessity in 1988 with the acquisition of the former Ruidoso Natural Gas Company. *See* Certification of Stipulation, issued December 15, 1988, Case No. 2226.¹

Zia 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 27 customers directly across the state line in Texas. For the Hobbs area, Zia receives its gas supply through a 9.5-mile, high pressure distribution pipeline that is connected directly to DCP Midstream Marketing, LP, a natural gas gathering, processing and marketing company. In the Jal area, Zia receives its gas supply from a direct interconnect with El Paso Natural Gas Company's ("EPNG") interstate pipeline, and in the Malaga area, Zia has a direct interconnect with Enterprise Field Services, a gathering and processing company. There are approximately 10,803 residential and commercial customers in the Hobbs District as of December, 2017.

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. Zia receives its gas supply through a 44-mile transmission pipeline running north from Capitan to a direct interconnect with EPNG's interstate pipeline. Zia serves approximately 13,476 residential and commercial customers in Lincoln County as of December, 2017.

¹ Zia's other distribution systems were also acquired by asset purchases, including the acquisition of the assets of Hobbs Gas Company, Jal Gas Company, the Village of Maxwell's and Town of Springer's municipal systems, the unregulated transmission pipeline operated by Duke Energy, the Capitan-Carrizozo Natural Gas Association, the Village of Hatch's municipal system, and the Rio Grande Natural Gas Association. The Village of Cimarron had no natural gas distribution system, and Zia extended distribution service there after it acquired the transmission pipeline operated by Duke Energy.

In Colfax County, in northeastern New Mexico, Zia provides transmission and distribution service in the Village of Maxwell, the Town 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. The gas supply is accessed through Zia's 50-mile transmission pipeline which is connected to Raton Gas Transmission Company ("RGT") just south of the Raton city limits. RGT is an interstate pipeline regulated by the Federal Energy Regulatory Commission ("FERC"). RGT in turn is interconnected to Colorado Interstate Gas Company ("CIG"), a FERC-regulated interstate pipeline, which also owns storage facilities. Zia currently serves 1,217 residential and small commercial customers in the Maxwell District as of December, 2017.

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. Zia's gas supply is delivered at two different points on its system. Zia owns a four-inch high pressure distribution pipeline which is interconnected with EPNG at a point known as the Chamberino delivery point, south of the unincorporated town of Vado. The four-inch pipeline runs north all the way to Hatch. Gas is also delivered to Zia via the City of Las Cruces' eight-inch pipeline, which is also interconnected with EPNG and which delivers the gas to a regulator station located on Picacho Avenue, known as the Martinez Station. Zia has a four-inch high pressure distribution pipeline connected to the

Martinez Station. Zia currently serves 12,641 residential and commercial customers in the Dona Ana District as of December, 2017.²

Overall, Zia serves approximately 38,137 customers statewide as of December, 2017. The vast majority of Zia's customers, approximately 34,808, are residential, and therefore Zia's load is predominately weather-sensitive, but generally predictable.

III. Gas Supply Planning Period and IRP Planning Period

Zia's Gas Supply Planning Period is the twelve month period beginning October 1. The terms of Zia's gas supply contracts normally coincide with this time period. Pursuant to the IRP Rule, Zia's IRP planning period is the future four to ten year period beginning in 2018. 17.7.4.7 NMAC.

IV. Gas Supply Procurement, Portfolio of Resources, and Load Forecast Method

The bulk of Zia's supply analysis function is performed using spreadsheet models. The two principle characteristics are: load variability and natural gas price volatility. Given the relative stability of Zia's load, planning requirements for overall volumes are simplified. Also, natural gas markets are relatively liquid, and, even if loads are unanticipated, additional supply is usually a small amount when compared to overall capacity on the interstate pipelines, and is available so long as adequate transportation exists. However, natural gas price volatility and efforts to predict future prices, represents a much more complicated challenge.

Natural gas supply prices are determined generally by supply/demand relationships and psychological influences in the markets. These influences include the perception of

² Zia has in place three Special Gas Service Agreements for three chile processing plants in Dona Ana County. Zia has no rate schedule in place that would meet the particular usage patterns for these plants, which operate only during the months of August through January. The special service agreements were addressed during the Rio Grande Natural Gas Association and Hatch municipal system acquisition case, Case No. 10-00272.

events that may occur, as well as actual events. Factors affecting the price of natural gas can include financial entity participation in the markets, supply and demand trends (and perceptions of trends), growing gas-fired electric generation requirements, national storage inventory levels, crude oil prices, and numerous other factors.

Zia's gas price forecasts are derived from a comprehensive analysis of numerous supply and demand elements at the local, regional, national, and world levels. Although natural gas forecasts have inherent limitations, the information provides another point of reference for Zia in its decision-making process.

At least two different types of uncertainty influence the accuracy of any forecast: uncertainty related to long-term changes in the industry, and uncertainty related to short-term gas price variability. Contributing to long-term uncertainty are long-term demand and supply issues, including, as just two examples, the obvious growth in gas demand for electricity generation and the development of shale gas. Short-term gas price variability also affects the variance of long-term forecasts of gas prices. Actual gas prices in future months will reflect variability due to short-term conditions. Examples of short-term supply and demand factors that can significantly affect prices include actual weather conditions in various markets, expected short-term weather conditions, and storage inventory balances. In other words, the actual price of natural gas in the future will be influenced by short-term market fundamentals. Forecasts cannot capture market realities of this type.

Zia also uses natural gas forward market prices to observe the prices at which market participants are willing to transact for delivery in future months. This provides information, but only at a particular point in time. Forward prices augment the information provided in the longer-term fundamental gas price forecasts.

Zia enters into index-based supply contracts in an amount sufficient to ensure that reliable gas supply is available from a marketer during both the heating season and a base load for the remaining year. The contracts provide for purchasing a set volume of gas at a fixed price derived from forward index prices, with the remainder of the burn volume to be supplied at a monthly or daily index price plus a few cents, as the premium for handling the varying volumes when needed. Zia's load profile – small and weather-sensitive - requires as much or more time spent by a supplier as would a large utility load, yet with little profit margin available for a marketer due to the small load, emphasizing the importance of a long term relationship between the parties.

Because of the fact that Zia has a relatively small, weather-sensitive load, Zia's supply options are limited. Experience has demonstrated that the vast majority of marketers having access to gas supplies that could be delivered to Zia's systems are not interested in submitting bids for such a small load. The stringent balancing and nomination requirements on the interstate pipelines contribute to the reluctance of marketers to bid on Zia's load. Consequently, Zia has maintained a contractual relationship with United Energy Trading, LLC, a marketing company out of Lakewood, Colorado, for gas supplies for the Maxwell System, the Jal area, and the Ruidoso District for the past ten years.

