COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of January 20, 2026, as amended by an Order entered February 13, 2026, and further amended by an Order on June 30, 2026, the attached report containing the recommendations of Commission Staff (Staff) regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's February 13, 2026 Order, Navitas KY NG, LLC (Navitas KY) is required to file written comments regarding the recommendations of Staff no later than 14 days from the date of service of this report. The Commission directs Navitas KY to the Commission's July 22, 2021 Order in Case No. 2020-00085[1] regarding filings with the Commission.

Justin McNeil RP

Justi McNeil
Executive Director
Public Service Commission
211 Sower Blvd.
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DATED AUG 12 2026
cc: Parties of Record

[1] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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COMMISSION STAFF'S REPORT
ON NAVITAS KY NG, LLC

Navitas KY NG, LLC (Navitas KY) is a natural gas utility that owns and operates a distribution system through which it provides retail natural gas service to approximately 536 residential customers, 95 commercial customers, and 19 industrial customers that reside in Clinton, Johnson, and Floyd counties, Kentucky.[1] In Case No. 2010-00468, the Commission approved Navitas KY's acquisition, transfer of ownership, and control of gas systems located in Clinton County, Kentucky, previously known as Gasco Distribution Systems, Inc.[2] In Case No. 2020-00396, the Commission approved Navitas KY's acquisition, transfer of ownership, and control of gas systems located in Floyd and Johnson counties, Kentucky, previously known as B&H Gas Company and Johnson County Gas Company, respectively.[3] For the Floyd and Johnson County systems, the last base rate increase pursuant to the alternative rate filing procedure was in Case No.

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[1] *Annual Report of Navitas KY to the Public Service Commission for the Year Ending December 31, 2024* (2024 Annual Report) at 5.

[2] 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).

[3] 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. 28, 2021).

2020-00364, before Navitas KY's purchase of the systems.[4] Since that matter, Navitas KY has only adjusted its rates pursuant to its Gas Cost Recovery (GCR) mechanism, or in conjunction with an application in the form of a surcharge to pass on increased wholesale gas costs authorized by the Federal Energy Regulatory Commission (FERC) in Docket No. PR17-54-000.[5]

On October 14, 2025, Navitas KY tendered an application for an adjustment of its natural gas service rates pursuant to 807 KAR 5:076. In addition, Navitas KY filed a motion requesting emergency rate relief[6] pursuant to KRS 278.190(2). An Informal Conference was held on October 24, 2025, to discuss the application and emergency rate relief request.[7] On October 27, 2025, Navitas KY filed additional information in support of its application, as requested in the October 24, 2025 Informal Conference with Staff.[8] On October 31, 2025, Navitas KY was notified via letter that its application was deficient based on the customer notice provided not including the requirements of 807 KAR 5:076, Section 5(4)(c).[9] On November 7, 2025, Navitas KY filed a revised customer notice as well as a request for any necessary deviations related to notice.[10] The deficiencies were

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[4] Case No. 2020-00364, *Electronic Application of B & H Gas Company, Inc. for an Alternative Rate Adjustment* (Ky. PSC Sept. 10, 2021).

[5] Case No. 2019-00430, *Electronic Application of Navitas KY NG, LLC for an Alternate Rate Adjustment* (Ky. PSC June 17, 2020).

[6] Navitas KY's Motion for Emergency Rate Relief (filed Oct. 14, 2025).

[7] Oct. 21, 2025 Order and IC Memo and Attendance List (filed Nov. 14, 2025).

[8] Navitas KY's Response to Commission Staff's Informal Conference Request for Information (Staff's IC Request) (filed Oct. 24, 2025).

[9] Deficiency Letter (filed Oct. 31, 2025).

[10] Navitas KY's Response to Deficiency Letter (filed Nov. 7, 2025).

subsequently cured, and the application was deemed filed on November 18, 2025.[11] The Commission, in its November 18, 2025 Order, set a hearing date for December 5, 2025, to evaluate Navitas KY's request for emergency rate relief. On December 1, 2025, Navitas KY filed its responses to Commission Staff's First Request for Information.[12] Following the hearing, on December 12, 2025, Navitas KY filed its response to Commission Staff's Post-Hearing Request for Information;[13] and on December 17, 2025, filed a supplemental response to Staff's Post-Hearing Request.[14] The Commission authorized an emergency rate increase, subject to refund, on December 22, 2025.[15] The Commission established a procedural schedule by Order dated January 20, 2026, that set out the remaining schedule, following the Order granting Navitas KY's emergency rate relief.[16]

On February 10, 2026, Navitas KY filed its completed Cost of Service Study (COSS) with direct testimony from Talha A. Sheikh, of ScottMadden, Inc., who developed the COSS on behalf of Navitas KY.[17] This testimony included proposed changes to Navitas KY's rate schedule; phased-in rates; proposed five revenue targets, rate design,

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[11] Nov. 18, 2025 Order at 3.

[12] Navitas KY's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 1, 2025).

[13] Navitas KY's Response to Commission Staff's Post-Hearing Request for Information (Staff's Post-Hearing Request) (filed Dec. 12, 2025).

