

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING)	CASE NO.
OF NAVITAS KY NG, LLC)	2019-00241

ORDER

On July 8, 2019, Navitas KY NG, LLC (Navitas), filed its quarterly gas cost recovery (GCR) rate report. Navitas presented two options for calculating the GCR rate based on two gas transportation charges from interstate pipeline owner, B&W Pipeline, LLC (B&W). One option applied volumetric rates approved by the Tennessee Regulatory Authority (TRA). The second option calculated the GCR rate for volumetric rates approved by the Federal Energy Regulatory Commission (FERC). Navitas requested that the Commission authorize Navitas to use the TRA-approved rate, but did not set forth any basis for selecting one option over the other.¹

B&W, based in Tennessee, transports gas that is delivered to Navitas for consumption by Navitas's Kentucky customers. B&W operates as an intrastate pipeline that is subject to TRA jurisdictional authority and as an interstate pipeline that is subject to FERC jurisdictional authority.² Pursuant to 18 CFR § 284.123, B&W had the option of either adopting TRA-approved rates for interstate gas transportation costs or

¹ Commission Staff issued a request for information (Staff's First Request) to Navitas that, among other things, requested that Navitas provide its reasoning for selecting one option over the other. Navitas did not file a response to Staff's First Request, which was due July 19, 2019.

² B&W's public comment (filed July 16, 2019) at 1.

implementing rates approved by FERC in a rate case. On July 17, 2017, B&W filed a rate case with FERC, who entered a final order on May 17, 2019, establishing a gas transportation rate that was effective as of July 17, 2017. The FERC-approved rate is greater than the TRA-approved gas transportation rate.³ In a public comment filed with the Commission, B&W argued that the Commission should apply the FERC rate in calculating Navitas's GCR rate because Navitas would not fully recover the gas transportation expense if the GCR rate was based upon the lower TRA-approved rate.⁴

Based upon the case record, the Commission finds that the record is not sufficiently robust to make a determination whether the TRA-approved rate or the FERC-approved rate is the proper rate to apply in the GCR calculation. For that reason, we find that this case should remain open to investigate the proper rate to apply for gas transportation costs in this proceeding. Because the FERC-approved rate is higher than the TRA-approved rate, in order to ensure that Navitas collects sufficient revenue to pay the higher gas transportation charges if required to do so, we approve the use of the FERC-approved rate for calculating the GCR on an interim basis, subject to refund. If, at the conclusion of our investigation, we determine that the TRA-approved rate was the proper rate, Navitas would be required to refund the difference to its customers.

The Commission also finds that the case record is not comprehensive enough to determine that the proposed FERC-approved GCR rate was properly calculated.⁵ The FERC-approved GCR rate will be approved as proposed by Navitas on an interim basis

³ *Id.* at 2.

⁴ *Id.* at 1.

⁵ Staff's First Request asked Navitas to provide the spreadsheets used to calculate both options to determine if the GCR rate was calculated accurately. Navitas did not file a response to Staff's First Request, which was due July 19, 2019.

subject to refund. If, at close of the investigation, the interim GCR rate is found to be improperly calculated due to spreadsheet errors including, but not limited to, rounding errors, misuse of functions, or improper cell reference, the difference between interim GCR rate and corrected GCR rate should also be refunded to its customers by Navitas.

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Navitas's FERC rate report includes revised rates designed to pass on to its customers its expected change in gas costs.

2. Navitas's FERC rate report sets out an Expected Gas Cost (EGC) of \$7.7163 per Mcf, which is a decrease of \$.0163 per Mcf from its previous EGC of \$7.7326 per Mcf.

3. Navitas's FERC rate report sets out no Refund Adjustment.

4. Navitas's FERC rate report sets out a current quarter Actual Cost Adjustment (ACA) of \$.3828 per Mcf. Navitas's total ACA is \$1.3300 per Mcf, which is an increase of \$.8247 per Mcf from its previous total ACA of \$.5053 per Mcf.

5. Navitas's FERC rate report sets out a current quarter Balance Adjustment (BA) of (\$.0128) per Mcf. Navitas's total BA is (\$.1082) per Mcf, which is a decrease of \$.0051 per Mcf from its previous total BA of (\$.1031) per Mcf.

6. Navitas's FERC-approved GCR rate is \$8.9381 per Mcf, which is an increase of \$.8033 per Mcf from its previous GCR rate of \$8.1348 per Mcf.

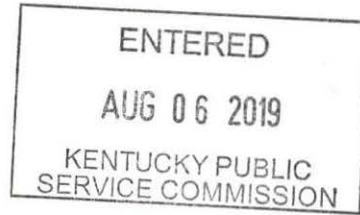
7. Navitas failed to provide 30 days' notice required for its rates to be effective August 1, 2019, pursuant to its Tariff. Based upon the July 8, 2019 filing date, the earliest date that the proposed rates can be effective is August 7, 2019.

8. The rate set forth in the Appendix to this Order is fair, just, and reasonable, and should be approved for service rendered by Navitas on and after August 7, 2019.

IT IS THEREFORE ORDERED THAT:

1. The TRA-approved GCR rate report proposed by Navitas is denied.
2. The FERC-approved GCR rate set forth in the Appendix to this Order is approved, on an interim basis subject to refund, for service rendered by Navitas on and after August 7, 2019.
3. Within 20 days of the date of entry of this Order, Navitas 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.
4. This case shall remain open to investigate whether the TRA-approved rate or FERC-approved rate should be used in the GCR rate calculation.
5. The case will also investigate Navitas's compliance with its GCR Tariff.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00241 DATED **AUG 06 2019**

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 the authority of the Commission prior to the effective date of this Order.

RATES per Mcf:

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
Residential	\$ 4.62	\$ 8.9380	\$ 13.5580
Commercial	\$ 3.62	\$ 8.9380	\$ 12.5580

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