



MODRALL SPERLING

L A W Y E R S

January 26, 2018

VIA HAND DELIVERY

Ms. Melanie Sandoval, Records Bureau Chief
New Mexico Public Regulation Commission
P.E.R.A. Building
1120 Paseo de Peralta
Santa Fe, NM 87504-1269

Joan E. Drake
505.848.1850
Fax: 505.848.9710
jdrake@modrall.com

Re: *In the Matter of Zia Natural Gas Company's Application for Revision of its Rates, Rules, and Forms Under Advice Notice No. 57*

Dear Ms. Sandoval:

In accordance with 17.1.2.10 and 17.9.210.11 NMAC, Zia Natural Gas Company ("ZIA") submits to the New Mexico Public Regulation Commission ("Commission" or "PRC") an original and six copies of its: Application for Revision of its Rates, Rules, and Forms Under Advice Notice No. 57 ("Application") and proposed form of Notice; Advice Notice No. 57 and proposed Rate Schedules, Rules and Forms; Direct Testimony and attachments; a Certificate of Service; and a check in the amount of \$49.00 in payment of the Commission's fee for filing new or changed Rates, Rules and Forms in accordance with NMSA 1978, Section 62-13-2 and 17.9.210.12(D) NMAC.

ZIA is requesting a general rate increase of \$2,597,203 or 9.2% in base rates, an increase of \$246,954 in other tariff revenues, and a rate of return of 9.38%. ZIA's proposed new cost of service rates are derived from the base year data adjusted for known and measurable changes. In this filing, ZIA has chosen to use a historic test year. The base year and test year are the twelve-month period from September 1, 2016 to August 31, 2017. The adjustments to the test year are based on known and measurable changes to operating costs and plant improvements completed after the end of the test year but before the filing date. The rates proposed would apply to customers in each class regardless of location throughout the state of New Mexico.

In addition to our current rate classes, in this filing we propose to add two new rate classes: industrial and irrigation. The acquisition of the Rio Grande Natural Gas Association system added a large number of customers that use natural gas to power irrigation pumps and equipment. We also now have several customers that use a large amount of natural gas for purposes other than space heating, water heating, or cooking.

ZIA also requests approval to revise various rules and forms to update them and bring them into conformance with Commission rules.

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ZIA proposes that the proposed new rates, rules and forms become effective thirty (30) days from the date of this filing unless otherwise suspended by the Commission. Documents submitted in support of ZIA's requests are as follows:

- ZIA's Application for Revision of its Rates, Rules, and Forms Under Advice Notice No. 57.
- Proposed Form of Notice.
- Advice Notice No. 57, which includes proposed rates, rules, and forms.
- Schedules A-R and associated workpapers
- Schedule S, which includes ZIA's Prepared Direct Testimonies and Exhibits of:
 - Leslie A. Graham
 - Thomas J. Sullivan
 - Anne G. Wheatcroft
 - K. Marit Coburn
 - Gregory E. Macias
- Certificate of Service
- Filing Fee Check in the Amount of \$49.00

All notices, pleadings, documents, and other communications regarding this case should be submitted to the following as shown:

Leslie A. Graham
Zia Natural Gas Co.
P.O. Box 888
Ruidoso Downs, NM 88346
lgraham@zngc.com

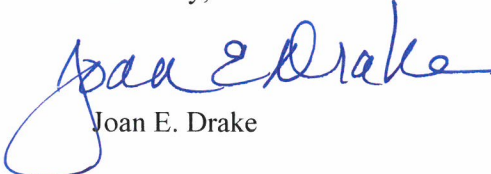
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Thomas J. Sullivan tsullivan@nucllc.com

Enclosed for filing are the original and five copies. Please conform the sixth copy for our files and return it to our courier. Please contact me with any questions. Thank you.

Sincerely,



Joan E. Drake

Encl.