

June 5, 2012

VIA FEDERAL EXPRESS

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

RECEIVED

JUN 06 2012

PUBLIC SERVICE
COMMISSION

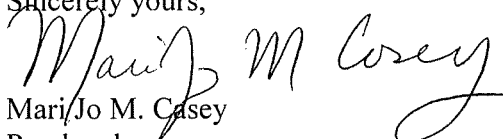
**RE: Notice of Filing
Case No.: 2012-00089**

Dear Ms. Faulkner:

Enclosed please find an original and twelve (12) copies of Navitas KY NG, LLC's Notice of Filing in connection with its Application for Approval to Book as a Regulatory Asset its Cost Associated with its Distribution Integrity Management Program. We have enclosed a self-addressed FedEx mailer for you to return one extra copy of the Notice of Filing that has been stamped filed for our files.

Please feel free to contact me if you have any questions.

Sincerely yours,


Mari Jo M. Casey
Paralegal

MJC/jar

Enclosures

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

60010947.1

COMMONWEALTH OF KENTUCKY
BEFORE THE 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

RECEIVED

JUN 06 2012

PUBLIC SERVICE
COMMISSION

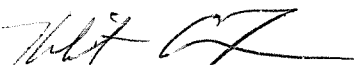
NOTICE OF FILING

COMES NOW, Applicant Navitas KY NG, LLC (“Navitas”), by and through counsel, and hereby submits this Notice of Filing of the following documents in furtherance of its previously filed Application for an Order Granting Approval to Book as a Regulatory Asset the Costs Associated with its Distribution Integrity Management Program:

- (a) Exhibit A – Copy of the Tennessee Regulatory Authority’s Order Granting Navitas TN NG, LLC’s Request for Deferred Accounting entered on May 22, 2012;
- (b) Exhibit B – Redacted copy of Proposal for Natural Gas Regulatory Documentation Services dated May 22, 2012; and
- (c) Exhibit C – Unredacted copy of Proposal for Natural Gas Regulatory Documentation Services dated May 22, 2012.

Dated this the 5th day of June, 2012.

Respectfully submitted,


Klint W. Alexander (#88343)

Wyatt, Tarrant & Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203
(615) 244-0020
kalexander@wyattfirm.com

- and -

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Mary Kathryn Kunc, OBA#15907
Ron Comingdeer & Associates
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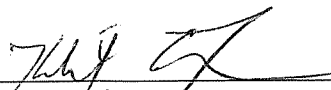
*Counsel for Petitioner
Navitas KY NG LLC*

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 5th day of June, 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

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

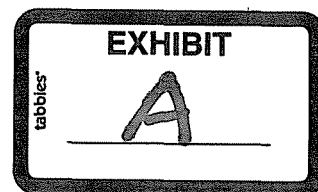
NASHVILLE, TENNESSEE
May 22, 2012

IN RE:

PETITION OF NAVITAS TN NG, LLC FOR
APPROVAL TO BOOK AS A REGULATORY
ASSET ITS COSTS ASSOCIATED WITH ITS
DISTRIBUTION INTEGRITY MANAGEMENT
PROGRAM

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DOCKET NO.
12-00020



ORDER GRANTING REQUEST FOR DEFERRED ACCOUNTING

This matter came before Chairman Kenneth C. Hill, Director Sara Kyle, and Director Mary W. Freeman of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on May 7, 2012 for consideration of the Petition filed by Navitas TN NG, LLC (“Navitas”) on March 8, 2012. In its Petition, Navitas requests Authority approval to book as a regulatory asset its costs associated with implementation of its Distribution Integrity Management Program (“DIMP”).

Background and Petition

Navitas, a Kentucky Limited Liability Company, is in the business of distributing and selling natural gas to residential, commercial and agricultural customers in Jellico, Campbell County, Byrdstown, Pickett County and Fentress County, Tennessee and Whitley County, Kentucky.

On March 8, 2012, Navitas filed its Petition requesting that the Authority make findings that its Gas DIMP is mandatory and necessary for each of Navitas’s subsystems and that hiring TriStar Energy Consultants (“TriStar”) is a necessary and prudent investment for Navitas to meet

the requirements for the DIMP and other pipeline safety plans. Navitas also requests that it be permitted to book the costs associated with preparing and implementing the DIMP as regulatory assets and to amortize the booked amount over a five year period.

