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October 8, 2012

VIA FEDERAL EXPRESS - (502) 564-3940

RECEIVED
OCT 09 2012
PUBLIC SERVICE COMMISSION

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

RE: Notice of Filing Navitas KY NG, LLC's Responses to the Public Service Commission's Second 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 Second Request 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

Mari Jo M. Casey
Paralegal

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

60258187.1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NAVITAS KY NG, LLC FOR APPROVAL TO BOOK AS A REGULATORY ASSET ITS COST ASSOCIATED WITH ITS DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM	)))))))	**Case No. 2012-00089**

NAVITAS KY NG, LLC's RESPONSES TO THE PUBLIC SERVICE COMMISSION STAFF'S SECOND 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 Second Request for Information pursuant to 807 KAR 5:001. Navitas states as follows:

1. In its Application, Navitas is requesting approval to record as a regulatory asset the costs associated with preparing and implementing its Distribution Integrity Management Program ("DIMP plan"). The proposed contract with Tri-Star Energy Consultants ("Tri-Star") indicates that, in addition to the DIMP plan, Tri-Star will also prepare an Operations and Maintenance Manual, Emergency Manual, and Public Awareness Plan. Confirm that Navitas is requesting approval to record as a regulatory asset the costs associated with all four documents.

RESPONSE BY THOMAS HARTLINE: Yes, this is correct. Navitas is requesting approval to record as a regulatory asset the costs associated with all four documents.

2. Provide the estimated cost of the regulatory compliance documentation to be prepared by Tri-Star for the Albany, Kentucky gas system which Navitas is seeking to record as a regulatory asset.

RESPONSE BY THOMAS HARTLINE: The Albany system has approximately 125 customers and on that basis the estimated cost of the regulatory compliance documentation to be recorded as a regulatory asset is: 125 customers per month x $1 per customer x 63 months = $7,875.

3. Discuss the impact on the estimated cost provided in Item 2 if the contract with Tri-Star only covered the Albany, Kentucky system.

RESPONSE BY THOMAS HARTLINE: The Company believes that the cost of obtaining a DIMP only for Albany, KY on a stand-alone basis would be $8,000 to $12,000. And that the cost of the other three documents would be substantially greater thus it is likely that the total cost for all four documents would be 2 – 3 times greater than the amount being sought.

4. Confirm that Navitas will pay Tri-Star monthly for 63 months resulting in the estimated cost provided in Item 2.

RESPONSE BY THOMAS HARTLINE: That is correct; Navitas will pay Tri-star monthly for 63 months.

a. If confirmed, provide the estimated monthly amount that Navitas will pay for the Albany, Kentucky gas system documentation.

RESPONSE BY THOMAS HARTLINE: $125

b. Given that it appears the cost of the regulatory asset will be incurred over a 63-month period, explain how and when Navitas will record the regulatory asset on its books. Provide the accounting entries and the frequency with which the entries will occur.

RESPONSE BY THOMAS HARTLINE: Navitas will record as regulatory assets and a contractual liability on the Albany, KY books of $7875 as follows:

debit	**Regulatory Asset**	**$7,875**
credit	**Contractual Liability**	**$7,875**

On a monthly basis Navitas will record depreciation and regulatory expense as follows:

debit	**Depreciation Expense**	**$125**
credit	**Regulatory Asset Accumulated Depreciation**	**$125**
debit	**Contractual Liability**	**$125**
credit	**Cash**	**$125**

5. Refer to Exhibit C attached to Navitas' filing of June 6, 2012.

a. Explain whether Navitas has executed the proposed contract with Tri-Star.

RESPONSE BY THOMAS HARTLINE: Yes, Navitas executed substantially the same contract.

b. Explain whether Tri-Star has begun development of the documentation specified in the proposed contract for the Albany, Kentucky gas system. What is the estimated completion date?

RESPONSE BY THOMAS HARTLINE: Tri-Star has begun development of the Tennessee DIMP(s). Additionally, Tri-Star coordinated the data gathering phase for the Albany, KY system with the data gathering for the Fentress - Byrdstown, TN system. Once Tennessee is completed our intent is to pursue Kentucky before moving on to Oklahoma. The goal is to have all DIMP(s) completed and submitted by July 2013.

c. When Navitas acquired the Albany, Kentucky gas system from Gasco Distribution Systems, Inc., was the regulatory compliance documentation that Navitas has contracted with Tri-Star to prepare in existence? If so, explain why new documentation is necessary.

