

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT )      CASE NO.  
FILING OF NAVITAS KY NG, LLC            )      2023-00002

ORDER

On January 11, 2023, Navitas KY NG, LLC (Navitas KY) filed its proposed Gas Cost Recovery (GCR) rate report to be effective February 8, 2023. Navitas KY's previous GCR rate was approved in Case No. 2022-00331.<sup>1</sup>

BACKGROUND

On April 30, 2021, the transfer of ownership of B & H Gas Company (B & H) and Johnson County Gas Company (Johnson County) to Navitas KY was consummated following the closing of Case No. 2020-00396.<sup>2</sup> Navitas KY was ordered in that case to file a unified GCR rate report for rates effective August 1, 2021, which only included the combined systems' Expected Gas Cost (EGC) in the calculation of the GCR rate. The subsequent Actual Cost Adjustment (ACA) was ordered by the Commission to be implemented in the unified GCR rate report for rates effective February 1, 2022. The Commission further ordered Navitas KY to implement a tracker specific to each legacy

---

<sup>1</sup> Case No. 2022-00331, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Dec. 22, 2022).

<sup>2</sup> Case No. 2020-00396, *Electronic Application of Navitas KY NG, Johnson County Gas Company, and B & H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems* (Ky. PSC Apr. 27, 2021).

gas system to reconcile any remaining under- and over- recoveries of past gas cost.<sup>3</sup> These gas costs are related to the previously Commission-approved ACA and Balancing Adjustment (BA) quarters that were not fully charged to each legacy gas system, along with the remaining gas costs that could not be collected due to residual and the transitional period balance that occurred during the acquisition period.<sup>4</sup> The remaining residual amounts for each system were found to be \$135,880.45 for Clinton County, or former Navitas KY system customers; \$5,763.60 for Floyd County, or former B & H system customers; and \$12,133.22 for Johnson County, or former Johnson County system customers.<sup>5</sup> In Case No. 2022-00109, the Commission approved Navitas KY's proposed residual surcharge of \$1.00 per Mcf to be effective on and after May 1, 2022, and to be included as a separate line item for the customers in each legacy gas system until the recoveries of gas costs is individually reconciled.<sup>6</sup> When each legacy gas system has recovered the full amount allocated to its system, the \$1.00 per Mcf line item shall be removed from the respective customer's bills.

---

<sup>3</sup> Case No. 2020-00396, *Electronic Application of Navitas KY NG, Johnson County Gas Company, and B & H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems* (Ky. PSC Apr. 27, 2021) at 13.

<sup>4</sup> The previously approved quarter ACA and quarter BAs for the separate systems were set forth in Case No. 2021-00136 for former Navitas KY customers, Case No. 2021-00101 for former Johnson County customers and Case No. 2021-00100 for former B & H customers. These quarters could not be fully charged to their respective gas system customers the full period before the acquisition approved in Case No. 2020-00396 was consummated.

<sup>5</sup> See Application, Case No. 2021-00381, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Oct. 1, 2021), Application. The tracker mechanism was originally proposed in Case No. 2021-00381, but following the Informal Conference held with Commission Staff on March 29, 2022, Navitas KY proposed to revise its tracker mechanism and include its new proposal in the current case.

<sup>6</sup> Case No. 2022-00109, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Apr. 29, 2022).

## LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.<sup>7</sup>

## DISCUSSION

Since May 1, 2022, Navitas KY has been charging its customers the \$1.00 per Mcf residual surcharge in order to recover the costs associated with the remaining gas costs that could not be fully recovered by each of the legacy gas systems following the implementation of the unified gas system GCR rate report. Included in the GCR rate report filed by Navitas KY is the monthly sales data from each of the gas systems of the former Navitas KY system customers, former B & H system customers, and former Johnson County system customers.<sup>8</sup> After reviewing the sales for each gas system, the Commission has calculated that Navitas KY has collected approximately \$23,738.00 from former Navitas KY legacy system customers, \$5,759.00 from former B & H system

---

<sup>7</sup> KRS 278.274(2); KRS 278.274(3)(c), and KRS 278.274(3)(d).

