

NMAC, ZIA requests approval to implement the proposed changes to its rates, rules and forms, and for such other relief as may be just and proper.

3. In conjunction with filing this Application, ZIA filed Advice Notice No. 57 and associated rate schedules. Under NMSA 1978, Sections 62-8-7(B) and (C), the proposed rates, rules and forms in Advice Notice No. 57 will become effective on February 25, 2018 unless the Commission suspends the proposed rates, rules and forms by that date.

II. SUMMARY OF PROPOSED RATE CHANGES

4. 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%. 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.

5. ZIA's currently authorized rates are no longer just and reasonable and do not allow the Company a fair opportunity to earn an adequate return on its investments made to provide service to customers. ZIA's currently authorized rates for natural gas service were established by the Commission's Final Order issued on November 25, 2008 in NMPRC Case No. 08-00036-UT, with the new rates going into effect on January 1, 2009. ZIA's current cost of service rates have been in effect since 2009 with no further changes and are based on costs and expenses as experienced in 2007.

6. In 2011, ZIA acquired the Rio Grande Natural Gas Association ("RGNGA") gas distribution assets and the Village of Hatch gas distribution asset which significantly increased ZIA's customer count and sales. Since the purchase of the system, ZIA has invested capital to upgrade and improve the RGNGA system and has continued to reinvest and replace pipe in the

others areas of ZIA’s system. Since 2007, ZIA has also experienced an increase in the costs to operate a business including but not limited to personnel and labor expense, equipment, insurance, utilities, supplies and materials, software maintenance, and service contracts. The changes in operating costs, reinvestment in the system, and changes in customer count and sales volumes, as well as the fact that ZIA is no longer achieving its allowed rate of return from the 2007 rate case, are the main rationales driving the decision to file this rate increase application.

7. In addition to ZIA’s current rate classes, in this filing ZIA proposes to add two new rate classes: industrial and irrigation. The acquisition of the RGNGA system added a large number of customers that use natural gas to power irrigation pumps and equipment. ZIA also now has several customers that use a large amount of natural gas for purposes other than space heating, water heating, or cooking. The rates proposed would apply to customers in each class regardless of location throughout the state of New Mexico.

8. As noted in Advice Notice No. 57 and further explained in the supporting documentation filed with this Application, ZIA proposes the following revised rates:

Rate No.	Title
Ninth Revised Rate No. 1	Residential Service
Ninth Revised Rate No. 2	Small Commercial Service
Tenth Revised Rate No. 3	Large Commercial Service
Sixth Revised Rate No. 4	Special Fees and Charges
Fifth Revised Rate No. 15	Sale for Resale Service
Original Rate No. 16	Industrial Service
Original Rate No. 17	Irrigation Service

III. SUMMARY OF PROPOSED CHANGES TO RULES AND FORMS

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

10. As noted in Advice Notice No. 57 and explained further in the supporting documentation filed with this Application, ZIA proposes the following revised rules and forms:

Rule or Form No.	Title
Third Revised Rule No. 3	Character of Service
Seventh Revised Rule No. 10	Rendering and Payment of Bills
Sixth Revised Rule No. 11	Budget Payment Plan
Third Revised Rule No. 12	Estimated Bills
Third Revised Rule No. 13	Disputed Bills
Sixth Revised Rule No. 15	Security Deposits, Guarantees of Payment
Sixth Revised Rule No. 16	Discontinuance and Restoration of Service
Fourth Revised Rule No. 17	Payment Agreements
Second Revised Rule No. 18	Commission Complaint Procedures
Third Revised Rule No. 22	Unauthorized Connections
First Revised Rule No. 30	Service of Notice to Customers
Seventh Revised Form No. 1	Customer Service Guide
Seventh Revised Form No. 2	Bill Form
Eleventh Revised Form No. 3	Shut-Off Notice
Third Revised Form No. 6	Three-Day Disconnect Notice
Third Revised Form No. 12	Notice of Discontinuance of Service for Failure to Comply with Payment Agreement
First Revised Form No. 14	Application for Gas Service

IV. SUPPORTING DOCUMENTATION

11. In accordance with Commission Rules 17.1.2.10 and 17.1.210.11 NMAC, ZIA is filing Advice Notice No. 57, which notifies the Commission of ZIA's intent to implement new rates, rules and forms within 30 days after the filing.