[14] Navitas KY's Supplemental Response to Staff's Post-Hearing Request (filed Dec. 17, 2025), Items 19, 28, and 29.

[15] Order (Ky. PSC Dec. 22, 2025).

[16] Order (Ky. PSC Jan. 20, 2026).

[17] Direct Testimony of Talha A. Sheikh (Sheikh Direct Testimony) (filed Feb. 10, 2026).

and customer bill impacts for each rate class; and the proposed consolidation of rates.[18] By Commission Order dated February 13, 2026, the Commission deemed the February 10, 2026 filing to be an amended application and, to ensure the orderly review of the amended application, the Commission established a procedural schedule. Navitas KY responded to three additional requests for information[19] and filed three supplemental responses.[20] On June 30, 2026, the Commission further amended its procedural schedule to extend the filing of the Staff Report.

TEST YEAR

To comply with the requirements of 807 KAR 5:076, Section 9,[21] Navitas KY used the calendar year ended December 31, 2024, as the basis for its application.

DISCUSSION

Navitas KY's application for a rate adjustment has evolved through a series of procedural filings that updated the requested increase and the proposed rate design. To clearly delineate the starting point for Staff's adjustments, the procedural progression of the revenue requirement and rate design is summarized below.

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[18] Sheikh Direct Testimony at 2.

[19] Navitas KY's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 17, 2026); Navitas KY's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Apr. 23, 2026); Navitas KY's Response to Commission Staff's Fourth Request (Staff's Fourth Request) (filed July 14, 2026).

[20] Navitas KY's Supplemental Response to Staff's Second Request (filed Apr. 20, 2026), Item 53; Navitas KY's Supplemental Response to Staff's Second Request (filed June 1, 2026), Items 14 and 51; and Navitas KY's Supplemental Response to Staff's Second Request (filed June 25, 2026), Item 51.

[21] The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

In its original October 14, 2025 application, Navitas KY requested a total revenue increase of $992,436[22] with rates implemented over nine phases.[23] Navitas KY proposed an increase of $137,000 in the first phase.[24] Navitas KY's initial, proposed rates would have unified both the Clinton County and Floyd and Johnson County systems in Phase 3.[25]

Navitas KY also requested emergency rate relief[26] and emergency rates were approved, subject to refund, for service rendered on and after December 22, 2025.[27] The emergency rates were designed to recover an additional $432,949 in revenue.[28] The emergency rates did not unify the rates for the different systems but instead were formulated using a modified across-the-board increase in the absence of a COSS.[29]

On February 10, 2026, Navitas KY filed a COSS which modified the requested rate design and amended its application.[30] At the same time, Navitas KY adjusted the requested increase in its revenue requirement to $575,149 for the removal of gas costs

[22] Application. Attachment 5 – Revenue Requirement Calculation.

[23] Application, Attachment 3 – Current and Proposed Rates.

[24] Navitas KY's Motion for Emergency Rate Relief at 4.

[25] Application, Attachment 3 – Current and Proposed Rates.

[26] Motion for Emergency Rate Relief.

[27] Dec. 22, 2025 Order at 11.

[28] Dec. 22, 2025 Order at 7.

[29] Dec. 22, 2025 Order at 8–9.

[30] Navitas KY's Response to Staff's Second Request, Item 2.

and revenues recovered through the GCR while maintaining its total operating expenses.[31]

Staff's recommended revenue requirement adjustments are based on the test-year, as adjusted by Navitas KY in its February 10, 2026 filing. Staff's rate design adjustments are based on the COSS filed with the Sheikh Direct Testimony.

Using its pro forma test-year operations, Navitas KY determined, in its amended application, that a base rate revenue increase of $575,149, or 98.29 percent, without the emergency rate increase, was necessary to achieve the revenue requirement as shown in the table below.[32]

Navitas KY's proposed revenue requirement, as revised in its February 10, 2026 filing, is shown in the following chart:

[31] Application, Attachment 4 – Schedule of Adjusted Operations. Sheikh Direct Testimony at Exhibit TAS-2, and Navitas KY's Response to Staff's Second Request, Item 2.

[32] Navitas KY's Response to Staff's Second Request, Item 20a.

Description	Navitas KY Revised
Pro Forma Operating Expenses Before Income Taxes	$ 1,130,205
Operating Ratio	88%
Sub-Total	1,284,324
Less: Pro Forma Operating Expenses Before Income Taxes	(1,130,205)
Net Income Allowable	154,119
Add: Provision for State and Federal Income Taxes	-
Interest Expense	180,891
Pro Forma Operating Expenses Before Taxes	1,130,205
Cost of Natural Gas	-
Total Revenue Requirement	1,465,215
Less: Other Operating Revenue	(276,186)
Non-Operating Revenue	-
Interest Income	(28,726)
Total Revenue Required from Rates for Service	1,160,303
Less: Revenue from Sales at Present Rates	(585,154)
Required Revenue Increase	$ 575,149
Required Revenue Increase Percentage	98.29%

The interim emergency revenue increase of $432,949 already authorized by the Commission equates to an approximate 33.55 percent increase to the current bills, based on revenues that include GCR revenues.[33] The Commission maintained the distinction between the Clinton County, Johnson County, and Floyd County customer classes. The Commission approved interim emergency increases in the rates are as follows, notably the top rate represents the monthly service charge, and the bottom volumetric rate is the base rate:

[33] Dec. 22, 2025 Order at 6.