For the Hobbs System, Zia has maintained a direct connection to a gathering and processing plant for the past 20 years which is now owned and operated by DCP Midstream Marketing. While there are interstate pipelines in the area, the cost to construct an interconnect point, plus the added transportation fees, are factors that have guided Zia's decision to continue taking gas directly from the gas processing plant.

For the Dona Ana System, Zia holds a gas supply contract with Shell Energy North America, which was assigned to it by the Rio Grande Natural Gas Association as part of the acquisition. Transportation is provided by EPNG and the City of Las Cruces.

In the month of June, Zia's annual gas supply review, discussed above, begins with historic usage for the previous year. Conferences with the division and district managers are held to determine whether there is any anticipated growth for the upcoming year. Gordon Neumann, Zia's Engineering Manager, provides the usage volumes, and prepares the data used to develop Zia's annual purchased gas cost factor and reconciliation factors. This information provides the basis for Zia's projected customer growth.

Historically, Zia locks-in a contractual price sometime during the months of August or September, for a one-year contract period beginning October 1. The gas supply market prices this year increased slightly from the previous year's levels. Zia's management decided to lock-in prices for 75% of its base load with the remainder on daily pricing for its entire system.

As stated above, because Zia's volumes are so small, its service locations have limited ability to access supplies, and nomination and balancing requirements on the interstate pipelines have become increasingly complex, Zia has very limited supply options. Storage on the CIG system is already fully subscribed, except for the small amount required under RGT's contract, as described below. Additionally, EPNG has no additional storage capacity on its system. Zia's supply contracts reflect a degree of price-hedging, performed by Zia's supplier, United Energy. Alone, Zia does not have the market share or financial expertise necessary to undertake price hedging thus we chose marketers which provide that service.

For the transportation of Zia's gas supplies other than in Hobbs, Zia holds three long-term contracts with EPNG for transportation of gas for its Ruidoso District, Jal and Dona Ana District customers. For the Maxwell District, Zia is a named shipper on RGT's pipeline certificate. RGT holds the transportation contracts on CIG, which include the requirement that RGT place gas into storage in the summer months for Zia, which is then withdrawn in the winter months to meet peak demands. Zia purchases and nominates its storage gas as part of its overall gas supply.

V. Critical Facilities

As part of the IRP, the gas utility is tasked to identify critical facilities susceptible to supply-source failures. Zia identifies each of the points where it takes delivery of natural gas from a 3rd party, usually called a tap or city gate, as critical to maintaining reliable gas supply. However, in three of the areas as described above, the interconnect is with an interstate transmission line, which Zia has not identified as susceptible to supply-source failure. Although no pipeline is impervious to failure, the interstate transmission system is built with many redundancies and receives gas into the system at a number of points. For the Hobbs system, the city gate is with a single production facility. In the event of a supply source failure through a plant shutdown, DCP is able to continue to supply gas to Zia through an automated valve in the DCP plant.

VI. Load Management, Foreseeable Resource Needs, And Future Demand

As explained above, Zia provides natural gas distribution service in four separate service areas, and these areas are all geographically and economically diverse. Exhibit 1 provides historic load trend graphs for each of these areas. In Colfax County, Zia serves an area that is primarily rural and semi-rural, with small towns primarily geared to ranching

activity and having no major commercial or industrial developments. While Zia's direct sales volumes have shown a slight increase of 0.5% per year, volumes consumed by its largest customer, the City of Las Vegas, have actually decreased over the years. *See Exhibit 1, Pages 9-12.* Zia's supply side options are limited, due to its direct interconnection with RGT, but its current capacity is more than sufficient to serve its foreseeable demand.

Lincoln County is also rural and semi-rural, and while the Town of Carrizozo is the county seat, the majority of the population is located in Ruidoso and Ruidoso Downs. The economy is largely tourism-based, with many small commercial outlets, but no major industrial activity. Growth is limited due to natural resource restrictions, and no major developments are foreseen. *See Exhibit 1, Pages 24-27.* However, should customer demand grow, Zia has the opportunity to negotiate additional capacity on EPNG, if necessary. Zia also has the ability to interconnect with a second major interstate pipeline, Transwestern Pipeline Company, at a location adjacent to its current interconnect with EPNG. Zia anticipates no major growth at this time.

Since its acquisition of the Dona Ana County system, Zia has experienced steady growth in residential customers; however, that has been primarily a function of residents located within the existing service territory converting from propane or electricity, and farmers converting irrigation pumps from other energy sources. *See Exhibit 1, Pages 14-17.* The only major commercial users on the system are the three chile processing plants mentioned earlier, and two asphalt production plants located on the east side of Interstate 10 near Vado. Zia does not anticipate any other major commercial or industrial users locating in the area. Zia currently has more than sufficient capacity on the City of Las Cruces' system, and can negotiate additional capacity on EPNG, if necessary.

The City of Hobbs is the largest city served by Zia, and while Lea County is experiencing somewhat of an economic boom, it is driven in large part by the oil and gas industry, and has no real impact on Zia's distribution activity. In fact, Zia has experienced a slight decrease of 0.4% in customer count over the past five years. *See Exhibit 1, Pages 19-22.* Should acquisition of additional or alternative supply contracts be required, Zia has the opportunity to interconnect with Northern Natural Gas Company or Transwestern Pipeline Company. At this point in time, no such additional interconnects are deemed necessary.

In sum, Zia's existing transportation contracts and supply acquisition activity are sufficient to meet existing and future customer demand during this forecast period.

VI. Public Advisory Process

The purpose of the IRP public advisory process, as set forth in 17.7.4.12 NMAC, is to provide information and receive public input regarding load forecasts, future demand and potential supply-side and demand-side resources.

Zia conducted its first IRP public advisory process in 2008. Out of five meetings in three areas, two members of the public attended one of the meetings. Based on this dismal result, Zia changed its approach to meeting coordination for the public advisory process in 2012. Rather than schedule public meetings solely for the purposes of discussing Zia's IRP and other gas issues, including energy efficiency, Zia decided to contact the various village, city and county governments, and request that a representative be allowed to make a presentation at a regularly scheduled council or commission meeting. The rationale behind this decision was twofold –first, the Zia representative could be assured that city or county officials would be present, and more than likely, some members of the public and local media would also attend. Second, and more importantly, given the locations of Zia's service

areas, city and county officials would have more knowledge and awareness of potential development and growth than the general public. This is based on Zia's past experience in coordinating projects with city planners, who work with the various developers and contractors, or other government entities in overseeing projects such as new subdivisions, industrial or business parks, or other commercial endeavors. The level of information provided to the public certainly increased using the 2012 approach, although very little input from the public was received.