The DIMP was developed pursuant to the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006 in an effort to reduce pipeline accidents, deaths and injuries by requiring operators to identify risks that are specific to their system and put measures in place to keep these risks from happening. Navitas has two sub-systems in Tennessee, the Jellico System and the Byrdstown System, and each must have a separate DIMP plan that must be submitted to and approved by the Authority.

The Company states that because of the complexity of the DIMP plans and the importance of ensuring that the plans comply with federal law, it has retained an experienced consultant, TriStar, to assist in preparing the DIMP plans. Navitas notes that it sought out other consultants but ultimately selected TriStar to implement its DIMP because TriStar, in addition to meeting the long-term contract preferred by the Company, also negotiated other cost savings and demonstrated a clear understanding of the goals of the compliance document effort.

Findings and Conclusions

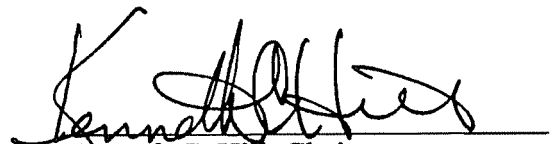
At a regularly scheduled Authority Conference held on May 7, 2012, the panel considered the Petition. The panel found that the proposed treatment of the unusual and infrequent expenses is an accepted regulatory accounting treatment and is consistent with previous Authority rulings with respect to the deferral of certain costs.¹ In approving the request for deferral, the panel also specifically stated that the deferral of these costs does not equate to a


¹ See *In re: Petition of Lynwood Utility Corporation for Approval of a Cost Recovery Mechanism for Deferred Odor Elimination Costs*, Docket No. 08-00060, Order Approving Settlement Agreement (April 17, 2008). See also *In re: Petition of Kingsport Power Company d/b/a AEP Appalachian Power Company to Defer Certain Costs Associated with Winter Storms Occurring in December 2009*, Docket No. 10-00144, Order Granting Request for Deferred Accounting (October 5, 2010).


determination that the Company will be allowed to recover such costs when they are considered by the Authority. Thereafter, based on the record, the panel voted unanimously to allow Navitas to defer costs associated with implementing its DIMP, including the costs associated with hiring a consultant.

IT IS THEREFORE ORDERED THAT:

The Petition filed by Navitas TN NG, LLC is granted, in part, allowing Navitas to book as a regulatory asset the costs associated with preparing and implementing the Distribution Integrity Management Program and to amortize the booked amount over a five year period. All other relief requested in the Petition that is inconsistent with this Order is denied.


Kenneth C. Hill, Chairman


Sara Kyle, Director


Mary W. Freeman, Director

TRI-STAR ENERGY CONSULTANTS PROPOSAL TO:

REDACTED

Navitas Companies

Confidential Proposal for Natural Gas Regulatory Documentation Services

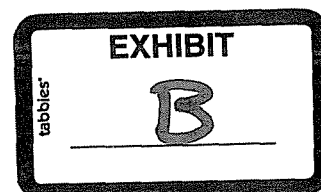


TRISTAR ENERGY

Bob Parks

2/17/2012

This document contains a confidential proposal of services and pricing to be provided to Navitas Companies. The contents outline elements required to achieve Documentation Regulatory Compliance for the two Tennessee, one Kentucky and 22 Oklahoma natural gas utilities currently owned by Navitas as outlined by Navitas Companies management. Growth and acquisition pricing is also included in the proposal. Acceptance of this proposal creates contractual agreement and may be accomplished by signing and returning a signed copy to TSE Consultants, 737 Adkisson Lane, Nashville, TN. 37205.



Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

Section #1 of Proposal - Executive Summary

- TSE Consultants will perform the services outlined in detail in this document on the following pages for Navitas Companies.
- The Natural Gas systems owned by Navitas as of this date and as outlined in the header for each page of this document are subject to service charges as follows:
- The cost of said services total shall be \$1.00 per customer, per month charge.
- The minimum that Navitas is required to pay TSE per month shall be based on a calculation of \$1.00 times no less than 4000 customers or a minimum monthly payment of \$4,000.00. (As directed by Navitas, 4200 customers were used in calculating charges reflecting Navitas defined "average" customer count total).
- No limitations on the growth of customers within these specified systems and supplied by the systems included in this proposal exists. Any increase (over 4000 minimum) will result in the customer count at the beginning of any month being used as the calculation times \$1.00 to determine the amounts owed to TSE for that month. (For example 4200 customers x \$1.00 = \$4,200.00 which would be the amount due for that month to TSE).
- This agreement (once the proposal is signed and accepted) may be terminated by either party with 30 days notice in writing.
- If Navitas terminates, they agree to pay TSE in total for all work performed, minus any payments for that work already made as of the date of termination notice (specifics included in the body of this document) within 30 days of the termination effective date.
- Provisions for pricing the services described in this document for new systems of certain customer count thresholds are detailed within.
- The term of any agreement shall be 63 months.
- Payments to TSE are due on the 10th day of every month.
- Services will begin to be rendered the first day of the month following the execution of agreement to this proposal. Payments to TSE will begin the 10th day of the month following and continue for 63 months.
- TSE estimates that the initial documentation requirements will require 12 months to complete.
- The total minimum agreement costs, assuming full term, are \$