<sup>8</sup> GCR rate report, Sales tab.

customers, and \$6,217.10 from former Johnson County system customers.<sup>9</sup> The remaining totals are as follows: \$112,142.45 for former Navitas KY system, and \$5,916.12 for former Johnson County system. The Commission finds that the full residual amount of \$5,763.60 for the former B & H system customers have been collected and Navitas KY should remove the \$1.00 per Mcf surcharge from any subsequent bills for the former B & H system customers. The Commission further finds that Navitas KY should file revised tariff sheets that remove the former B & H customers from the \$1.00 per Mcf residual surcharge rate description. Additionally, as originally ordered by the Commission in Case No. 2022-00109, Navitas KY should include updated reports in its future GCR rate report filings on the total amounts recovered for each of the legacy gas systems through the \$1.00 per Mcf residual surcharge until any remaining under- or over-recoveries of gas costs is individually reconciled for each month. Navitas KY should also include in the cover letter when the total amount for each separate gas system has been collected and the \$1.00 per Mcf separate line item for that separate system will no longer be included in those customer's bills.<sup>10</sup>

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that Navitas KY's report includes revised rates designed to pass on to its customers its expected change in gas costs. Navitas KY's report sets out an EGC of \$9.8459 per Mcf, which is a decrease of \$4.3169 per Mcf from its previous EGC of \$14.1628 per Mcf. Navitas KY's report sets out no Refund Adjustment. Navitas KY's

---

<sup>9</sup> Although Navitas KY's GCR rate report is based on a reporting period twelve-months ended October 31, 2022, the GCR rate report included sales data up to and including December 2022.

<sup>10</sup> Case No. 2022-00109, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Apr. 29, 2022), ordering paragraph 3.

report sets out a current quarter ACA of \$0.1984 per Mcf. In calculating its total ACA, Navitas KY erroneously included an incorrect amount of \$0.4136 per Mcf for the Previous Quarter ACA. The correct Previous Quarter ACA is \$0.4390 per Mcf, as approved by the Commission in Case No. 2022-00331. Correcting this produces a total ACA of \$1.8417 per Mcf, which is an increase of \$0.0299 per Mcf from the previous total ACA of \$1.8118 per Mcf. Navitas KY's report sets out no current quarter BA and no total BA. Navitas KY's BA will continue to be unavailable until its first unified ACA quarter expires and the period in which the rate was effective is fully included in the reporting period.<sup>11</sup> Navitas KY's first unified ACA quarter was \$0.1686 per Mcf, as approved by the Commission in Case No. 2022-00004, and expired in the current GCR case proceeding.<sup>12</sup> Each quarter ACA is effective for a 12-month period and reflects the amount of gas cost to be recovered or refunded to customers based on expected sales over the next twelve month period. Navitas KY's next GCR rate report filing should include the reporting period of 12 months ended January 31, 2023. Navitas KY's next GCR rate report should include a proposed quarter BA that includes the reconciliation of the expired quarter ACA based on the actual 12-month sales for February 2022 through January 2023.

Based on the calculations above, the Commission finds that Navitas KY's GCR rate is \$11.6876 per Mcf, which is a decrease of \$4.2870 per Mcf from its previous GCR rate of \$15.9746 per Mcf. The Commission further finds that the rate set forth in the

---

<sup>11</sup> In its previous GCR rate report in Case No. 2022-00331, the Commission dictated that Navitas KY's next GCR rate report for a proposed effective date in February 2023 should include a proposed quarter BA that includes the reconciliation of the first unified expired quarter ACA. The Order included an error in its statement as the first expired unified ACA quarter would not be reconciled until the full 12 months of its effective period is rolled into the reporting period of the subsequent GCR rate report.