Zia's public advisory process complied with the IRP Rule 17.7.4.12 NMAC and the Commission's Order on Integrated Resource Plan Application Filing Date Extension Variance Request ("Order"), issued on October 18, 2017 in Case No. 17-00224-UT. In that Order, the Commission:

- Granted Zia an extension of time from November 1, 2017 to March 1, 2018 within which to file its next IRP Rule report.
- Ordered Zia to commence its public advisory process pursuant to IRP Rule 17.7.4.9 NMAC as soon as possible, and to file an affidavit in that docket advising the Commission about whether the IRP Rule public advisory process may be completed in time to meet a March 1, 2018 IRP filing deadline.
- Ordered Zia to schedule its IRP public advisory process meetings with local city and county commissions, the Commission's Utility Division Staff, representatives from the Office of the Attorney General and from the New Mexico Energy, Minerals and Natural Resources Department, and with other interested persons; invite public comment participation by its customers; publish, on or about November 1, 2017,

notice of its first meeting; and publish notice for additional public advisory meetings as may be scheduled.

- Allowed Zia to consolidate its IRP public advisory process with its separate Rule 17.7.2 NMAC Efficient Use of Energy Program pre-application filing recommendation solicitation process.

In accordance with the Commission's Order, Zia complies as follows:

- Zia appreciates the Commission's extension of its filing date, and is timely filing this IRP report on March 1, 2018.
- Zia commenced its public advisory process as soon as possible following issuance of the Order, and filed its Affidavit of Leslie Graham on February 27, 2018 advising the Commission that its public advisory process would be completed in time to meet the March 1, 2018 IRP filing deadline.
- Zia scheduled and held its IRP public advisory process meetings with all of the specified officials and representatives, and invited public comment participation by its customers, as explained below. Zia published notice of its first meeting on October 29, 2017 in the Hobbs News-Sun; on November 1, 2017 in Ruidoso News; and on November 2, 2017 in the Huerfano World Journal. *See* Affidavit of Publication of Notice filed on November 20, 2017. In addition, Zia published notice of its public advisory meeting scheduled on December 23, 2017 at the Dona Ana County Commission Chambers in Las Cruces, New Mexico on November 3, 2017 and December 1, 2017 in the Las Cruces Bulletin. This public advisory meeting was in addition to the public advisory meetings identified in Zia's Notice of Filing Affidavits

of Publication filed on November 20, 2017. *See* Zia's Second Notice of Filing Affidavit of Publication, filed on December 12, 2017.

- In its public advisory meetings, Zia also addressed its Efficient Use of Energy Program. *See* Exhibit 1, Pages 32-33.

For the current public advisory period, Zia once again approached city or county government in each area as a method to provide information to the public and an attempt to receive public input. Zia representative attended and presented information at the following meetings:

- The City of Hobbs on Monday, December 4th, 2017 at the regular Council meeting at 6:00 p.m. in the Council Chambers at the Annex building of City Hall, 200 E Broadway, Hobbs, NM 88240.
- The Village of Ruidoso on Tuesday December 12th, 2017, at the regular Council meeting at 1:00 p.m. in the Council Chambers at Ruidoso Village Hall, 313 Cree Meadows Drive, Ruidoso, NM 88345.
- The Lincoln County Commissioners at their regular meeting held Tuesday, December 19th, 2017 at 8:30 a.m. in the Lincoln County Courthouse located at 300 Central, Carrizozo, NM 88301.
- The Town of Springer on Tuesday, January 16th, 2018 at the regular Council meeting at 5:00 p.m. in the Town Hall, 606 Colbert Ave., Springer, NM 87747.
- The Dona Ana County Commissioners at their regular meeting held Tuesday February 13th, 2018 at 9:00 a.m. in the Commission Chambers at the Dona Ana Government Center, 845 N. Motel Blvd., Las Cruces, NM 88007.

After establishing the dates of the various meetings, Zia published notice of its scheduled presentation in the various newspapers in the areas in which it serves, as well as in its monthly billing insert. As noted above, Zia filed affidavits of publication at the PRC on November 20, 2017 and December 12, 2017, and served copies of its affidavits of publication and notice according to the service list in Case No. 17-00224-UT. The presentation to the Dona Ana County Commission was originally scheduled for January 23rd, 2018 at 9am but was rescheduled due to conflicts with the legislative session and confusion

over a sponsor for the presentation. Zia was able to reschedule and publish notice in a timely manner.

The presentation at each public advisory meeting covered topics such as goal and purpose of an integrated resource plan, the system overview and load forecast, evaluation of existing supply- and demand- side resources, assessment of a need for additional resources, resource options, evaluation of potential additional resources, a cost-effective portfolio of resources, and Zia's energy efficiency program. Throughout each presentation, Zia representatives requested input and encouraged questions. Each presentation was geared toward the specific operating system to provide details pertinent to the members of the public in the area. Exhibit 1 is a consolidated version of the presentations provided at each public advisory meeting.

Zia representatives received no input on future capacity requirements or changes, resource options, or activities that may affect demand or supply of natural gas in its operating areas. At most, the public officials had more general remarks concerning energy efficiency.

Zia also conferred with representatives of Commission Utility Division Staff, the Attorney General, and the New Mexico Energy Minerals and Natural Resources Department, and reviewed with them the presentation in Exhibit 1. The agency representatives were appreciative of Zia's presentation and asked questions, but did not offer further input on Zia's IRP.

VII. Regulatory Developments

There are no foreseeable regulatory or market developments, other than as explained above, that may impact this plan.

Zia Natural Gas Company

Integrated Resource plan

Public Advisory Meeting

February 26, 2018



Integrated Resource Plan

Leslie Graham
General Manager



Topics for Discussion

- Integrated Resource Plan - What is it?
- System Overview & Load Forecast
- Evaluation of existing supply- and demand-side resources
- Assessment of need for additional resources
- Resources options
- Evaluation of potential additional resources
- Cost-effective portfolio of resource



Integrated Resource Plan

GOAL: To identify the most cost effective portfolio of resources to supply the existing and future energy needs of our customers.