	Current Rates	Interim Rates[34]	Change in Dollar Amount and Percentage	
Clinton Residential	$ 8.00 $ 4.6200 per Mcf	$ 16.00 $ 6.6000 per Mcf	$ 8.00 $ 1.9800	100.00 % 42.86 %
Clinton Commercial	$ 35.00 $ 3.6200 per Mcf	$ 87.60 $ 9.3600 per Mcf	$ 52.60 $ 5.7400	150.29 % 158.56 %
Clinton Industrial	$ 75.00 $ 3.6200 per Mcf	$ 170.00 $ 9.3600 per Mcf	$ 95.00 $ 5.7400	126.67 % 158.56 %
Floyd/Johnson Residential	$ 15.00 $ 8.6000 per Mcf	$ 16.00 $ 6.6000 per Mcf	$ 1.00 ($ 2.0000)	6.67 % (23.26 %)
Floyd/Johnson Commercial	$ 15.00 $ 8.6000 per Mcf	$ 90.00 $ 9.3600 per Mcf	$ 75.00 $ 0.7600	500.00 % 8.84 %

The interim rates resulted in the average bill for a residential customer in Clinton County using 3.0 Mcf to increase $13.94 from $21.86 to $35.80, per month, or 63.77 percent, while customers in Floyd and Johnson Counties using 3.0 Mcf saw a decrease of $5.00 from $40.80 to $35.80 a month, or a decrease of 12.25 percent.

To determine the reasonableness of the rates requested by Navitas KY, Staff performed a limited financial review of Navitas KY's test-year operations. The scope of Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable[35] changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

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[34] Dec. 22, 2025 Order, Appendix B.

[35] Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." *See also* Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

Staff's recommendations are summarized in this report. Mary Whitaker reviewed the calculation of Navitas KY's Overall Revenue Requirement, and Sarah Jankowski reviewed Navitas KY's reported revenue allocation and rate design. Revenues and expenses related to purchased gas costs and gas transmission fees are excluded when determining base rate revenue requirements.

SUMMARY OF RECOMMENDATIONS

(A) Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Staff calculated Navitas KY's required revenue from natural gas sales of $1,282,814, to meet the Overall Revenue Requirement of $1,327,659, and that a $697,660 revenue increase, or 119.23 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. Gas costs and revenues are excluded from the revenue requirement calculation because Navitas KY recovers these expenses through its Gas Cost Recovery (GCR) rates, not base rates.

Monthly Gas Service Rates. In its amended application, Navitas KY proposed to change the rate design as follows: (1) unify the separate rate classes of Clinton County, Johnson County, and Floyd County together under one rate structure;[36] (2) include new, separate rate classifications for Base Industrial, Mutually Curtailable Industrial (MCI), and Agricultural customers;[37] (3) implement a four-year phase-in of the proposed rate

[36] Shiekh Direct Testimony at 7.

[37] Shiekh Direct Testimony at 7–8.

increase from 2027 through 2030;[38] and (4) include a five-year shortfall period, starting in 2031, for under-recovered revenues during the phase-in period.[39]

Prior to the interim rates, Navitas KY provided retail gas sales to Johnson County and Floyd County customers under a single general service rate structure of a monthly customer charge rate of $15.00 and a usage base rate of $8.60 per Mcf.[40] Navitas KY's current tariff distinguishes between Residential and Commercial customers for Johnson County and Floyd County, but the monthly customer charges and the usage base rates are the same for both rate classes.[41] Prior to the interim rates, Navitas KY's Clinton County customers had three separate monthly customer charge classifications for Residential at $8.00, Commercial at $35.00, and "all other customers" at $75.00.[42] The Clinton County usage base rates are separated for Residential and Commercial at $4.62 per Mcf and $3.62 per Mcf, respectively, with "all other customers" being charged at the Commercial usage base rate.[43]

The Commission issued an Order on December 22, 2025, authorizing Navitas KY to implement emergency rates on an interim basis, an immediate increase of approximately 33.55 percent based on revenues including GCR revenues.[44] Navitas KY removed gas costs from its revenues for determining the amended proposed rates.

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[38] Shiekh Direct Testimony at 6.

[39] Shiekh Direct Testimony at 6-7.

[40] P.S.C. Ky. No. 1, Sheet No. 1, (issued Dec. 1, 2023), effective Nov. 3, 2023.

[41] P.S.C. Ky. No. 1, Sheet No. 1, (issued Dec. 1, 2023), effective Nov. 3, 2023.

[42] P.S.C. Ky. No. 1, Sheet No. 1 (issued Dec. 1, 2023), effective Nov. 3, 2023.

[43] Dec. 22, 2025 Order, Appendix B.

[44] Dec. 22, 2025 Order at 6 and Appendix A. $432,949 / $ 1,290,472 = 33.55 percent.

