

May 10, 2012

**VIA FEDERAL EXPRESS - (502) 564-3940**

Public Service Commission  
Attn: Linda Faulkner  
211 Sower Blvd.  
Frankfort, Kentucky 40602-0615

**RECEIVED**

**MAY 11 2012**

**PUBLIC SERVICE  
COMMISSION**


**RE: Notice of Filing Navitas KY NG, LLC's Responses to the Public Service  
Commission's First Requests for Information  
Case No.: 2012-00089**

Dear Ms. Faulkner:

Enclosed please find an original and eleven (11) copies of Navitas KY NG, LLC's Notice of Filing Responses to the Public Commission's Requests for Information for filing. We have enclosed a pre-paid FedEx mailer for you to return one copy of the Notice of Filing that has been stamped filed for our records.

Please contact me if you have any questions.

Sincerely yours,

  
Mari Jo M. Casey  
Paralegal

MMC/jar  
Enclosures

cc: Klint W. Alexander, Esq.  
Kathy Kunc, Esq. (via Email)  
Helen Helton, Esq.  
Jack Conway, Esq.

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 11 2012

PUBLIC SERVICE  
COMMISSION

APPLICATION OF NAVITAS KY NG, )  
LLC FOR APPROVAL TO BOOK AS )  
A REGULATORY ASSET ITS COST )  
ASSOCIATED WITH ITS )  
DISTRIBUTION INTEGRITY )  
MANAGEMENT PROGRAM )

Docket No. 2012-00089

**NAVITAS KY NG, LLC'S RESPONSES TO THE PUBLIC SERVICE  
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

COMES NOW, Navitas KY NG, LLC ("Navitas"), by and through undersigned counsel, and hereby submits the following Responses to the Public Service Commission Staff's First Request for Information pursuant to 807 KAR 5:001. Navitas states as follows:

1. Refer to Paragraph 6 of the Application.
  - a. Explain whether Navitas has entered into a formal contract with Tri-Star Energy Consultants ("Tri-Star") to assist in preparing its Distribution Integrity Management Program ("DIMP") plans? If yes, provide a copy of the contract. if no, explain when Navitas will do so.

**RESPONSE BY THOMAS HARTLINE:**

**Navitas and Tri-Star have negotiated a contract for the performance of regulatory compliance documentation. The parties have not executed the contract as we are seeking regulatory approval for that action. A copy of a redacted contract can be provided with this submission.**

- b. Explain whether there will be separate contracts for each Navitas gas system or one contract that covers all of Navitas' gas systems?

**RESPONSE BY THOMAS HARTLINE:**

**There is only a single contract with Navitas Utility Corporation, the operator of all twenty-five sub-systems in the three states (Oklahoma, Tennessee & Kentucky). The contract covers all the existing sub-systems and contemplates a contract extension for compliance documentation for future systems.**

- c. Describe all of the services that Tri-Star will perform on behalf of Navitas' Kentucky system and explain why there is a need for a consultant to assist in preparing the plan.

**RESPONSE BY THOMAS HARTLINE:**

**Navitas, through a consultant, is conducting an entire review of compliance documentation. Compliance documentation includes the following: an Operations and Maintenance Manual, an Emergency Plan, DIMP, Public Awareness Plan and monitoring, annual review and implementation meetings, legislative-regulatory-inspection generated plan changes, review of Drug & Alcohol plan. Due to its small size, Navitas does not have a regulatory staff. Additionally, our various state regulatory attorneys are not familiar with or versed in DIMP. Navitas attempted to prepare a DIMP on its own; however, we withdrew the plan believing that we did not adequately understand the complexities of interpreting Federal regulations.**

- d. Identify any other consultants that were considered to prepare Navitas's DIMP plans. Explain why Tri-Star was selected instead of other candidates.