Integrated Resource Plan

IRP Requirements

- ▶ File every 4 years
- ▶ Planning period - 4 to 10 years
- ▶ Public Advisory participation
- ▶ Evaluation of natural resources and infrastructure
- ▶ Commission compliance review



Integrated Resource Plan

IRP Report Contents

- ▶ Current load forecast
- ▶ Existing portfolio of resources
- ▶ Summary of foreseeable resource needs
- ▶ Anticipated resource additions
- ▶ Description of gas supply sources and delivery system
- ▶ Evaluation of alternative resources
- ▶ Description of Public Advisory process
- ▶ Other information to aid PRC review



Integrated Resource Plan

IRP Process

- ▶ Public Advisory participation
- ▶ Review of existing planning processes
- ▶ Review of existing supplies and demands
- ▶ Identification of needs
- ▶ Coordination of Energy Efficiency & Load management options with IRP
- ▶ Development of process improvements
- ▶ Development of cost-effective energy portfolio



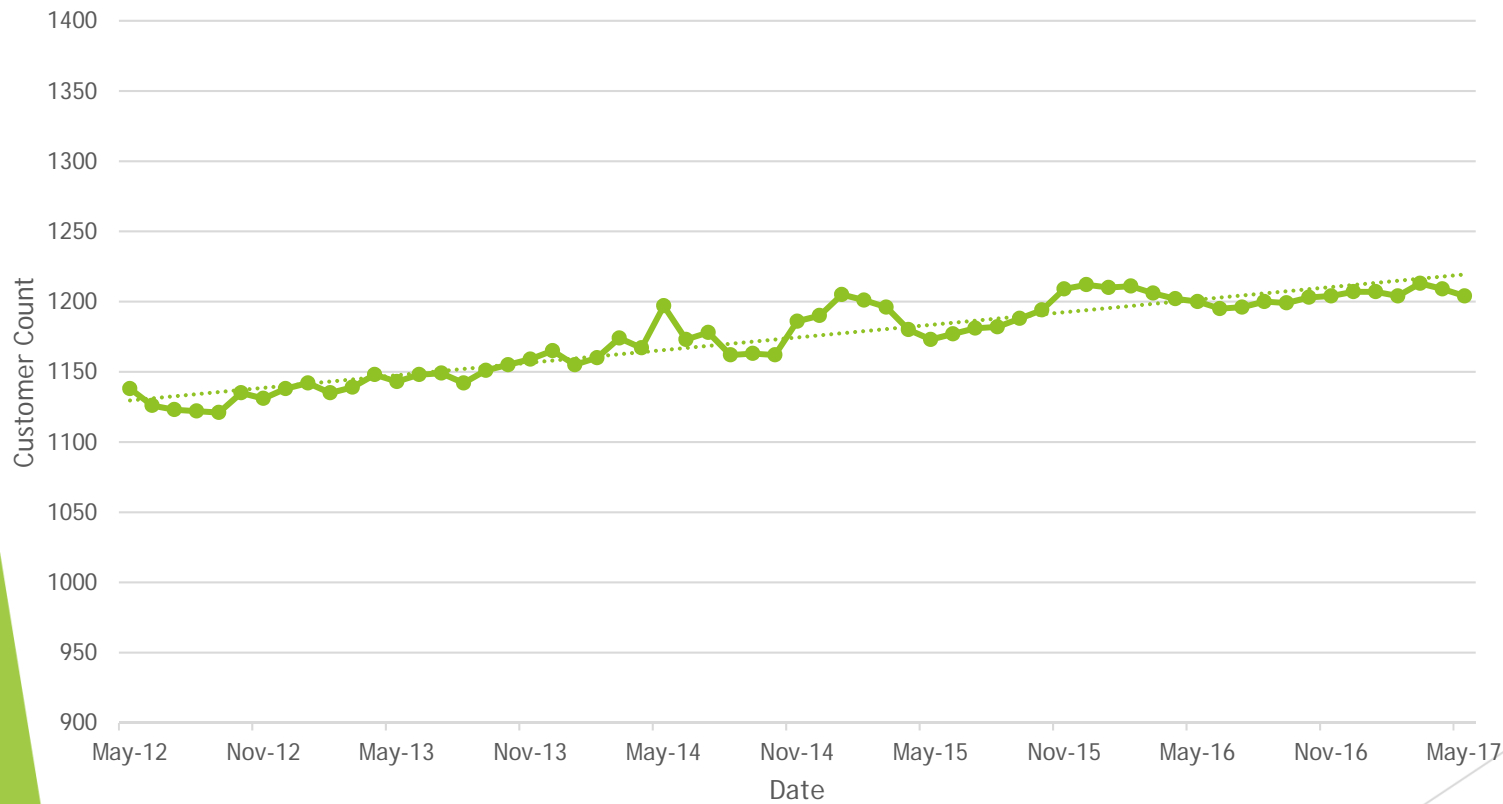
Zia Natural Gas Company

- Approximately 38,000 customers in New Mexico
- Approximately 3.47 bcf of gas sold annually
- Operate gas distribution in Colfax, Dona Ana, Eddy, Lea, and Lincoln counties
- Operate gas transmission lines in Colfax and Lincoln counties.



