

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NAVITAS KY)	CASE NO.
NG, LLC FOR AN ALTERNATIVE RATE FILING)	2025-00332
PURSUANT TO 807 KAR 5:076)	

ORDER

On October 14, 2025, Navitas KY NG, LLC (Navitas KY) tendered its application with the Commission requesting an alternative adjustment to its natural gas rates pursuant to 807 KAR 5:076. In addition, Navitas KY filed a motion requesting emergency rate relief pursuant to KRS 278.190(2). On October 24, 2025, Navitas KY and Commission Staff held an informal conference to discuss Navitas KY's customer notice and items regarding the request for emergency rate relief.¹ On October 27, 2025, Navitas KY filed additional information in support of its application, as requested in the October 24, 2025 informal conference.

On October 31, 2025, Navitas KY was notified via letter that its application was deficient; however, on November 7, 2025, Navitas KY filed a revised customer notice as well as a request for any necessary deviations related to notice. The Commission granted the motion and found Navitas KY's deficiencies cured on November 18, 2025.² There are no intervenors in this matter.

¹ Commission Staff's Notice of an Informal Conference (issued Oct. 21, 2025); Commission Staff's Informal Conference Memo for Informal Conference of October 24, 2025 (filed Nov. 14, 2025).

² Order (Ky. PSC Nov. 18, 2025).

A hearing on the motion requesting emergency rates was held on December 5, 2025. As part of the post-hearing schedule, an informal conference was scheduled for December 11, 2025.³ In addition, Navitas KY responded to post-hearing request for information from Commission Staff.⁴ The motion for interim emergency rates now stands submitted for decision.

BACKGROUND

Navitas KY was formed from the acquisition of the system formerly known as Gasco Distribution Systems, Inc., as approved by the Commission in Case No. 2010-00468.⁵ Presently, Navitas KY owns and operates systems that distribute and sell natural gas to end-use customers in Clinton, Floyd, and Johnson counties, Kentucky.⁶ Navitas KY acquired additional gas systems as approved in Case No. 2020-00396⁷ and uses the counties to differentiate its legacy systems. Clinton County is used to describe the original Navitas KY; Floyd County is used for legacy B&H Gas Company (B&H); and Johnson County is used for the legacy Johnson County Gas Company (Johnson County).

³ Commission Staff's Informal Conference Memo for Informal Conference of December 11, 2025 (filed Dec. 15, 2025).

⁴ Navitas Ky's Response to Commission Staff's Post-Hearing Request for Information (Staff's Post-Hearing Request) (filed Dec. 12, 2025).

⁵ Case No. 2010-00468, *Joint Application of Navitas KY NG, LLC and Gasco Distribution Systems, Inc. for Approval of an Acquisition of Ownership and Control of Gas Utility Systems* (Ky. PSC Feb. 11, 2011).

⁶ *Annual Report of Navitas KY to the Public Service Commission the Year Ended December 31, 2024* (2024 Annual Report) at 4.

⁷ 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).

According to the application, Navitas KY has not sought a rate adjustment in Floyd County since 2021,⁸ Johnson County since 2013,⁹ and Clinton County since Navitas KY acquired the system in 1985.¹⁰

Navitas KY was previously denied a rate increase in Case No. 2024-00252.¹¹ In that case, Navitas KY requested a revenue increase of \$890,177, or 76 percent.¹² The Commission ordered that Navitas KY file a complete, amended 2023 Annual Report with the Commission using accurate financial information in accordance with the FERC USoA standards as required by KRS 278.220 and in a manner consistent with the Commission's filing procedures.¹³ The Commission also stated that

[I]n the future, if Navitas KY files an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16 or an alternative rate adjustment pursuant to 807 KAR 5:076, it should ensure that: (1) the application and responses to requests for information do not contradict the applicable Annual Report or any other filing in the matter; (2) financial records are kept in accordance with FERC accounting standards; (3) all expenses, revenues, adjustments and allocations should be explained and justified, if necessary, with testimony; and (4) non-recurring charge changes are correctly published in the customer notice. Additionally, pursuant to 807 KAR 5:001 Section 4(12), all responses to requests for information should be complete, accurate and made in a timely manner or respondent may be subject to an Order to compel.¹⁴

⁸ Application, Attachment 2.

⁹ Application, Attachment 2.

¹⁰ Application, Attachment 2.