**RESPONSE BY THOMAS HARTLINE:**

**Navitas did seek out other consultants in other states. In particular, Navitas has a long-time relationship with Pipeline Regulatory Consultants ("PRC") of Oklahoma City, Oklahoma. However PRC was unwilling to enter into a contract that spread the very large cost over an extended time frame. Were Navitas to undertake the significant capital expenditure required at one-time it would place a significant strain on the operational resources of Navitas. In addition, to meet the long-term contract requirements preferred by Navitas, Tri-Star also negotiated other cost savings in the overall contract. Tri-Star also demonstrated a clear understanding of the overall goals of the compliance documentation effort.**

- e. Provide the number of Navitas gas customers by state.

**RESPONSE BY THOMAS HARTLINE:**

**Customer count by state: Kentucky (125), Tennessee (550), Oklahoma (4,100)  
Total (4,775)**

2. Refer to paragraph 7 of the Application, specifically the following statement: “The costs will be allocated based on a one dollar per customer/per month charge applied to each of Navitas’s customers in Oklahoma, Kentucky and Tennessee over the five year period.”
  - a. Explain whether this statement is describing how the costs will be amortized, how the amount of the regulatory asset will be determined, or how the costs will be recovered from Navitas’ customers.

**RESPONSE BY THOMAS HARTLINE:**

**The charge per customer represents how the regulatory asset will be amortized over a five-year period. Navitas is not seeking a rate increase at this time in Kentucky and thus no immediate recovery is forthcoming from the customer. However, a rate case in Oklahoma is pending and parallels rate cases are expected to be filed in Kentucky and Tennessee by June 30, 2012. Navitas does view this contract as a known and measurable expense beyond the test case year in those instances.**

- b. Provide the estimated cost associated with the DIMP Plan for the Albany, Kentucky Gas System.

**RESPONSE BY THOMAS HARTLINE:**

**Under the proposed contract, the Albany, Kentucky sub-system would incur approximately [redacted] in costs.**

- c. Has Navitas incurred any expense to date for the Albany, Kentucky DIMP Plan? if yes, provide a detailed analysis of the expenses incurred.

**RESPONSE BY THOMAS HARTLINE:**

**DIMP-related expenses to date have been incurred as part of our regular course of business by company personnel. Unless DIMP necessitates large capital improvement projects, which would be accounted for as part of our rate base, Navitas does not anticipate additional expenses beyond the Tri-Star contract and those incurred in the regular course of business by company personnel.**

3. Is Navitas aware that the American Public Gas Association has a low-cost software program available and designed to allow small gas distribution companies to write their own DIMP plans? If yes, explain why Navitas has chosen to hire Tri-Star to assist in preparing its plans at a cost of \$60 per customer over five years?

**RESPONSE BY THOMAS HARTLINE:**

**Due to its small size, Navitas does not have a regulatory staff. Additionally, our various state regulatory attorneys are not familiar with or versed in DIMP. However, it was clear in discussions with counsel that Navitas should not use the SHRIMP as language contained therein was vague, ambiguous and potentially extremely prejudicial. Moreover, due to the cross-ties in all the regulatory compliance documentation, the creation of DIMP necessitates the review of all others. Navitas attempted to prepare a DIMP on its own; however, we withdrew the plan believing that we did not adequately understand the complexities of interpreting Federal regulation.**

4. Explain when Navitas' DIMP plan is due to be filed with the Pipeline and Hazardous Materials Safety Administration and provide Navitas's estimated timeline for compliance.

**RESPONSE BY THOMAS HARTLINE:**

**The current plan for the implementation of DIMP throughout all 25 sub-systems in the three states is one-year from approval by the regulatory authorities. Since Kentucky has only one system it will serve as the initial platform. Then, Tennessee with its two sub-systems will be complete. I anticipate that the entire compliance documentation revamp will be completed within one-year of the contract approval. Since the other compliance documents are not currently in question, the DIMP portion of the documentation will be completed first. Tri-Star intends to move very quickly in Kentucky once the contract is executed.**


5. Provide year-to-date financial statements as of December 31, 2011 and year-to date financial statements for the most current month available for 2012 for the Albany, Kentucky operation.

**RESPONSE BY THOMAS HARTLINE:**

**Please see attached draft financial statements (unaudited) for the year ending December 31, 2011. Navitas is currently in the process of compiling the first quarter financials for its operations; however, we do not anticipate having those available until the end of May.**

Dated this the 16<sup>th</sup> day of May, 2012.