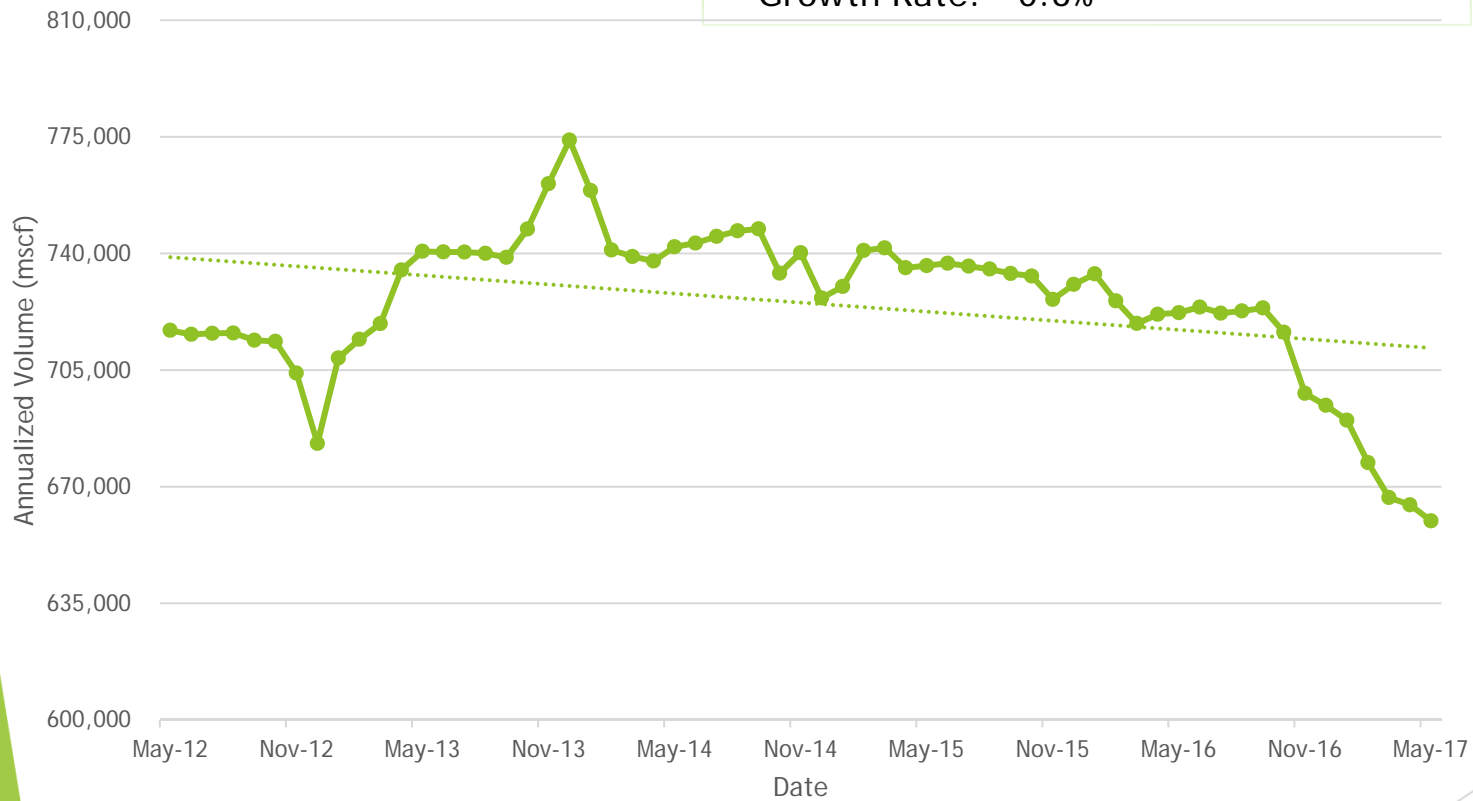
Zia's Customers in Colfax County

- Customer Count: 1,204
- Historical Growth Rate: 3%



Zia's Volume in Colfax County

- Current Annualized Volume: 0.66 bcf/yr
- Growth Rate: -0.6%



Zia's System in Colfax County

Source for Natural Gas in Colfax County

- Zia takes delivery of natural gas from Raton Gas Transmission line approximately 1 mile southeast of Raton and feeds the systems through an 8 inch pipeline.



Zia Capacity in Colfax County

- ✓ In the past 5 years, the peak daily flow rate was 6,364 mcf/d.
- ✓ We currently purchase 6,800 mcf/d of firm capacity on the Raton transmission line, but additional capacity is available if needed.

Therefore, we anticipate no capacity issues with the projected growth in the area.



Zia Natural Gas Company

Existing and Future Demand

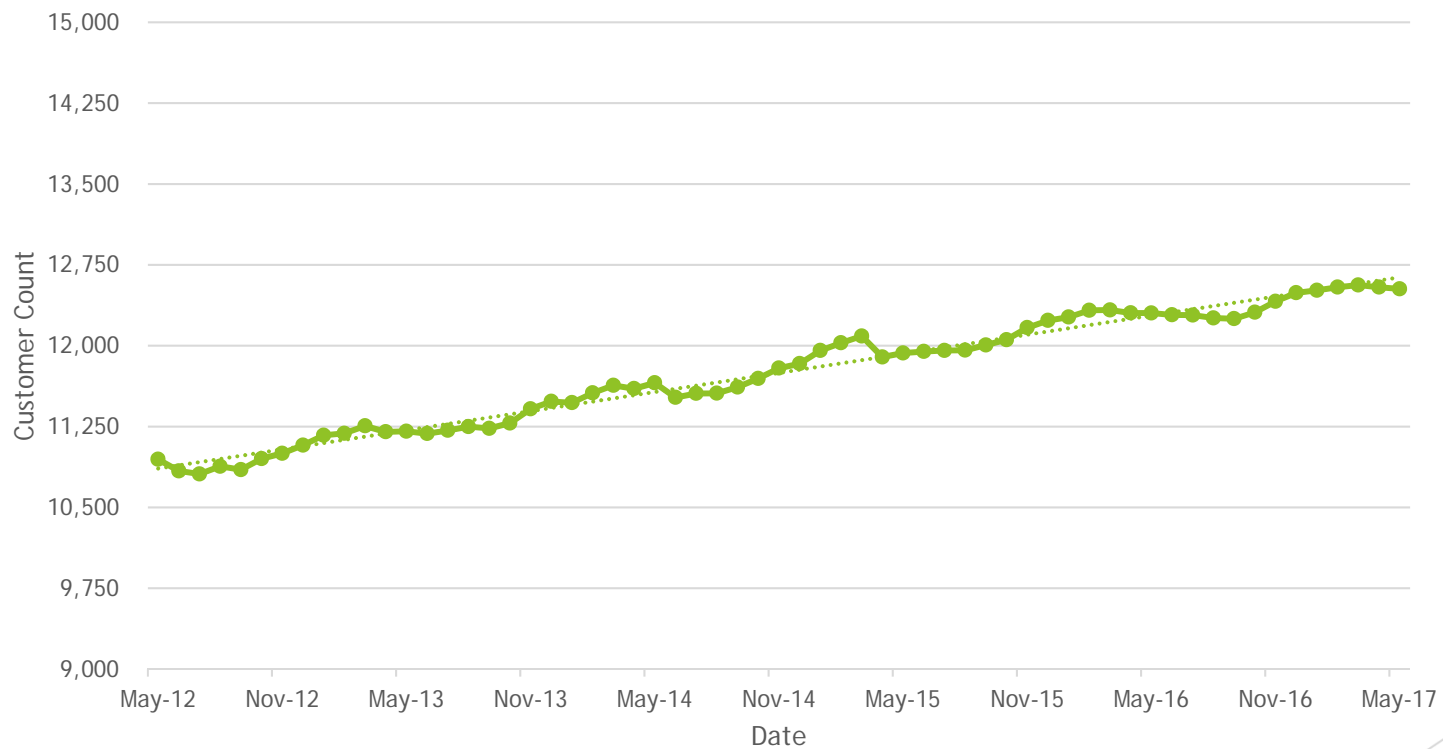
Public Input

- ▶ Projects that may need natural gas
- ▶ Potential loss of natural gas demand
- ▶ Projected housing growth in Colfax County
- ▶ Economic Factors affecting Growth in Colfax County
- ▶ Other



Zia's Customers in Dona Ana County

- Customer Count: 12,527
- Historical Growth Rate: 3.1%



Zia's Volume in Dona Ana County

- Current Annualized Volume: 0.84 bcf/yr
- Growth Rate: 1.7%



Zia's System in Dona Ana County

Source for Natural Gas in Dona Ana County

- Zia takes delivery of natural gas from the El Paso Natural Gas interstate transmission line near Chamberino south of Mesilla and from the City of Las Cruces off West Picacho Ave.
- Zia's intermediate pressure distribution line moves natural gas throughout the service area extending from Berino to Hatch.