Based on the revenues found reasonable in this Order, totaling $585,154, which exclude GCR revenues, the emergency rates were an increase of 73.99 percent.[45] The rates calculated and set forth in Appendix B will recover an additional 45.24 percent, for a total increase of 119.23 percent, which will produce sufficient revenues from gas sales to recover the $1,282,814 revenue required from rates.

(B) Nonrecurring Charges. Navitas KY also requested increases to its Nonrecurring charges, specifically: Late Payment Charge, Collection Charge, Reconnection Charge, and Returned Payment Charge.[46] Navitas KY provided updated cost justification information, which included estimated regular business hours labor costs, for all the Nonrecurring Charges.[47] Following the Commission's previous decisions identifying issues with the calculation of Nonrecurring Charges,[48] Staff reviewed Navitas KY's Nonrecurring Charges. Because Navitas KY's allocated labor costs already include labor performed during regular business hours, estimated labor costs representing periods occurring during regular business hours should be eliminated from the charges. Navitas KY's allocated labor includes wages and salaries paid during normal business hours, which are recovered in rates. Thus, there is no additional employee compensation

[45] $432,949 / $585,154 = 73.99 percent.

[46] Navitas KY's Response to Staff's First Request, Item 4.

[47] Navitas KY's Response to Staff's First Request, Item 4.

[48] Case No. 2024-00155, *Electronic Application of Cannonsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 8, 2025); Case No. 2024-00242, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2025); Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024); and Case No. 2024-00002, *Electronic Application of Nebo Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 2, 2024).

nominal expense incurred to provide a Non-recurring Charge service provided during regular business hours.

Navitas KY provided evidence to support its Returned Payment Charge of $32.25, which includes a bank fee of $29.00.[49] Navitas KY also provided an explanation of the transportation component of $20.00 for its Collection Charge, stating that one trip was necessary to collect payment from a customer and that it used the Internal Revenue Service's mileage rate of $0.725 per mile to calculate the proposed charge.[50] Staff recommends that these charges, without labor as discussed above, be accepted.

Additionally, Navitas KY stated that it included a third transportation trip in its Reconnection Charge for "transportation of the pulled meter to the reconditioning facility."[51] Staff proposes to reduce the transportation portion of Navitas KY's proposed Reconnection Charge because pulling meters is not a part of that charge. Navitas KY's tariff states that the Reconnection Charge applies to reconnection for nonpayment of bills, violations of rules and regulations, or when service is willingly terminated and

[49] Navitas KY's Response to Staff's Fourth Request, Item 1c.

[50] Navitas KY's Response to Staff's Fourth Request, Item 1c. Staff recommends that the calculation produces a reasonable result. Navitas KY stated that the average trip was approximately 30 minutes.

Mileage		
(A) Total Proposed Transportation Component	$	20.00
(B) IRS Rate per Mile ($ per Mile)	$	0.725
(C) Miles per Round Trip (A/B)		27.59
(D) Miles per Trip (C/2)		13.79
(E) Approximate Miles of Pipe		100
(F) Percentage of Total Pipe per Trip (E/D)		14%

[51] Navitas KY's Response to Staff's Fourth Request, Item 1c.

reconnected in the same 12-month period.[52] None of these circumstances necessitates pulling the meter. Therefore, Staff recommends that the transportation portion of the Reconnection Charge be reduced from $60.00[53] to $40.00.

Staff removed labor expenses and updated the Nonrecurring Charges as outlined in the table below. The calculations of Staff's recommended Nonrecurring Charges are shown in Appendix A.

Non-Recurring Charge	Current Charge	Navitas KY Proposed Charge	Staff Revised Charge
Collection Charge	$25.00	$55.00	$20.00
Reconnection Charge	25.00	172.50	40.00
Returned Payment Charge	15.00	35.25	30.25
Late Payment Charge	5%	5%	5%

(C) Effective Date. Navitas KY proposed to maintain the emergency rates through 2026 to prevent customer confusion and multiple rate increases in one year.[54] Navitas KY proposed to implement its proposed rates over a four-year period in the amended application. Navitas KY also requested that rates be effective with the beginning of its billing cycle because it is unable to prorate bills if the rate changes during a billing cycle.[55]

[52] Navitas KY's Tariff, P.S.C. KY No. 1, Original Sheet No. 2.

[53] Navitas KY's Response to Staff's First Request, Item 4. Navitas KY proposed a transportation component of the Reconnection Charge that was $60.00 for three trips at $20.00 each.

[54] Shiekh Direct Testimony at 5.

[55] Navitas KY's Response to Staff's Second Request, Items 59 and 60. Navitas KY stated that its billing cycle ends with meter reading as close as possible to the last day of the month and billing as close as possible to the 7th of the month.

Given the difference between the emergency rates and the rates recommended by Staff, Staff recommends that the request to implement rates in 2027 be granted. Instead of implementing rates over a four-year period, Staff recommends effectively implementing the rates over two years: the emergency rates for 2026 and the final rates for 2027. Staff's recommendation is based on Navitas KY's request and equal phase-in terms of one year.