Respectfully submitted,



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Klint W. Alexander (#20420)

**Wyatt, Tarrant & Combs, LLP**

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Nashville, TN 37203

(615) 244-0020

[kalexander@wyattfirm.com](mailto:kalexander@wyattfirm.com)

- and -

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Mary Kathryn Kunc, OBA#15907

Ron Comingdeer & Associates

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*Counsel for Petitioner*

*Navitas KY NG LLC*

VERIFICATION OF NAVITAS KY NG, LLC

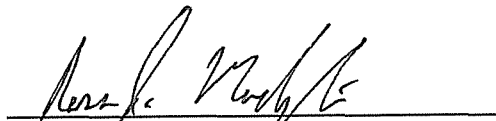
STATE OF CALIFORNIA            )  
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COUNTY OF ORANGE    )

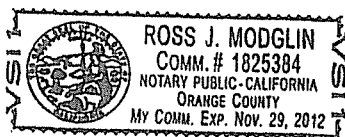
I Thomas Hartline, Secretary of Navitas KY NG, LLC, being duly sworn according to law, makes oath and affirm that I have read the foregoing documentation, know the contents thereof, and that the same is true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
THOMAS HARTLINE

Subscribed and sworn to (~~or affirmed~~) before me on this 10<sup>th</sup> day of May, 2012, by Thomas Hartline, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

My Commission Expires:

  
\_\_\_\_\_  
NOTARY PUBLIC SIGNATURE

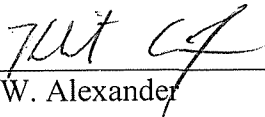


**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on the 10<sup>th</sup> day of May, 2012, a true and correct copy of the foregoing instrument was deposited in the United States Mail, with postage prepaid, and addressed to the following:

**Jack Conway, Esq.**  
Office of the Attorney General  
Capitol Suite 118  
700 Capitol Avenue  
Frankfort, Kentucky 40601-3449

**Helen Helton, Esq.**  
Division of General Counsel  
Public Service Commission  
Commonwealth of Kentucky  
211 Sower Blvd.  
PO Box 615  
Frankfort, Kentucky 40601

  
\_\_\_\_\_  
Klint W. Alexander

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**Navitas KY NG, LLC**  
**Profit & Loss**  
 January through December 2011

	Jan - Dec 11
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
4100 · Revenue	
4121 · Resident/Comm Tarrif	60,464.20
4171 · Resident/Comm PGA	122,305.88
4196 · Unbilled Revenues	1,684.00
4197 · Customer Meter Charge	19,990.00
4199 · Penalties & service charges	653.54
<b>Total 4100 · Revenue</b>	<b>205,097.62</b>
<b>Total Income</b>	<b>205,097.62</b>
<b>Cost of Goods Sold</b>	
5001 · Commodity purchase	112,775.56
<b>Total COGS</b>	<b>112,775.56</b>
<b>Gross Profit</b>	<b>92,322.06</b>
<b>Expense</b>	
5921 · NUC - Operations	73,851.00
5923 · NUC - Asset billing	3,311.50
5999 · Depreciation	27,071.20
6000 · O/H	
6300 · Acct	
6320 · Bank fees	474.26
<b>Total 6300 · Acct</b>	<b>474.26</b>
6400 · Biz exps	
6412 · Postage-billing	242.43
6495 · Bad debt	3,548.50
6496 · Customer Discounts	61.55
<b>Total 6400 · Biz exps</b>	<b>3,852.48</b>
<b>Total 6000 · O/H</b>	<b>4,326.74</b>
<b>Total Expense</b>	<b>108,560.44</b>
<b>Net Ordinary Income</b>	<b>-16,238.38</b>
<b>Other Income/Expense</b>	
<b>Other Income</b>	
6710 · Other income	-2,661.18
<b>Total Other Income</b>	<b>-2,661.18</b>
<b>Other Expense</b>	
6860 · Interest expense	7,408.53
7001 · Suspense	0.00
<b>Total Other Expense</b>	<b>7,408.53</b>
<b>Net Other Income</b>	<b>-10,069.71</b>
<b>Net Income</b>	<b>-26,308.09</b>