REDACTED

Section #2 of Proposal - Detail by Service

This proposal requires monthly payments to TSE equal to the total customer count (minimum of 4000 required) times the cumulative quotes of all services as listed following; on a per customer, per month basis. The total proposal on this basis is \$1.00 per customer, per month.

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

1. Operations and Maintenance Manual – Initial documentation development

- a. Navitas quote = \$0.25 per customer, per month for 63 month term
- b. Scope of Services –
 - i. Develop, organize, document and supply a single hard copy of the Navitas O&M manual to each subsystem, customized for each system where appropriate, including any Navitas specific requirements such as operational consistency throughout its network.
 - ii. Provide a PDF copy of said manuals for the Navitas main office.
 - iii. Meet regulatory requirements for documentation as outlined for an Operations and Maintenance manual as of the date of first release of said initial document.
 - iv. After each States' first inspection and approval of the manual, the initial documentation requirements are complete.
- c. Section #2, point 7 of this proposal contains fees associated with updates to maintain compliance after initial documentation approval.
- d. Navitas will provide to TSE remotely all needed information and documents to facilitate the creation of the work product described above. TSE has not been asked to do on site research or inspections of each system nor is said due diligence included in this quote. As such, TSE cannot and does not warrant nor accept liability for the accuracy of said Navitas supplied information or any results, actions or issues of any kind attributable to that information.

2. Emergency Manual – Initial Manual Development and Documentation

- a. Navitas quote = \$0.08 per customer, per month for 63 month term
- b. Scope of Services –
 - i. Develop, organize and document a standalone Emergency Procedure manual that meets known regulatory requirements and supports the known customized needs of each system within the Navitas network of utilities.
 - ii. Document reasonable expectations for Emergency Response and coordination. This manual must be used in conjunction with each

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

- subsystem Operator Qualification of employees, the O&M manual, and any other tools or procedures which shall be needed to facilitate appropriate emergency response activities.
- iii. Provide a spiral bound hard copy for each operator on each subsystem (up to three per system) to have with or near them at all times when on the job.
- iv. Provide a PDF copy for Navitas main office.
- v. After each States' first inspection and approval of the manual, the initial documentation requirements are complete.
- c. Section #2, point 7 of this proposal contains fees associated with updates to maintain compliance after initial documentation approval.
- d. Navitas will provide to TSE remotely all needed information and documents to facilitate the creation of the work product described above. TSE has not been asked to do on site research or inspections of each system nor is said due diligence included in this quote. As such, TSE cannot and does not warrant nor accept liability for the accuracy of said Navitas supplied information or any results, actions or issues of any kind attributable to that information.

3. DIMP (Distribution Integrity Management Plan) – Initial Documentation of Plan

- a. Navitas quote = \$0.30 per customer, per month for a term of 63 months
- b. Scope of Services –
 - i. Develop, organize and document an integrity plan using information supplied by Navitas employees and management.
 - ii. Meet regulatory requirements as of the date of first release of the document, establishing a baseline of understanding about each individual utility subsystem, its potential risk elements and integrity enhancing plans and maintenance of the document and system.
 - iii. After each States' first inspection and approval of the manual, the initial documentation requirements are complete.
 - iv. One hard copy of the DIMP plan will be supplied to each subsystem and a PDF copy will be supplied to Navitas main office.

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

- c. Section #2, point 7 of this proposal contains fees associated with updates to maintain compliance after initial documentation approval.
- d. Navitas will provide to TSE remotely all needed information and documents to facilitate the creation of the work described above. TSE has not been asked to do on site research or inspections of each system nor is said due diligence included in this quote. As such TSE cannot and does not warrant nor accept liability for the accuracy of said Navitas supplied information or any results, actions or issues of any kind attributable to that information.