PRO FORMA OPERATING STATEMENT

Navitas KY's Pro Forma Operating Statement for the test year ended December 31, 2024, as determined by Staff appears in the table below:

Description	Test Year	Navitas KY Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
Operating Revenues						
Sales of Gas	$ 586,422	$ -	$ (1,268)	$ (1,268)	(A)	$ 585,154
Gas Cost Recovery Revenues	427,863	-	(427,863)	(427,863)	(B)(1)	-
Other Revenues						
Late Payment Charge	14,717		-	-		14,717
Miscellaneous Service Revenues	1,125	-	277	277	(C)	1,402
Interest Income	28,726	-	(28,726)	(28,726)	(C)	-
Other Gas Revenues	260,345	-	(260,345)	(260,345)	(B)(1)	-
Total Operating Revenues	1,319,198	-	(717,925)	(717,925)		601,273
Operation and Maintenance						
Natural Gas Production Expenses	634,240	488,365	(1,122,605)	(634,240)	(B)(2)	-
Distribution Expenses	196,773	7,871	(63,535)	(55,664)	(D)	141,109
Customer Account Expenses	39,917	-	-	-		39,917
Customer Service and Informational Expenses	27,238	-	-	-		27,238
Administrative and General Expenses	696,932	13,939	(116,441)	(102,502)	(E)	594,430
Total	1,595,100	510,175	(1,302,581)	(792,406)		802,694
Amortization	5,043	40,000	(364)	39,637	(F)	44,680
Depreciation Expense	77,715	777	40,716	41,493	(G)	119,208
Taxes Other Than Income	24,000	-	-	-		24,000
Total Operating Expenses	1,701,858	550,952	(1,262,229)	(711,277)		990,581
Net Operating Income	(382,660)	(550,952)	544,304	(6,648)		(389,308)
Interest Income	-	-	28,726	28,726	(C)	28,726
Income Available to Service Debt	$ (382,660)	$ (550,952)	$ 573,030	$ 22,078		$ (360,582)

(A) Billing Analysis. Through revised testimony, Navitas KY used pro forma revenues of $585,154, a decrease of $1,268 from test-year retail sales of $586,422.[56] Navitas KY did not provide an explanation for the change and did not propose an adjustment to test-year revenues. Staff performed a billing analysis that resulted in the same revenues as Navitas KY's revised revenues, a decrease to normalize gas revenues to the amount of $585,154. Staff recommends that the Commission accept Staff's adjustment of a $1,268 decrease to sales of gas to normalize Navitas KY's revenues to the amounts indicated in its billing analysis as the amounts are known and measurable based on the usage and rates during the test year.

(B) Natural Gas Revenues and Expenses. Staff recommends that Gas Cost Recovery (GCR) revenues of $427,863,[57] Other Gas Revenues of $260,345,[58] and Natural Gas Production Expenses of $634,240[59] be excluded from the revenue requirement calculation because Navitas KY recovers these expenses through its GCR rates, not base rates.

1. GCR Revenues and Other Gas Revenues. Staff recommends that gas revenues of $427,863[60] and Other Gas Revenues of $260,345,[61] be excluded from the revenue requirement calculation. These revenues are from the GCR rider and

[56] Application, Attachment 4 - Schedule of Adjusted Operations and Sheikh Direct Testimony, Exhibit TAS-2.

[57] Navitas KY's Response to Staff's First Request, Item 19.

[58] Application, Attachment 4 – Schedule of Adjusted Operations. Other Gas Revenues of $260,354.

[59] Application, Attachment 4 – Schedule of Adjusted Operations. Natural Gas Production Expenses of $634,240.

[60] Navitas KY's Response to Staff's First Request, Item 19.

[61] Application, Attachment 4 – Schedule of Adjusted Operations. Other Gas Revenues of $260,354.

inclusion in base rates would not accurately reflect the base rate revenue requirement of Navitas KY.

2. Pro Forma Natural Gas Production Expenses. Navitas KY proposed an adjustment to its Pro Forma operating expenses to account for increases in Natural Gas Production expenses from 2024 levels to the first half of 2025.[62] Navitas KY proposed to increase Natural Gas Production Expenses by $488,365.[63] Because gas costs are recovered through Navitas KY's GCR rates on a dollar-for-dollar basis, a corresponding increase to GCR revenues would be necessary. However, Navitas KY did not propose any increases to revenues.[64] Navitas KY stated that it did not include a revenue adjustment because its GCR rates had been suspended.[65]

Staff recommends rejecting this adjustment because Navitas KY's gas costs are recovered through the GCR and a proper corresponding revenue increase would cancel out the expense increase. The GCR recovers the gas costs on a dollar-for-dollar basis so an increase in expense would require an equal revenue adjustment. Because Staff recommends excluding gas costs and revenues from the revenue requirement calculation, neither adjustment is necessary.

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[62] Application, Attachment 4 – Schedule of Adjusted Operations, Adjustments 5–8.

[63] Application, Attachment 4 – Schedule of Adjusted Operations, Adjustment 5.