Zia Capacity in Dona Ana County

- ✓ The intermediate pressure distribution line with two delivery points is capable of flowing over 18,000 mcf/d.
- ✓ Zia's contractual capacity with El Paso is 10,000 MMBtu/day and with the City of Las Cruces is 15,000 MMBtu/day.
- ✓ Over the last five years, the peak flow rate was 7,557 mcf/d.

Therefore, we anticipate no capacity issues with the projected growth in the area.



Zia Natural Gas Company

Existing and Future Demand

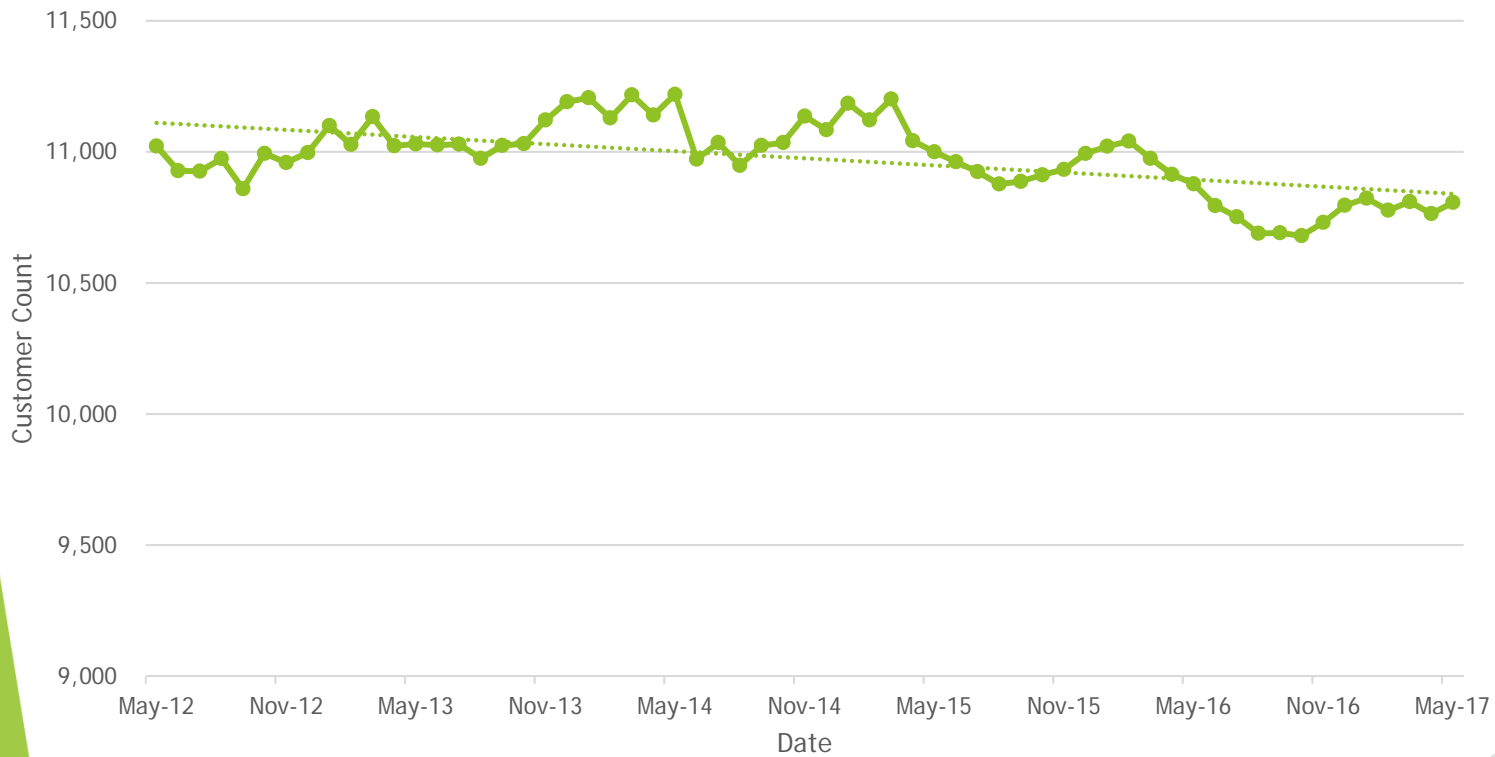
Public Input

- ▶ Projects that may need natural gas
- ▶ Potential loss of natural gas demand
- ▶ Projected housing growth in Dona Ana County
- ▶ Economic Factors affecting Growth in Dona Ana County
- ▶ Other