12. ZIA is also filing Schedules A-R and associated workpapers, which provide detailed data in support of its requested approvals.

13. In addition to the Advice Notice No. 57 and Schedules A-R and associated workpapers, ZIA offers testimony and exhibits in support of its Application in conformance with Commission Rules 17.1.2.10 and 17.1.210.11 NMAC, as follows:

ZIA Witness	Subjects
Leslie A. Graham	Overview and Background Test Year Capital Adjustments Operating Expense Adjustments Home Office Expenses Line Extension Policy Acquisition Assets
Thomas J. Sullivan	Base Year and Test Year Billing Determinants and Revenues Weather Normalization Adjustment Peak Day Analysis Cost of Capital Test Year Revenue Requirement Class Cost of Service Rate Design
Anne G. Wheatcroft	Depreciation Expense Income Tax Expense
K. Marit Coburn	Other Tariff Revenues Changes to Rules and Forms
Gregory E. Macias	Depreciation

V. NOTICE AND SERVICE

14. In compliance with 17.1.2.10 NMAC, ZIA’s proposed form of Notice is provided as Exhibit 1 to this Application. The proposed form of Notice describes the present rates and proposed rates for each customer class, the anticipated bills to residential and other customers under the proposed rates and at various usage levels, and the current and proposed rules and forms. These are provided for informational purposes only because the final rates approved by the Commission may change the rates ultimately charged to each rate class, and for each consumption level, from those proposed by ZIA, and the Commission may change the rules and forms ultimately implemented by ZIA.

15. In compliance with 17.1.210.11(B), ZIA will serve copies of this Application, Advice Notice No. 57, schedules, testimonies and exhibits on the Staff, the New Mexico Attorney General, and all of the other parties to and counsel of record in ZIA’s last rate case, Case No. 08-00036-UT.

16. In compliance with 17.1.210.11(C), ZIA states that anticipated changes in annual revenues resulting from the proposed rate changes are set forth in the Application, and the impact on customers and the number of customers in each rate class likely to be affected are described in the proposed form of Notice.

VI. ZIA REPRESENTATIVES AND SERVICE TO ZIA

17. ZIA’s authorized representatives for this case are:

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ZIA requests that all pleading, orders, and other documents be served on its authorized representatives as well as the following as shown:

Anne G. Wheatcroft
Controller
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 101 Division Street.
 Worland, WY 82401
 agabel@naturalgaspro.com

K. Marit Coburn mcoburn@zngc.com
 Thomas J. Sullivan tsullivan@nucllc.com

VII. COMPLIANCE WITH PRIOR COMMISSION FINAL ORDERS

18. Pursuant to Commission Rule 17.1.2.10(B)(2)(d) NMAC, ZIA confirms that it has complied with all Commission final orders in each of ZIA’s cases decided during the preceding five years (since 2013), which consist of the following:

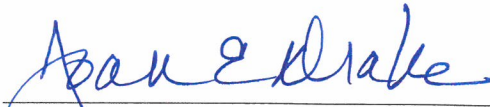
Case No.	Subject	Final Order
17-00041-UT	Lincoln County Formal Complaint	Issued December 13, 2017. Dismissed the complaint with prejudice in light of Stipulated Settlement Agreement.
16-00293-UT	Approval of Continued Use of Zia’s Purchased Gas Adjustment Clause	Issued March 29, 2017. Approved Zia’s continued use of its Purchased Gas Adjustment Clause.
16-00021-UT	Approval of Zia’s First Energy Efficiency Application and Program Rate Rider	Issued December 21, 2016. Approved Zia’s first energy efficiency program and rate rider.
14-00371-UT	Request for a Variance from the Requirements of 17.7.2.8 NMAC	Issued July 1, 2015. Granted extension of time to file first energy efficiency application.
13-00075-UT	Request for a Variance from 17.5.410.42(C)(6) NMAC (regarding medical and financial certification forms)	Issued May 9, 2013. Granted Zia’s requested variance and required certain notices.

WHEREFORE, For the reasons set out in this Application and the accompanying Advice Notice No. 57, schedules, testimonies, exhibits, and other documentation, ZIA respectfully requests that the Commission grant the relief requested herein and such other relief that may be deemed just and proper.

DATED this 26th day of January, 2018.

Respectfully submitted,

MODRALL, SPERLING, ROEHL,
HARRIS & SISK, P.A.

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