4. Public Awareness Plan – Initial Plan Documentation

- a. Navitas quote = \$0.12 per customer, per month for a term of 63 months
- b. Scope of Services –
 - i. Develop, organize and document with Navitas utility system management team, a Public Awareness plan that meets regulatory requirements for public awareness efforts for each subsystem within the Navitas Network.
 - ii. Provide one hard copy of the plan for each system within the Navitas network and a PDF copy for the Navitas main office.
 - iii. Provide consultation and checklist support, but not execution support to each subsystem and the Navitas utility on an “as needed” basis.
 - iv. After each States’ first inspection and approval of the manual, the initial documentation requirements are complete.
- c. Section #2, point 7 of this proposal contains fees associated with updates to maintain compliance after initial documentation approval.
- d. Navitas will provide to TSE remotely all needed information and documents to facilitate the creation of the work described above. TSE has not been asked to do on site research or inspections of each system nor is said due diligence included in this quote. As such TSE cannot and does not warrant nor accept liability for the accuracy of said Navitas supplied information or any results, actions or issues of any kind attributable to that information.

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

5. Annual Update and Review Meetings – Excluding Travel and Expenses

- a. Navitas quote = \$0.10 per customer, per month for a term of 63 months
- b. Scope of Services – For all of the services provided above,
 - i. TSE will conduct a combined annual “on site” review with all system employees selected by Navitas management to attend at the location of choice within the Navitas network. (Navitas is responsible for all expenses related to the attendance of the employees they choose to attend this meeting but TSE encourages all operating personnel management to be present). The purpose of this review will be:
 - ii. to review all documents provided to Navitas systems by TSE,
 - iii. highlight required changes or additions that have occurred during the prior year,
 - iv. identify and note needed future updates,
 - v. review and identify known new or coming regulatory changes
 - vi. review all state authority inspections results to identify further document changes that may be needed,
 - vii. review record keeping required by regulation,
 - viii. Simulate and execute a “tabletop” emergency drill.
 - ix. Once the annual review is complete (this is in addition to any “as needed” changes or additions that are required to be completed in between annual review and update services), TSE will amend, update or change the documentation as required and provide a comprehensive recap and needed updates to both the utility system operating teams and Navitas management, outlining the status of these efforts.
- c. Navitas will supply TSE remotely any needed information and materials required to facilitate this internal review process.

6. Travel and Expense Fees –

- a. Navitas quote = \$0.08 per customer, per month for a term of 63 months

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

b. Scope of Services –

- i.** 1 trip to a Navitas selected site annually for no more than 4 days and 2 people to complete the annual review process.
- ii.** Covers all travel costs, meal and associated “trip” charges such as air, hotels, mileage, etc. Should additional trips be requested or required by Navitas, they will be billed separately over and above this quote.
- iii.** Includes miscellaneous printing, phone charges, office supplies and the like required for TSE to be available and responsive to Navitas system personnel for remote consultation and the transit of hard copy materials needed from time to time in between annual review meetings.

7. Regulatory Changes on Existing Documents & Inspection Required Changes –

- a.** Navitas quote = \$0.07 per customer, per month for a term of 63 months
- b.** Scope of Services – This covers any additions, changes or modifications to existing regulatory requirements documentation, including those required by individual state inspectors based on terminology or placement of language or other interpretation changes. This does NOT include new regulatory documentation requirements or additional state or local requirements being added to the services required if they exceed a threshold impacting more than 20% of any one specified document prepared by TSE. Any such new regulatory requirements for documentation will be quoted as an incremental charge for Navitas.
- c.** TSE will update, modify and change up to 20% of any documentation manual contents annually on an “as needed” basis to maintain compliance for the period of the active service agreement. (After the first inspection and approval of the manual referenced, regulatory changes, state regulator interpretations and requested changes in excess of 20% of the document annually, create essentially a new document requirement and are not covered as part of this quote).