¹¹ Case No. 2024-00252, *Electronic Application of Navitas KY NG, LLC for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 26, 2025).

¹² Case No. 2024-00252, (filed Aug. 2, 2024), Application, Attachment 4.

¹³ Case No. 2024-00252, Mar. 26, 2025, Order at 21.

¹⁴ Case No. 2024-00252, Mar. 26, 2025, Order at 20.

Navitas KY has open Gas Cost Recovery (GCR) Case Nos. 2024-00401;¹⁵ 2025-00084;¹⁶ 2025-00204;¹⁷ and 2025-00316.¹⁸

LEGAL STANDARD

The statutory basis for interim rate relief is set forth in KRS 278.190(2). It states, in relevant part, that:

[I]f the commission, at any time, during the suspension period, finds that the company's credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the [suspension] period, the commission may, after any hearing or hearings, permit all or a portion of the rates to become effective under terms and conditions as the commission may, by order, prescribe.

Navitas KY has the burden to demonstrate that its credit or operations would be materially impaired or damaged in the absence of interim rate relief.

In addition, KRS 278.030 requires the Commission to ensure that the utility's rates are fair, just and reasonable.

MOTION FOR EMERGENCY RATE RELIEF

Navitas KY stated that without emergency rate relief, it would not be able to continue operations in the near-term due to insufficient cash flow to pay vendors and

¹⁵ Case No. 2024-00401, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Dec. 31, 2024).

¹⁶ Case No. 2025-00084, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Mar. 31, 2025).

¹⁷ Case No. 2025-00204, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed June 30, 2025).

¹⁸ Case No. 2025-00316, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Sept. 30, 2025).

creditors.¹⁹ Navitas KY also mentioned that, without the emergency interim rates, its 700 customers in Eastern Kentucky are at risk of no longer having natural gas service during the upcoming winter months.²⁰ Navitas KY stated its proposed emergency rates result in revenue far below what is necessary for Navitas KY to meet its obligations or turn any profit; rather, they simply allow Navitas KY to survive until next spring.²¹ Navitas KY stated that, without available cash reserves, Navitas KY may face challenges in suitably responding to system emergencies, and cannot operate at peak performance in the upcoming winter months or conduct major system maintenance.²² In short, absent some form of emergency interim rate relief, Navitas KY will struggle to survive the suspension period of this rate proceeding.²³

Navitas KY requested additional revenues of approximately \$137,000, which results in a 9 percent increase for Floyd and Johnson County customers and a 38 percent increase for Clinton County customers.²⁴ Navitas KY alleged that it had received disconnection notices from natural gas suppliers and is in technical default on its debt obligations.²⁵ Navitas KY also requested that the Commission withhold entering a

¹⁹ Navitas KY's Motion for Emergency Rate Relief (filed Oct. 14, 2025) at 1–2.

²⁰ Navitas KY's Motion for Emergency Rate Relief at 1.

²¹ Navitas KY's Motion for Emergency Rate Relief at 2.

²² Navitas KY's Motion for Emergency Rate Relief at 6.

²³ Navitas KY's Motion for Emergency Rate Relief at 6.

²⁴ Navitas KY's Motion for Emergency Rate Relief at 4 and 8.

²⁵ Navitas KY's Motion for Emergency Rate Relief at 5–6.

procedural schedule in this proceeding until Navitas can supplement its application consistent with the finally completed Cost-of-Service Study (COSS).²⁶

DISCUSSION AND FINDINGS

Need for Emergency Rate Relief

Navitas KY provided disconnection notices for an affiliate company but did not provide any notices for gas suppliers in Kentucky.²⁷ However, Navitas KY stated that it collectively owes \$553,335 to gas suppliers and transporters for its natural gas service.²⁸ Navitas KY also supplied a statement of cash flows which shows that Navitas KY will completely exhaust its cash reserves in 2025.²⁹ The Commission finds that without interim emergency rate relief, Navitas KY's ability to provide adequate, reliable service will be impaired. The Commission finds that the emergency interim rates, a revenue increase of approximately 33.55 percent, set forth in Appendix B to this Order, are fair, just and reasonable. Navitas KY should be authorized to implement the emergency interim rates, subject to refund. The revenue requirement or rate allocation may be impacted, should the Commission, upon further discovery, elicit additional information such as the not-yet-filed Cost of Service Study (COSS)..

²⁶ Navitas KY's Motion for Emergency Rate Relief at 10.