RESPONSE BY THOMAS HARTLINE: While some documentation did exist at some point (based on past safety audits), it was not up to date and Navitas is reticent to use work product of a suspect nature from a bankrupt company. Addition the documentation was due for and in need of its required multi-year thorough review.

6. Refer to Navitas' response to Commission Staff's First Request for Information, Item 5.

a. Provide the most current financial statements available for 2012 for the Albany, Kentucky gas system.

RESPONSE BY THOMAS HARTLINE: Please see the attached June 30, 2012 financial statements for Navitas KY NG, LLC., affixed hereto as Exhibit A.

b. Refer to the Profit and Loss statement provided with this response. Explain fully the line items labeled NUC-Operations and NUC-Asset Billing.

RESPONSE BY THOMAS HARTLINE: NUC – Operations: This is the charge for all the operations of the Albany system. It includes administration, billing, and field service. Enclosed please find a further discussion as to how the Company allocates costs. NUC – Assets billing: This charge is for the physical meters on the Albany system. It is $3 per month and is part of the monthly billing from Navitas Utility Corporation. The purpose of this billing is to allow Navitas Utility Corporation, the system operator to own the physical gas meter. By doing so, the Company avoids having to track the individual meters as to which regulated entity owns it as they move through the repair shop and are placed in service. Otherwise, when the service person covering the Fentress - Byrdstown - Albany systems went to replace a meter they would have to ensure they only used Navitas TN NG, LLC meters in Tennessee and Navitas KY NG, LLC meters in Kentucky. Likewise, when new meters were brought out from Oklahoma, Fort Cobb or NOK3 or WinStar or LeAnn would have to sell the reconditioned meter to Navitas KY NG, LLC and Navitas KY NG, LLC would have to sell the old meter as it went back to the Oklahoma meter shop for testing and reconditioning. As you can imagine this would be a very cumbersome and unworkable process.

Dated this the 8th day of October, 2012.

Respectfully Submitted,

Klint W. Alexander (#20420)
Wyatt, Tarrant & Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203
(615) 244-0020
kalexander@wyattfirm.com

VERIFICATION OF NAVITAS KY NG, LLC

STATE OF ____________)
) ss.
COUNTY OF ____________)

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 me, a Notary Public in and for the above County and State, on this ___ day of October, 2012.

____
NOTARY PUBLIC

My Commission Expires:

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 8th day of October, 2012, a true and correct copy of the foregoing instrument was emailed and 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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EXHIBIT A

Navitas TN NG, LLC

	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
Assets						
Cash	$ 49,731	$ 104,843	$ 43,457	$ 11,790	$ 67,342	$ 37,510
Accounts receivable	130,580	30,853	12,965	51,683	41,601	24,691
Loans to members						
Inventory						
Prepaids	14,700	14,700	14,700	5,678	5,678	5,678
CIEB						
Total current assets	195,011	150,396	71,122	69,151	114,621	67,879
Equipment						
Plant - acquired	1,013,619	1,013,619	1,013,619	1,013,619	1,013,619	1,013,619
Plant - constructed	27,394	27,394	30,655	31,408	33,989	33,989
Acquisition adj prior						
Acquisition adj - NALLC	(13,202)	(55,949)	(55,949)	(55,949)	(55,949)	(55,949)
Accumulated depreciation	(851,886)	(858,214)	(864,213)	(870,179)	(876,191)	(882,209)
Total	175,925	126,850	124,112	118,899	115,468	109,450
Other LT assets	(102,936)	78,329	83,235	84,660	85,833	86,797
Investment in						
Accumulated depreciation	(545)	(2,289)	(4,352)	(6,609)	(8,923)	(11,288)
Total	(103,481)	76,040	78,883	78,051	76,910	75,509
Total assets	$ 267,455	$ 353,286	$ 274,117	$ 266,101	$ 306,999	$ 252,838
Liabilities						
Accounts payable	$ (890)	$ 75,895	$ 46,956	$ 90,504	$ 67,267	$ 20,962
Accruals	28,204	41,398	38,345	29,017	40,209	40,722
Line of credit						
Loans from members						
BIEC				26,856	26,856	26,856
CPLTD	4,446	4,513	4,581	4,650	4,721	4,792
Total current liabilities	31,760	121,806	89,882	151,027	139,053	93,332
LTD	144,895	143,741	142,570	141,381	140,175	138,949
Equity	57,749	57,749	27,749	1	1	1
Retained earnings					(26,308)	(26,308)
Net income	33,050	29,990	13,916	(26,308)	54,078	46,864
Accum other comp incm						
Total equity	90,799	87,739	41,665	(26,307)	27,771	20,557
Total liabilities & equity	$ 267,454	$ 353,286	$ 274,117	$ 266,101	$ 306,999	$ 252,838
Ratios						
Current	6.14	1.23	0.79	0.46	0.82	0.73
Debt to equity	1.95	3.03	5.58	(11.12)	10.05	11.30