8. System Growth Services –

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

- a.** The included quotes and service scopes above will cover the documentation needs of the existing systems as outlined already in the initial agreement proposal.
- b.** Since Navitas has represented itself to TSE as a growth oriented company, in consideration of the benefit that growth may have for both parties, we propose:
 - i.** During the 63 month term of the agreement, any customer growth within those systems included in this initial agreement (1 system in KY, 2 systems in TN and 22 systems in OK) will result in increased fees based on customer count being paid monthly to TSE, regardless of whether those increases in customer count come from internal system growth or in the case of Tennessee and Oklahoma, acquisition growth within the states.
 - ii.** During the 63 month term of this initial agreement, should shrinkage of customer count occur in the systems owned by Navitas at the time the agreement is entered into occur, in no case will the fees and payments due to TSE drop below the per customer, per month charges times 4000 customers. New acquisitions of systems cannot be used to maintain the floor payments due to TSE.
- c.** Should Navitas make acquisitions in KY or any state other than TN and OK in which Navitas would request TSE to provide documentation services (as outlined above):
 - i.** Each will be subject to a 63 month term agreement regardless of the remaining term in the initial agreement.
 - ii.** Individual system acquisitions with less than 1000 customers will be subject to the prices quoted in this document per customer, per month and shall be paid incrementally to any other agreement payments.
 - iii.** Individual system acquisitions with 1001 to 4999 customers will be subject to prices for the services listed and quoted above of exactly 3/4 of the prices quoted above and those quotes shall be paid incrementally to all other payments calculated to be paid to TSE at the rates quoted for each under any other agreement or term.
 - iv.** Individual system acquisitions of 5000 or more customers will be subject to new quote proposals tailored to the size and needs of the acquired

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

system and in consideration of the new total business relationship that exists between Navitas and TSE.

9. TSE Consultants will support Navitas when requested, on a case by case basis, to review and advise its opinion on other documentation that is not part of this proposal. These documents will be the responsibility of, supplied by and validated by other companies but TSE agrees to review and comment concerning the TSE view of compliance represented by such other documents. TSE agrees to support Navitas in this manner without taking any responsibility for the content or actions Navitas may choose to take as a result of said comment by TSE. This will be a no charge service in support of the Navitas effort to create as safe and stable a gas system for its customers as possible.

Section # 3 of Proposal – Additional Detail and Limitations for Services

1. Scope of Services is listed for each service specified, reflecting TSE Consultants understanding of the needs and requirements as outlined by Navitas Companies.
2. TSE Consultants has calculated the per-customer, per month cost associated with the quoted services as requested by Navitas Companies. This calculation uses the total cost of all services combined and not an “each service” basis (as requested by Navitas for reference purposes, a by- service allocation has been shown in this proposal). This calculation has been computed based on all customers total for the gas systems as outlined rather than on a “per system” basis. This allows the leverage of multiple small systems to achieve the most efficient quote per customer per month benefit and efficiencies. The work done to supply the listed services is not done by customer, by month. That number is a calculation to determine customer impact. The work product required to create this documentation does not vary for systems based on customer count solely but rather is a complex combination of elements.
3. A substantial portion of the services quoted hereafter in this document will be performed and completed to current regulatory standards by TSE within the first twelve (12) months of the agreements 63 month term. TSE Consultants is prepared to spread the costs of

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

performing the specified service elements that shall be completed in that twelve month initial time frame over a 63 month period to support Navitas in the effort to minimize the cost impact on the consumers involved, while supporting safety and system integrity for them.

4. Once the initial documentation standards are met and paid for over the 63 month quoted term, it is believed that “out years” (past the 63 month initial payment timeframe) *may* benefit from reduced per customer, per month expenses for the specified systems and customer counts. If no additional requirements are introduced by regulators or Navitas, this “out years” period becomes the maintenance period and any reductions in per customer, per month costs *may* allow consumers to benefit from these potential reductions in as much as they may be offsetting other cost increases on other elements of the gas utility expense base.
5. As a result of the multiple systems (25) involved, and future growth plans Navitas has indicated it intends to pursue, TSE Consultants is striving to leverage multiple utilities in close geographic proximity to one another as another way to create cost efficiencies. This creates another level of benefit to the consumers for each system by reducing costs through combination quotes.
6. TSE Consultants will work with Navitas management and employees to maintain up to date regulatory compliance documentation for all specified services. Navitas has determined to be responsible for researching, collecting and supplying to TSE that utility specific information which is needed to achieve deadlines and meet regulatory requirements. This information will be delivered to the TSE offices in Tennessee. TSE assumes no responsibility for the accuracy of the information supplied by Navitas or any failures as a result of said information. This includes TSE’s ability to meet deadlines dependant on the referenced information above.
7. The documentation TSE will produce will be in hard copy form as specified in this proposal by service. Any additional hard copies or electronic versions in PDF format are not included in the quoted prices.