²⁷ Navitas KY's Response to Commission Staff's Informal Conference Request for Information, Notices of Termination and Hearing Video Transcript (HVT) of the Dec. 5, 2025 Hearing at 09:43:30–09:44:04.

²⁸ Navitas KY's Response to Staff's Post-Hearing Request, Item 15.

²⁹ 2024 Annual Report at 27 and Navitas KY's Response to Staff's Post-Hearing Request, Item 17.

Revenue Requirement

In its application, Navitas KY requested a revenue increase of \$992,435.57,³⁰ a 76.9 percent increase, to be implemented over a nine-year phase-in. However, as discussed above, the Commission has calculated interim rates sufficient for Navitas KY to maintain its service through the winter months, until completion of this matter. In order to determine the interim rates, the Commission examined the unadjusted test year for Navitas KY. Navitas KY had \$1,067,618, in unadjusted pro forma operating expenses before income taxes. It had a total revenue requirement of \$2,028,334; once sales at present rates and revenues were calculated Navitas KY was revenue deficit. The Commission finds that a \$432,949 increase in revenue is necessary to enable Navitas KY to continue to provide service for the winter months. This additional revenue equates to an approximate 33.55 percent increase in rates.

The Commission reviewed the debt information³¹ as well as the amounts due and owing gas suppliers or transporters³² for service to Navitas KY. In addition, Navitas KY filed information that its parent company had approximately \$2,262,497.34 in current expenses due and owing, a portion of which is attributable to Navitas KY.³³ In response to a post-hearing request for information, Navitas KY specifically noted that it has three

³⁰ Application, Attachment 5 – Revenue Requirement Calculation.

³¹ Application, Attachments 8(a)-(e).

³² Navitas KY's Response to Staff's Post-Hearing Request, Item 1, Exhibit 1.

³³ Navitas KY's Response to Staff's Post-Hearing Request, Item 1, Exhibit 1; \$553,335.

notes attributable to its service in Kentucky as well as a line of credit.³⁴ The current total monthly payment on those debts is approximately \$24,935.³⁵

The Commission also reviewed the cash flow statements for the normal monthly operating expenses.³⁶ The revenues and expenses are allocated pursuant to an Operating Agreement between “Members of Navitas Assets, LLC.”³⁷ According to the cash flow information, after allocation pursuant to this agreement, Navitas KY’s expenses exceeded the revenues in all but two months.³⁸

The Commission has attached a complete pro forma revenue requirement to this Order as Appendix A. The Commission, as noted above, finds these to be fair, just and reasonable based on the current debts, revenues, and monthly expenses.

Rate Design.

Navitas KY did not provide a COSS with its application but plans to supplement the record with a COSS once complete.³⁹ The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility’s rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable in the absence of a COSS.⁴⁰ However, the Commission

³⁴ Navitas KY’s Response to Staff’s Post-Hearing Request, Item 14.

³⁵ Navitas KY’s Response to Staff’s Post-Hearing Request, Item 14.

³⁶ Navitas KY’s Response to Requested Information at the Informal Conference (filed Oct. 27, 2025), 2025 KYNG Cashflow; Navitas KY’s Response to Staff’s Post-Hearing Request, Item 17, Exhibit 17.

³⁷ Navitas Ky’s Response to Staff’s Post-Hearing Request, Item 9, Exhibit 9.

³⁸ Navitas Ky’s response to Staff’s Post-Hearing Request, Item 17, Exhibit 17. One of the positive months was December 2025. The information was incomplete as of the date of this Order.

³⁹ Navitas KY’s Motion for Emergency Rate Relief at 4 and 7.

⁴⁰ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

notes that doing a true increase across the board creates concerns of rate shock, especially to residential customers. The Commission also favors the principle of gradualism in ratemaking, which mitigates the financial impact of rate increases on customers while allowing the utility to maintain its ability to provide adequate, reliable service.

In its ARF application, Navitas KY proposed to merge rate classes between the Clinton, Johnson, and Floyd counties and also proposed the creation of a separate rate class for Agricultural customers. While the Commission reserves its final ruling regarding rate increase allocation among rate classes, for the purpose of establishing emergency rates, the Commission utilized the information presented by Navitas KY in its billing analysis to determine the allocation of the emergency interim revenue increase.