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 05/09/12  
 Accrual Basis

Navitas KY NG, LLC  
**Balance Sheet**  
 As of December 31, 2011

	<u>Dec 31, 11</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1100 · Cash	
1124 · Checking - Bank2	11,789.89
<b>Total 1100 · Cash</b>	<u>11,789.89</u>
<b>Total Checking/Savings</b>	11,789.89
<b>Accounts Receivable</b>	
1200 · A/R	
1243 · Customers	51,682.68
<b>Total 1200 · A/R</b>	<u>51,682.68</u>
<b>Total Accounts Receivable</b>	51,682.68
<b>Other Current Assets</b>	
1400 · Prepays	5,677.50
<b>Total Other Current Assets</b>	<u>5,677.50</u>
<b>Total Current Assets</b>	69,150.07
<b>Fixed Assets</b>	
1700 · F/A	
1720 · Land	1,000.00
1721 · Mains - Built systems	28,082.05
1722 · Services - Built systems	3,326.40
1724 · Mains - Acq systems	1,012,619.00
1727 · Mains - Acq adjustment	-13,202.00
1728 · Services - Acq adjustment	-42,747.16
1771 · A/D - Mains B/S	-1,155.75
1772 · A/D - Services B/S	-6.93
1774 · A/D - Mains A/S	-870,813.20
1777 · A/D - Mains A/A	550.10
1778 · A/D - Services A/A	1,246.77
<b>Total 1700 · F/A</b>	<u>118,899.28</u>
<b>Total Fixed Assets</b>	118,899.28
<b>Other Assets</b>	
1800 · OLTA	
1831 · Organizational costs	78,329.16
1832 · Legal expenses	6,331.40
1881 · A/A - Organizational costs	-6,205.05
1882 · A/A - Legal expenses	-404.14
<b>Total 1800 · OLTA</b>	<u>78,051.37</u>
<b>Total Other Assets</b>	<u>78,051.37</u>
<b>TOTAL ASSETS</b>	<u><u>266,100.72</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2200 · A/P	
2233 · Other	20,728.15
2250 · A/P due seller	69,775.43
<b>Total 2200 · A/P</b>	<u>90,503.58</u>
<b>Total Accounts Payable</b>	90,503.58

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05/09/12  
Accrual Basis

Navitas KY NG, LLC  
**Balance Sheet**  
As of December 31, 2011

	<u>Dec 31, 11</u>
<b>Other Current Liabilities</b>	
2400 · A/E	
2404 · Customer Refunds Payable	62.92
2413 · Customer Deposits	2,770.00
<b>Total 2400 · A/E</b>	<u>2,832.92</u>
2403 · Sales Tax Payable	
2406 · KY NG Sales Tax	1,080.21
2408 · Albany City Franchise	12,486.59
2409 · Utility Gross Receipts	4,707.10
2410 · Clinton County Franchise	7,909.78
<b>Total 2403 · Sales Tax Payable</b>	<u>26,183.68</u>
2500 · BIEC	
2521 · A&B Adjustment Liability	26,856.00
<b>Total 2500 · BIEC</b>	<u>26,856.00</u>
2600 · CPLTD	
2628 · Bank 2 - system loan KY	4,650.48
<b>Total 2600 · CPLTD</b>	<u>4,650.48</u>
<b>Total Other Current Liabilities</b>	<u>60,523.08</u>
<b>Total Current Liabilities</b>	151,026.66
<b>Long Term Liabilities</b>	
2700 · LTD	
2728 · Bank 2 - system loan KY	141,381.15
<b>Total 2700 · LTD</b>	<u>141,381.15</u>
<b>Total Long Term Liabilities</b>	<u>141,381.15</u>
<b>Total Liabilities</b>	292,407.81
<b>Equity</b>	
3000 · Opening Bal Equity	
3103 · Member Interest	1.00
<b>Total 3000 · Opening Bal Equity</b>	1.00
<b>Net Income</b>	-26,308.09
<b>Total Equity</b>	<u>-26,307.09</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>266,100.72</u></u>