Navitas TN NG, LLC

	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
Revenue		$ 36,520	$ 50,425	$ 33,747	$ 84,406	$ 143,826	$ 41,563
Commodity cost			17,550	7,512	87,714	53,314	16,976
Bad debt expense				3,935	(386)	-	
Non commodity revenue	-	36,520	32,875	22,300	(2,922)	90,512	24,587
Direct costs			25,394	25,867	25,902	25,052	25,245
Depreciation		2,714	8,072	8,063	8,222	8,326	8,383
Overheads							
General expense							
Office expense							
Accounting expense		7	113	158	196	217	198
Business expense			120	61	122	653	3,001
New systems expense							
Total overheads	-	7	233	219	318	870	3,199
Other expense							
Customer deposit int expns							
Total operating costs	-	2,721	33,699	34,149	34,442	34,248	36,827
Operating income	-	33,799	(824)	(11,849)	(37,364)	56,264	(12,240)
Other income				(2,005)	(656)	-	7,197
EBIT	$ -	$ 33,799	$ (824)	$ (13,854)	$ (38,020)	$ 56,264	$ (5,043)
Interest income							
Interest expense		749	2,236	2,220	2,204	2,186	2,171
EBT	$ -	$ 33,050	$ (3,060)	$ (16,074)	$ (40,224)	$ 54,078	$ (7,214)
				13,916	(26,308)		46,864

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	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
Operations							
Net income	-	33,050	(3,060)	(16,074)	(40,224)	54,078	(7,214)
Depreciation	-	2,714	8,072	8,063	8,222	8,326	8,383
(Incrs)/Decrs A/R	-	(130,580)	99,727	17,888	(38,718)	10,082	16,910
(Incrs)/Decrs N/R	-	-	-	-	-	-	-
(Incrs)/Decrs Inventory	-	-	-	-	-	-	-
(Incrs)/Decrs Prepaids	-	(14,700)	-	-	9,022	-	-
(Incrs)/Decrs CIEB	-	-	-	-	-	-	-
Incrs/(Decrs) A/P	-	(890)	76,785	(28,939)	43,548	(23,237)	(46,305)
Incrs/(Decrs) Accruals	-	28,204	13,194	(3,053)	(9,328)	11,192	513
Incrs/(Decrs) BIEC	-	-	-	-	26,856	-	-
Incrs/(Decrs) AOCI	-	-	-	-	-	-	-
Total operating cash	-	(82,202)	194,718	(22,115)	(622)	60,441	(27,713)
Investing							
Plant and equipment	-	(178,094)	42,747	(3,262)	(752)	(2,581)	-
Investment in	-	-	-	-	-	-	-
Other LT assets	-	102,936	(181,265)	(4,906)	(1,425)	(1,173)	(964)
Total investing cash	-	(75,158)	(138,518)	(8,168)	(2,177)	(3,754)	(964)
Financing							
Notes payable	-	-	-	-	-	-	-
Loans from members	-	-	-	-	-	-	-
Long-term debt	-	149,341	(1,087)	(1,103)	(1,120)	(1,135)	(1,155)
Equity	-	57,749	-	(30,000)	(27,748)	-	-
Distribution		-	-	-	-	-	-
Total financing cash	-	207,090	(1,087)	(31,103)	(28,868)	(1,135)	(1,155)
Total cash flow	-	49,730	55,113	(61,386)	(31,667)	55,552	(29,832)
Beginning cash	-	-	49,731	104,843	43,457	11,790	67,342
Ending cash	-	49,730	104,844	43,457	11,790	67,342	37,510
Balance sheet cash	-	49,731	104,843	43,457	11,790	67,342	37,510
	-	(1)	1	-	-	-	-