[64] Navitas KY's Response to Staff's Second Request, Item 2c.

[65] Navitas KY's Response to Staff's Second Request, Item 2c.

(C) Other Revenues. Navitas KY listed test-year Other Revenues of $304,913,[66] which included $14,717 of Late Payment Penalties,[67] $1,125 of Miscellaneous Service Revenues,[68] $260,345 for Other Gas Revenues,[69] and $28,726 of Interest Income as shown in the following table:

Description	Test Year	Navitas KY Proposed Adjustments	Commission Staff Adjustments	Pro Forma
Late Payment Charge	$ 14,717	$ -	$ -	$ 14,717
Non-recurring Charges				
Collection Charge	-	-	-	-
Reconnection Charge	725	-	435	1,160
Returned Payment Charge	400	-	(158)	242
Other Gas Revenues				
Unbilled Revenues	275,971	-	(275,971)	-
B&W FERC 19-430- Fee	15,294	-	(15,294)	-
Other Utility Operating Income	(30,920)	-	30,920	-
Interest Income	28,726	-	(28,726)	-
Total	$ 304,913	$ -	$ (288,794)	$ 16,119

Navitas KY provided information about the number of occurrences for each Nonrecurring Charge listed in its tariff.[70] Staff's adjustment to Nonrecurring Charges results in an increase to Other Revenues of $277 as shown in the table below:

[66] Application, Attachment 4 – Schedule of Adjusted Operations. $44,568 + $260,345 = $304,913.

[67] Application, Attachment 4 - Schedule of Adjusted Operations and Navitas KY's Response to Staff's First Request, Item 7a, CONFIDENTIAL Exhibit PSC 1-7(a).

[68] Navitas KY's Response to Staff's First Request, Item 3.

[69] Navitas Ky's Response to Staff's First Request, Item 7a, CONFIDENTIAL Exhibit PSC 1-7(a).

[70] Navitas KY's Response to Staff's First Request, Item 4.

Non-recurring Charge	Occurrences	Current Charge	Revised Charge	Test Year	Adjustment	Pro Forma
Collection Charge	0	$ 25.00	$ 20.00	$ -	$ -	$ -
Reconnection Charge	29	25.00	40.00	725.00	435.00	1,160.00
Returned Payment Charge	8	15.00	30.25	120.00	122.00	242.00
Nonrecurring Charge Subtotal				$ 845.00	$ 557.00	1,402.00
Test Year ( )						(1,125.00)
Staff's Adjustment						$ 277.00

This adjustment includes Staff's recommendation that Navitas KY's Other Revenues be decreased by $280[71] to account for Navitas KY's failure to charge the correct rate for Returned Payment Charges. Navitas KY's current Returned Payment Charge is $15.00; however, Navitas KY charged $50.00 during the test year.[72]

Navitas KY also included $28,726 in Interest Income in its Other Revenues.[73] Staff recommends that this revenue be removed from Other Revenues and included in Interest Income.

Staff recommends that the Commission accept its proposed adjustment to decrease Other Revenues by $288,794 because, as discussed in the Nonrecurring Charges section, Staff removed the regular hours labor from Navitas KY's cost justification documentation, decreased the revenues from Returned Payment Charges due to overcharges, and removed Interest Income from Other Gas Revenues. Staff also recommends removing Other Gas Revenues related to the GCR.

(D) Pro Forma Distribution Expenses Adjustment. Navitas KY proposed adjustments to its Pro Forma operating expenses to account for increases from 2024

[71] $50 – $15 = $35 x 8 occurrences = $280.

[72] Navitas KY's Supplemental Response to Staff's Post-Hearing Request (filed Dec. 17, 2025), Item 19 and Navitas KY's Response to Staff's First Request, Item 7a, CONFIDENTIAL Exhibit PSC 1-7(a).

[73] Navitas KY's Response to Staff's Post-Hearing Request, Item 2a.

levels, including increasing Distribution Expenses by $7,871.[74] Staff recommends rejecting these adjustments because Navitas KY only adjusted accounts that had an increased balance from 2024 to the first half of 2025 and actual expenses for 2025 were less than the total for 2024.[75]

Navitas KY's Distribution Expenses include amounts allocated from its parent company, Navitas Utility Corporation (NUC). Navitas KY stated that affiliates do not charge interest on equipment rentals.[76] However, the calculation of those allocations clearly include interest payments which are calculated, in part, using Navitas KY's interest rates.[77] Because Interest Expense is recovered as a discrete component of the revenue requirement, it is inappropriate to include interest charges in equipment rental rates for ratemaking purposes. Staff recommends that Navitas KY's Distribution Expenses be reduced by $55,664 to remove interest expense included in equipment rental rates charged by NUC.

(E) Pro Forma Administrative and General Expense Adjustment. Navitas KY proposed adjustments to its Pro Forma operating expenses to account for increases from 2024 levels, including increasing Administrative and General Expenses by $13,938.64.[78] Staff recommends rejecting this adjustment because Navitas KY only adjusted accounts that had increased balances from 2024 to the first half of 2025.[79] When asked why

[74] Application, Attachment 4 – Schedule of Adjusted Operations, Adjustment 6.