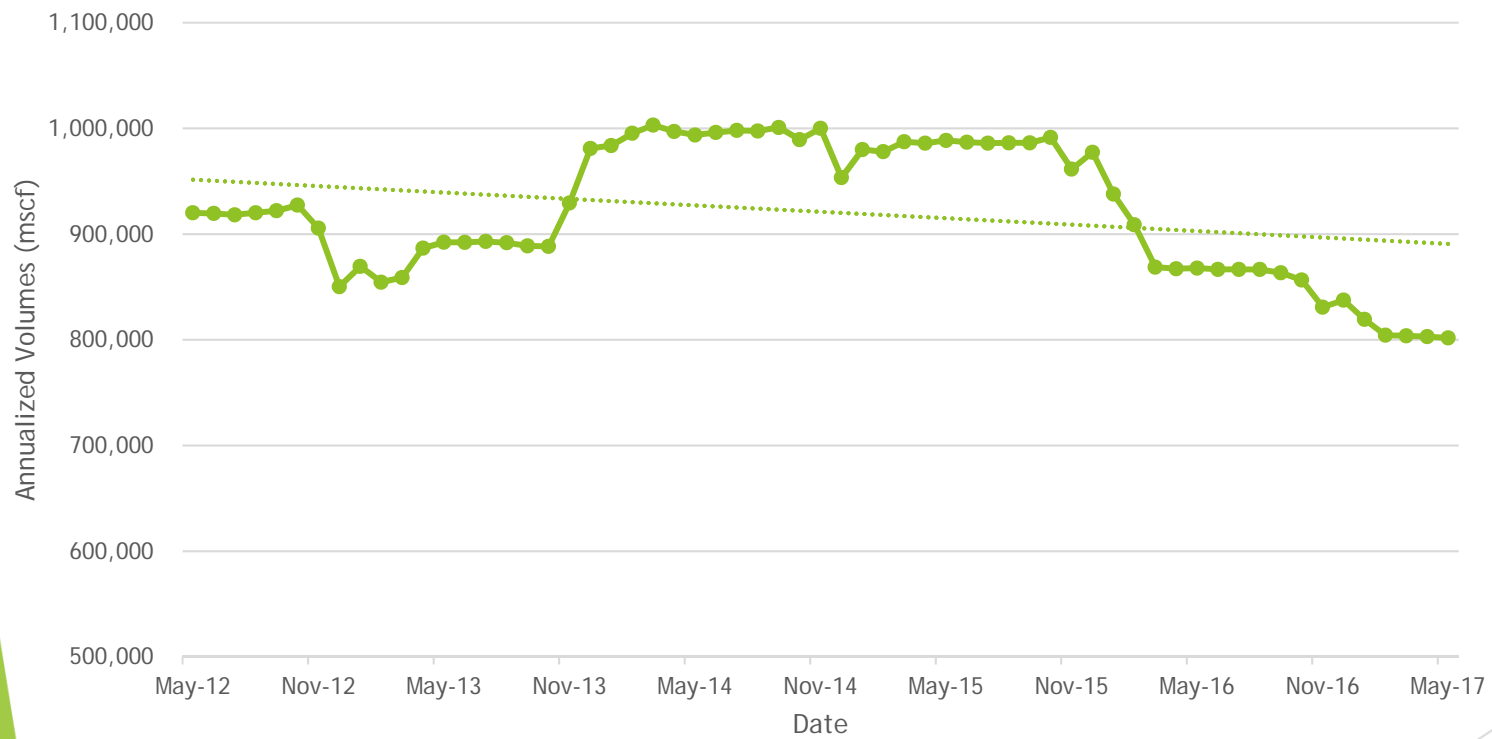
Zia's Customers in Lea County

- Customer Count: 10,807
- Historical Growth Rate: -0.4%



Zia's Volume in Lea County

- Current Annualized Volume: 0.80 bcf/yr
- Growth Rate: -1%



Zia's System in Lea County

Source for Natural Gas in Lea County

- Zia purchases natural gas from the DCP gas plant 9 miles west of Hobbs and feeds the town through an 8 inch pipeline.
- Zia feeds Jal through taps on El Paso transmission pipelines south of town.
- Zia Feeds Malaga through taps on Enterprise's pipelines



Zia Capacity in Lea County

Zia's system as Hobbs Gas Company has served gas to over 14,000 customers in the past.

- ▶ Around 11,000 currently

Therefore, we anticipate no capacity issues with the projected growth in the area.



Zia Natural Gas Company

Existing and Future Demand

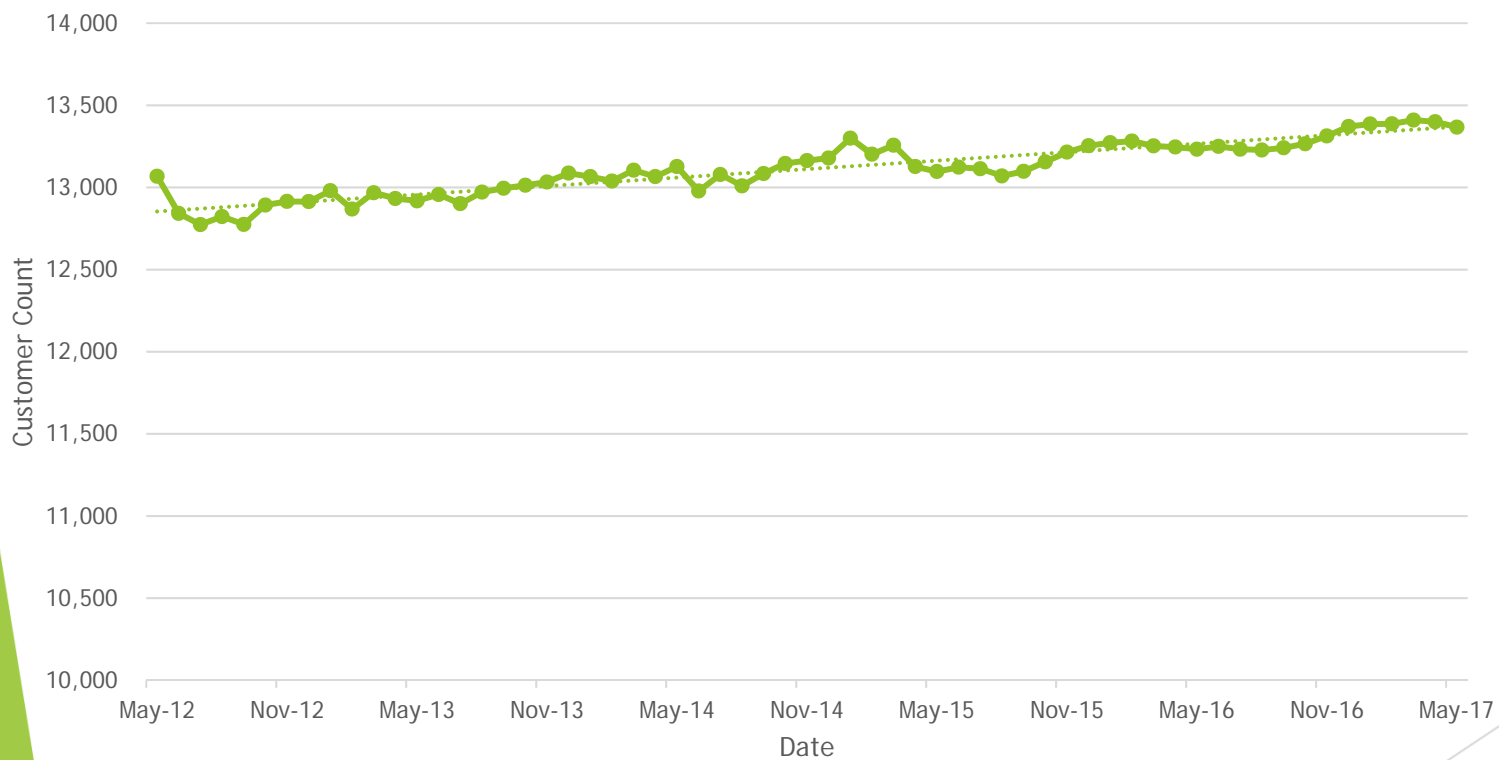
Public Input

- ▶ Projects that may need natural gas
- ▶ Potential loss of natural gas demand
- ▶ Projected housing growth in Lea County
- ▶ Economic Factors affecting Growth in Lea County
- ▶ Other