<sup>12</sup> Case No. 2022-00004, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Feb. 3, 2022).

Appendix to this Order is fair, just and reasonable, and should be approved for service rendered by Navitas KY on and after February 10, 2023. Navitas KY did not provide 30 days' notice to the Commissions as required by its Tariff for its rates to be effective February 8, 2023.

Pursuant to its Gas Cost Recovery Tariff, Navitas KY is to file its quarterly GCR rate reports with at least 30 days' notice prior to the beginning of each calendar quarter. Navitas KY's Gas Cost Recovery Tariff defines calendar quarters to mean each of the four month periods of (1) August, September, and October; (2) November, December, and January; (3) February, March, and April; and (4) May, June, and July. The Commission finds that Navitas KY should file with the Commission its subsequent quarterly GCR rate report filings with at least 30 days' notice prior to the beginning of each calendar as established in its Gas Cost Recovery tariff. The Commission requires the full 30 days' notice period to review the GCR rate report, invoices and monthly usage reports filed by Navitas KY.

The Commission finds that Navitas KY should file its quarterly GCR rate reports to the Commission with at least 30 days' notice pursuant to its Gas Cost Recovery Tariff so that it may be processed in a timely manner. The Commission further finds that Navitas KY should conduct a careful and thorough review to minimize any potential errors in its future GCR rate reports. Failure to minimize errors in future filings may adversely affect the timely processing of Navitas KY's GCR rate reports.

For the purpose of transparency and to maintain a record of information for future use the Commission finds that Navitas KY should submit all invoices it receives, along with its monthly usage reports when it files its future GCR rate reports. Should Navitas

KY purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

1. The rate proposed by Navitas KY is denied.
2. The rate set forth in the Appendix to this Order is approved for service rendered by Navitas KY on and after February 10, 2023.
3. Navitas KY shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files future GCR rate reports.
4. Navitas KY shall file with the Commission its subsequent quarterly GCR rate report filings with at least 30 days' notice prior to the beginning of each calendar as established in its Gas Cost Recovery tariff.
5. Navitas KY's future GCR filings shall include a report on the amount recovered for the \$1.00 per Mcf charge to be included as a separate line item for the customers in each legacy gas system until any remaining under- or over-recoveries of gas costs is individually reconciled for each month on and after May 1, 2022. Navitas KY shall include in the cover letter when the total amount for each legacy gas system has been collected and the \$1.00 per Mcf separate line item for that system will no longer be included in those customer's bills.
6. Within 20 days of the date of service of this Order, Navitas KY shall file with the Commission in this case proceeding a letter stating that it has removed the \$1.00 per Mcf surcharge from the former B & H system customer bills for service rendered on and after February 10, 2023.

7. Within 20 days of the date of service of this Order, Navitas KY shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.

8. This case is closed and removed from the Commission's docket.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

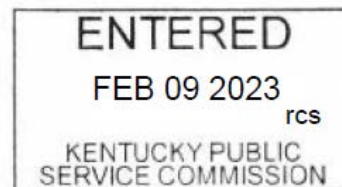


PUBLIC SERVICE COMMISSION

  
Chairman

Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director

Case No. 2023-00002

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00002 DATED FEB 09 2023

The following rates and charges are prescribed for the customers in the area served by Navitas KY NG, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Gas Cost Recovery rate

The Gas Cost Recovery rate shall be \$11.6876 per Mcf for service rendered on and after February 10, 2022.

\*M. Evan Buckley  
Dinsmore & Shohl, LLP  
City Center, 100 W. Main Street  
Suite 900  
Lexington, KENTUCKY 40507

\*Thomas Hartline  
Navitas KY NG, LLC  
3186-D Airway Avenue  
Costa Mesa, CA 92626

\*Navitas KY NG, LLC  
3186-D Airway Avenue  
Costa Mesa, CA 92626