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

8. Changes, modifications and additions to documentation in response to inspections or regulatory changes will be made as soon as possible, but may be made during the annual review and update process in consideration that said changes may apply to more than one utility, as in the case of state inspectors' requirements.
9. Due to the nature of the work product produced under this proposal by TSE Consultants, it shall not be warranted in any way unless ongoing agreements exist with TSE and Navitas covering the specific documentation services outlined herein. Navitas may not copy, alter or otherwise use in any way the documentation supplied by TSE without TSE's express written authorization. It is TSE's intent that all work products be protected by copyright for TSE with all the rights and privileges included in that legal form.
10. Either party of this agreement (once executed) may terminate the agreement with 30 day written notice.
 - a. In the event that the agreement is terminated by Navitas Companies, they agree to pay all remaining fees for services already performed but for which TSE had agreed to be paid over the 63 month term of the agreement using the customer count current at the date of termination notice as the multiplier along with the per customer, per month quote for each service. This "prorated" payment is based on the cost of those services as quoted herein and financed by TSE for a 63 month period.
 - b. The specific services which will be substantially completed in the first 12 months of any agreement under this proposal and for which payment in the event of any termination of the agreement by Navitas include:
 - i. Operations and Maintenance Manual,
 - ii. Emergency Plan,
 - iii. DIMP plan,
 - iv. Public Awareness plan,

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

c. The prorated amounts quoted to be paid over a 63 month term (total quote for the term of the agreement minus any monthly payments already made to TSE), may be paid by Navitas either by continuing to pay the monthly per customer charges outlined in the proposal until completion of the 63 month term or Navitas may pay the remaining charges within 90 days of the termination date in full. During any such "payout" period TSE is not obligated and will not perform any other services or updates related to these documents and shall not be liable for any failure on the part of Navitas or its employees to keep the documents current with requirements.

d. The specific dollar amount associated with the specific services outlined above where the initial work will be complete in the first 12 months of any agreement and that will be due in the event of a termination by Navitas prior to the end of the 63 month term, is a minimum of \$ _____ minus any payments made specifically related to these services (75% of each monthly payment is applied to these specific services).

e. Should TSE terminate the agreement, Navitas will receive no further services or support and no payments (other than due or past due amounts) will be required. TSE will no longer be responsible or liable for any failure on the part of Navitas or its employees in relationship to the documents or services performed.

11. Upon acceptance of this proposal, Navitas will make payments for the calculated customer count times the per customer charges as outlined herein for the documentation services, on a monthly basis on the 10th day of every month. Late charges of 1.5% per month will apply for payments more than 14 days late. Past due of 30 days or more will result in actions wherein all work by TSE will cease until all past due amounts are brought current.

Proposal Accepted by authorized representative of Navitas Companies:

_____ (signature)

_____ (title)

_____ (date)

REDACTED

Confidential Proposal for Regulatory Compliance Documentation Services based on a minimum of 4000 customers and 25 systems in OK, TN and KY.

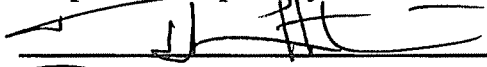
related to these services (75% of each monthly payment is applied to these specific services).

- e. Should TSE terminate the agreement, Navitas will receive no further services or support and no payments (other than due or past due amounts) will be required. TSE will no longer be responsible or liable for any failure on the part of Navitas or its employees in relationship to the documents or services performed.

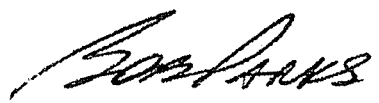
11. Upon acceptance of this proposal, Navitas will make payments for the calculated customer count times the per customer charges as outlined herein for the documentation services, on a monthly basis on the 10th day of every month. Late charges of 1.5% per month will apply for payments more than 14 days late. Past due of 30 days or more will result in actions wherein all work by TSE will cease until all past due amounts are brought current.

12. This contract is contingent upon approval by each of the regulatory agencies of Tennessee, Oklahoma and Kentucky.

Proposal Accepted by authorized representative of Navitas Companies:

 (signature)
PRESIDENT (title)
5-22-12 (date)

Proposal offered by authorized representative of Tri-Star Energy:

 (Signature)
Owner (title)
May 10, 2012 (date)