

HUGHES NATURAL GAS INC.'S NOTICE OF ANNUAL GAS RELIABILITY INFRASTRUCTURE PROGRAM (GRIP) INTERIM RATE ADJUSTMENT

Pursuant to Texas Utilities Code Section 104.301, on March 20, 2017, Hughes Natural Gas, Inc. ("Hughes" or the "Company") filed its annual Gas Reliability Infrastructure Program ("GRIP") interim rate adjustment with the Railroad Commission of Texas ("Commission"). This annual GRIP adjustment will apply to all standard sales service customers served by the Company in Austin, Colorado, Grimes, Harris, Waller, and Montgomery Counties except for customers within the City of Magnolia.

Pursuant to the Commission's rules, this annual Interim Rate Adjustment is designed to recover the incremental costs related to the capital investments the Company has made in its natural gas distribution system from January 1, 2016 to December 31, 2016. Those costs are incremental to and not included in the rates currently in effect for the unincorporated areas of Hughes' service territory. The Company's calculation of the Interim Rate Adjustment amount that would be added to the current monthly customer charge on customer bills is shown below. The current monthly customer charge is \$18.35 per month. The 2013 Interim Rate Adjustment is \$7.83, the 2014 Interim Rate Adjustment is \$4.19, the 2015 Interim Rate Adjustment is \$3.18, and the proposed 2016 Interim Rate Adjustment is \$3.38 resulting in a proposed monthly customer charge of \$36.93 per month.

A residential customer receiving a bill for 6 Mcf will see a bill of approximately \$122.31 including gas costs, which would constitute an increase of approximately 2.84% in unincorporated areas. A residential customer receiving a bill for 6 Mcf will see a bill of approximately \$79.23 excluding gas costs, which would constitute an increase of approximately 4.46% in unincorporated areas. A commercial customer receiving a bill for 30 Mcf will see a bill of approximately \$463.83 including gas costs, which would constitute an increase of approximately 0.73% in unincorporated areas. A commercial customer receiving a bill for 30 Mcf will see a bill of approximately \$248.43 excluding gas costs, which would constitute an increase of approximately 1.38% in unincorporated areas. These monthly bills are based on a gas cost of \$7.18 per Mcf, which changes monthly pursuant to the Gas Cost Adjustment Clause.

A complete copy of the Interim Rate Adjustment filing, with supporting documents, filed with the Railroad Commission of Texas on March 20, 2017, is available for inspection in the HNG office located at 31830 State Hwy 249, Pinehurst, Texas 77362, or may be downloaded from HNG's website, www.hughesnaturalgas.com. Persons with specific questions or who want information about this filing may contact HNG at (281) 766-1290. In addition, any affected person may file written comments or a protest concerning the proposed annual Interim Rate Adjustment with the Gas Services Division, Market Oversight Section, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967.