[75] Navitas KY's Response to Staff's Third Request, Item 8.

[76] Navitas KY's Response to Staff's Third Request, Item 3.

[77] Navitas KY's Response to Staff's Second Request, Item 1, parts 2–13.

[78] Application, Attachment 4 – Schedule of Adjusted Operations, Adjustment 7.

[79] Navitas KY's Response to Staff's Third Request, Item 7.

accounts with decreases during the same time period were not included, Navitas KY argued that it strived to control those expenses to maintain their current levels and that costs were generally increasing.[80] Staff recommends rejecting this adjustment because it is not based on known and measurable changes to all accounts in the expense category.

(D) Staff also recommends an adjustment to remove Navitas KY's executive salaries for corporate officers in the amount of $90,005.[81] The owners of NUC, and therefore, the owners of Navitas KY, receive not only the net income of Navitas KY but also total salaries of $471,973, $90,005 of which is allocated to Navitas KY.[82] Due to the structure of Navitas Utility Corporation and Navitas Assets, LLC as an S Corporation, the profit or loss of the utility is passed through to the personal income taxes of the owners.[83] This structure creates a perverse incentive to the owners of Navitas KY to be indifferent to the profitability of the utility, and may even encourage unprofitability through losses reducing income tax expenses for the owners of Navitas KY. Staff recommends removing the salaries from the revenue requirement to better align the incentives to properly manage Navitas KY.

(F) <u>Amortization Expense – Rate Case Expense</u>. Navitas KY reported no rate case amortization expense in the test year but did report amortization of leasehold

[80] Navitas KY's Response to Staff's Third Request, Item 7.

[81] Navitas Ky's Response to Staff's Second Request, Item 53.

[82] Navitas Ky's Response to Staff's Second Request, Item 53.

[83] Navitas Ky's Response to Staff's Third Request, Item 12.

improvements of $5,043.[84] Navitas KY proposed a $40,000 increase in amortization expenses to account for rate case expenses amortized over three years.[85] Staff recommends that a three-year amortization period be accepted for legal fees related to this application because utilities are expected to file for a rate case every three to five years. Staff proposes to use an alternative level to amortize the rate case expenses for completion of its COSS. Because a COSS is not necessary to complete for small utilities for every rate case, Staff proposes to amortize those expenses over six years instead. Based on the change to amortization periods and the latest update to the actual rate case expenses of $136,826,[86] Staff recommends that Navitas KY's proposed adjustment to amortization expense be decreased by $364 as shown in the table below.[87]

Description	Legal Fees Amount	COSS Amount
Legal	$ 100,991	
Consultants		$ 35,835
Total	100,991	35,835
Amortization Years	3	6
Annual Rate Case Expense	$ 33,664	$ 5,973
Total		$ 39,637
Navitas KY Adjustment ( )		(40,000)
Staff Adjustment		$ (364)

(G) Depreciation Expense. Navitas KY proposed to increase test-year Depreciation Expense by $777 to account for increases from 2024 levels compared to

[84] Application, Attachment 4 - Schedule of Adjusted Operations and Navitas KY's Response to Staff's First Request, Item 7a, CONFIDENTIAL Exhibit PSC 1-7(a).

[85] Application, Attachment 4 – Schedule of Adjusted Operations, Adjustment 9.

[86] Navitas KY's Supplemental Response to Staff's Second Request, Item 51 (filed June 25, 2026).

[87] $136,826 / 3 years = $45,609 - $40,000 = $5,609.

the first half of 2025.[88] The adjustment was calculated by comparing the average 2024 expense for two quarters to the expense for the first two quarters of 2025. This adjustment was not based on increased depreciation rates or increased plant balances. Staff recommends that this adjustment be denied because it is not based on known and measurable changes.

However, Staff recommends that Navitas KY's Depreciation Expense be increased to account for errors in its depreciation schedule. Navitas KY continued to depreciate negative acquisition adjustments after they were fully depreciated.[89] This adjustment increases Navitas KY's test year Depreciation Expense by $41,493.[90]

KY HWY Relocation	$	1,138
Albany Wellness Center		40,355
Total	$	41,493

OVERALL REVENUE REQUIREMENT

Navitas KY requested to use the Operating Ratio (OR) method to determine its revenue deficiency.[91] The OR method is used when there is no basis for a rate of return determination, the cost of the utility has fully or largely been funded through contributions, or there is little or no outstanding long-term debt.[92] The OR method is used to provide the utility with the necessary working capital to operate effectively. Staff has historically

[88] Application, Attachment 4 – Schedule of Adjusted Operations, Adjustment 8.

[89] Navitas KY's Response to Staff's Second Request, Items 8e and 8f.

[90] Navitas KY's Response to Staff's Second Request, Item 8e, Exhibit 2-8(e).

[91] Application, Attachment 5 – Revenue Requirement Calculation.