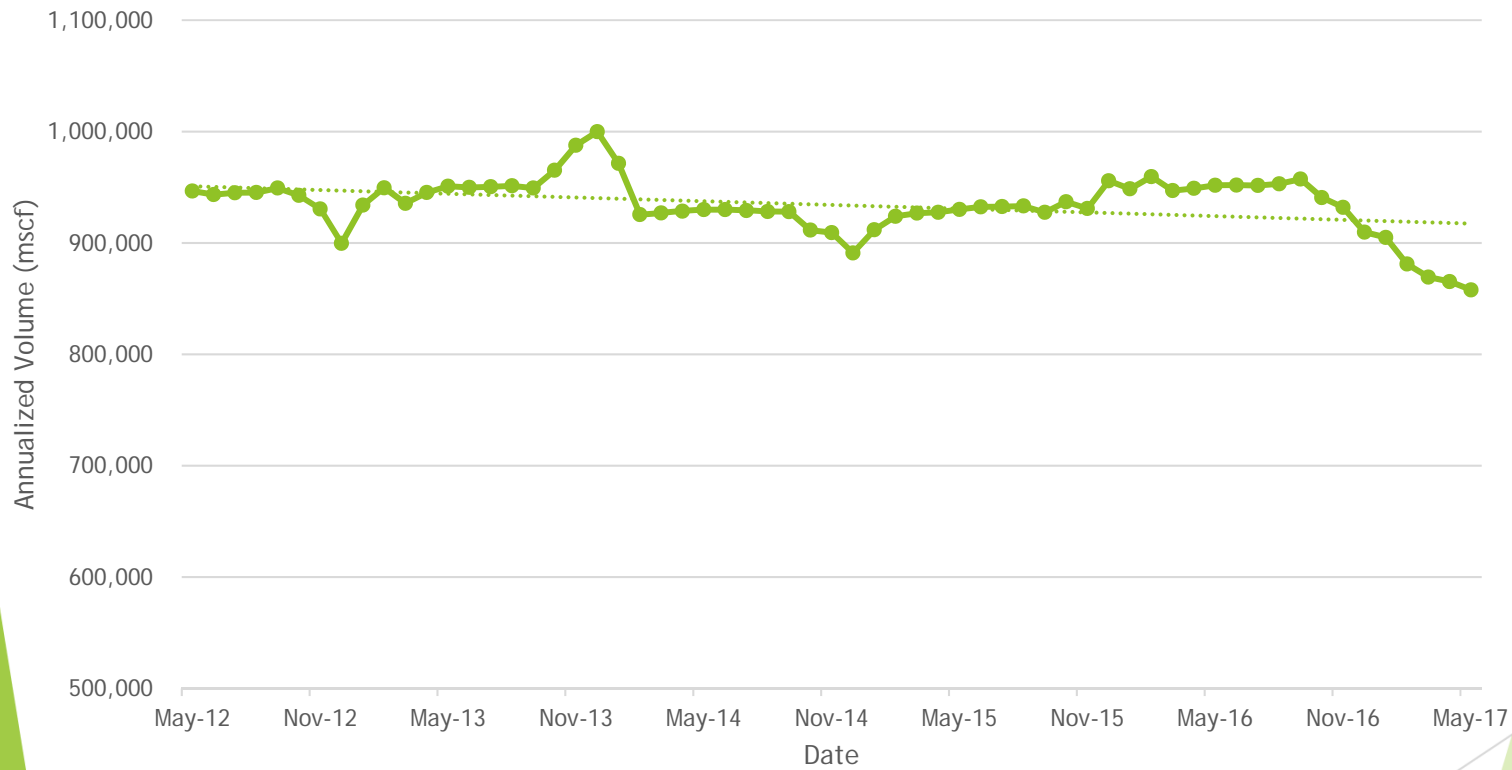
Zia's Customers in Lincoln County

- Customer Count: 13,367
- Historical Growth Rate: 0.7%



Zia's Volume in Lincoln County

- Current Annualized Volume: 0.88 bcf/yr
- Growth Rate: -0.7%



Zia's System in Lincoln County

Source for Natural Gas in Lincoln County

- Zia takes delivery of natural gas from El Paso Natural Gas interstate transmission line approximately 37 miles north of Capitan and feeds the system through an 8 inch and 4 inch pipeline.
- Together, these two lines can flow at over 20,000mcf/d.



Zia Capacity in Lincoln County

- ✓ In the past 5 years, the peak daily flow rate was 10,000 mcf/d, half of the capacity of Zia's transmission system.
- ✓ We currently purchase 10,000 mcf/d of firm capacity on the El Paso transmission line, but additional capacity is available if needed.

Therefore, we anticipate no capacity issues with the projected growth in the area.



Zia Natural Gas Company

Existing and Future Demand

Public Input

- ▶ Projects that may need natural gas
- ▶ Potential loss of natural gas demand
- ▶ Projected housing growth in Lincoln County
- ▶ Economic Factors affecting Growth in Lincoln County
- ▶ Other



Resource Options - Supply Side

We are required to try to identify potential additional sources of natural gas.

- ▶ Alternatives
 - ▶ Biomass
 - ▶ Dairy
- ▶ Few feasible options for sources of natural gas

1 Waste resource



2 Raw gas collection



3 Gas upgrading



4 Delivery



Evaluation of Potential Additional Resources

- ▶ Expensive Start-up Costs
- ▶ Availability is low
- ▶ Inconsistent Supply
- ▶ Public Input



Cost Effective Portfolio of Resources

- ▶ Maintain Current Plan
- ▶ Public Input



Energy Efficiency Plan

- Affecting the Demand side of the integrated resource plan by reducing natural gas consumption
- Promote energy efficiency and reduce customer consumption.
- Promote increased use of high efficiency instead of lower efficiency natural gas appliances and electric appliances.
- Net effect on the home is the overall reduction of utility bills.



Energy Efficiency Program

- Space Heating
 - Rebate Incentives for upgrading to high efficiency natural gas appliances
 - Rebate Incentives for upgrading to R-30 or higher insulation
- Water Heating
 - Rebate incentives for upgrading to high efficiency natural gas appliances
 - Water Conservation Packages
- New Construction
 - Rebate Incentives for building with high efficiency natural gas appliances
- Low Income
 - Free home energy assessments and energy efficiency upgrades for low income households
- Commercial
 - Free Energy assessments
 - Rebates available for amount of annual therms saved
 - Therm is a unit of heat equivalent to 100,000 Btu

Zia Natural Gas Company

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Thank you for participating today!