Navitas KY stated that it does not have any active Industrial or Agricultural customers in Floyd and Johnson Counties; however, Navitas KY requested rates for the Industrial and Agricultural classes in those counties.⁴¹ Therefore, the Commission redistributed the Floyd and Johnson County Industrial class revenues to the Commercial and Residential classes and assigned the Agricultural classification as appropriate. Navitas KY reports that the customers intended for the Agricultural class are currently charged at the Commercial rates.⁴² The Commission modified the increase to lessen the overall impact to residential customers. Residential customers will still have some control over their bills by monitoring and controlling their usage. Accordingly, in Clinton County, the Commission approves a customer charge of \$16 and a volumetric rate of \$6.6000 per

⁴¹ Application, Attachment 3.

⁴² Navitas Ky's Response to Staff's Post-Hearing Request, Item 10a.

Mcf for the Residential class; a customer charge of \$87.60 and a volumetric rate of \$9.3600 per Mcf for the Commercial class and a customer charge of \$170 and a volumetric rate of \$9.3600 per Mcf for the Industrial class.

For Floyd and Johnson counties, the Commission approves a customer charge of \$16 and a volumetric rate of \$6.6000 per Mcf for the Residential and approves a customer charge of \$90 and a volumetric rate of \$9.3600 per Mcf for the Commercial class. Therefore, the Commission finds that the rates presented in Appendix B are fair, just and reasonable for approval on an emergency basis. The Commission expects Navitas KY to provide more evidence and justification for the proposed revenue allocation in its COSS filings.

SUMMARY

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Navitas KY should be granted an interim rate increase, subject to refund. The rate increase will result in the average bill for a residential customer in Clinton County using 3 Mcf increasing \$13.94 from \$21.86 to \$35.80, per month, or 63.8 percent, while customers in Floyd and Johnson Counties using 3 Mcf will see a decrease of \$5 from \$40.80 to \$35.80 a month, or 14 percent. These adjustments do not reflect any impact from the pending gas recovery cases.

The Commission finds Navitas KY should maintain all its records until further orders of the Commission so the utility, the Commission, or any customer to determine the amounts to be refunded, and to whom, in the event a refund is ordered upon final resolution of the case. Further, upon final resolution, the Commission may order a refund

to the extent the rates approved in the final Order are lower than rates proposed by the utility and placed into effect pursuant to KRS 278.190(2).

The Commission will issue an updated procedural schedule upon submission of Navitas KY's COSS. The Commission wants to make clear that any revenue realized as a result of this rate increase should be used for debts and expenses related to the provision of service in Kentucky.


IT IS THEREFORE ORDERED that:

1. Navitas KY is authorized to place into effect the interim base rate increase, subject to refund, set forth in the Appendix B to this Order, for service rendered on and after the date of this Order.

2. Navitas KY shall maintain its records in such a manner as will enable it, or the Commission, or any of Navitas KY's customers, to determine the amounts to be refunded and to whom any refund is due in the event that a refund of any portion of the interim base rate increase is ordered by the Commission.

3. Nothing in this Order shall be construed as preventing further Orders of the Commission.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



Case No. 2025-00332

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00332 DATED DEC 22 2025

Description	Unadjusted test year
Pro Forma Operating Expenses Before Income Taxes	\$1,067,618
Operating Ratio	<u>88%</u>
Sub-Total	1,213,203
Less: Pro Forma Operating Expenses Before Income Taxes	<u>(1,067,618)</u>
Net Income Allowable	145,584
Add: Provision for State and Federal Income Taxes	0
Interest Expense	180,891
Pro Forma Operating Expenses Before Taxes	1,067,618
Cost of Natural Gas	<u>634,240</u>
Total Revenue Requirement	2,028,334
Less: Other Operating Revenue	(276,186)
Non-Operating Revenue	0
Interest Income	<u>(28,726)</u>
Total Revenue Required from Rates for Service	1,723,421
Less: Revenue from Sales at Present Rates	<u>(1,290,472)</u>
Required Revenue Increase	<u>432,949</u>
Required Revenue Increase Percentage	<u>33.55%</u>

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00332 DATED DEC 22 2025

	Customer Charge	Per Mcf
Clinton County		
Residential	\$ 16.00	\$6.60
Commercial	\$ 87.60	\$9.36
Industrial	\$170.00	\$9.36
Floyd and Johnson Counties		
Residential	\$ 16.00	\$ 6.60
Commercial	\$90.00	\$9.36

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