[92] Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses + Depreciation + Taxes}}{\text{Gross Revenues}}$$

recommended the use of an OR of 88 percent to calculate the additional working capital, based on Commission precedent. The OR method here will not provide sufficient working capital to operate effectively because Navitas KY would not meet its debt service requirements at that level of working capital. Staff's opinion is that the OR method is inappropriate because, at the time of Staff's review, Navitas KY had significant outstanding debt. Staff concluded that the DSC method is more appropriate because Navitas KY has significant debt and needs sufficient revenues to meet its minimum debt covenants, which the OR method does not provide. At the end of 2024, Navitas KY had $2,161,254 in long-term debt, consisting of three notes.[93]

Under the DSC method, using the [redacted] debt service coverage ratio[94] from Navitas KY's loan covenants, Navitas KY should recover $[redacted] for the Debt Service and Additional Working Capital, as shown in the following table:

Description	Amounts
Average Annual Principal and Interest	$
Additional Working Capital	[redacted]
Total Working Capital	$[redacted]

Using the DSC method Navitas KY would require additional revenues of $697,660, as shown in the following table:

[93] 2024 Annual Report at 18 and Application, Attachment 8 – Loan Documents.

[94] Application, Attachment 8a – Loan Documents at 80 and 101.

	Commission Staff
Pro Forma Operating Expenses	$ 990,581
Add: Annual Principal and Interest Payments	[redacted]
Debt Coverage Requirement	[redacted]
Total Revenue Requirement	1,327,659
Less: Other Operating Revenue	(16,119)
Non-operating Revenue	-
Interest Income	(28,726)
Revenue Required from Rates	1,282,814
Less: Revenue at Present Rates	(585,154)
Required Revenue Increase	$ 697,660
Required Revenue Increase Percentage	119.23%

In contrast, the OR methodology provides $135,079 in additional working capital[95] and a revenue requirement increase of $612,901. By applying the OR methodology, Staff calculated Navitas KY's total revenue required from rates to be $1,198,055. A revenue increase of $612,901 or 104.74 percent, would be necessary to generate the overall revenue requirement of $1,242,900 as shown in the chart below:

[95] Pro Forma Operating Expenses $990,581 / 88 Operating Ratio Percent = $1,125,661 Sub-Total. Sub-Total $1,252,661 – Pro Forma Operating Expenses $990,581 = $135,079 Additional Working Capital.

Description	Navitas KY Revised	Adjustments	Commission Staff
Pro Forma Operating Expenses Before Income Taxes	$ 1,130,205	$ (139,624)	$ 990,581
Operating Ratio	88%	88%	88%
Sub-Total	1,284,324	(158,663)	1,125,660
Less: Pro Forma Operating Expenses Before Income Taxes	(1,130,205)	139,624	(990,581)
Net Income Allowable	154,119	(19,040)	135,079
Add: Provision for State and Federal Income Taxes	-	-	-
Interest Expense	180,891	(63,652)	117,239
Pro Forma Operating Expenses Before Taxes	1,130,205	(139,624)	990,581
Cost of Natural Gas	-	-	-
Total Revenue Requirement	1,465,215	(222,315)	1,242,900
Less: Other Operating Revenue	(276,186)	260,067	(16,119)
Non-Operating Revenue	-	-	-
Interest Income	(28,726)	-	(28,726)
Total Revenue Required from Rates for Service	1,160,303	37,752	1,198,055
Less: Revenue from Sales at Present Rates	(585,154)	-	(585,154)
Required Revenue Increase	$ 575,149	$ 37,752	$ 612,901
Required Revenue Increase Percentage	98.29%		104.74%

Due to Navitas KY's calculated DSC revenue requirement, the revenue requirement increase resulting from the OR method would not provide Navitas KY with sufficient working capital to operate effectively to provide adequate, efficient, and reasonable service and meet the minimum requirements of its loan covenants. Therefore, Staff used the DSC method to calculate the revenue requirement for Navitas KY.

(A) Emergency Rate Relief. Staff calculated Navitas KY's required revenue from natural gas sales for emergency rate relief as $1,723,421 to meet the Overall Revenue Requirement of $2,028,334, and that a $432,949 revenue increase, or 33.55 percent of revenues including gas costs, to Pro Forma present rate revenues was necessary to generate the Overall Revenue Requirement. The chart below shows the application request and emergency rates:

Description	Navitas KY Application	Emergency Rate Relief
Pro Forma Operating Expenses Before Income Taxes	$ 1,130,205	$ 1,067,618
Operating Ratio	88%	88%
Sub-Total	1,284,324	1,213,203
Less: Pro Forma Operating Expenses Before Income Taxes	(1,130,205)	(1,067,618)
Net Income Allowable	154,119	145,584
Add: Provision for State and Federal Income Taxes	-	-
Interest Expense	180,891	180,891
Pro Forma Operating Expenses Before Taxes	1,130,205	1,067,618
Cost of Natural Gas	1,122,605	634,240
Total Revenue Requirement	2,587,820	2,028,334
Less: Other Operating Revenue	(276,186)	(276,186)
Non-Operating Revenue	-	-
Interest Income	(28,726)	(28,726)
Total Revenue Required from Rates for Service	2,283,907	1,723,421
Less: Revenue from Sales at Present Rates	1,290,472	(1,290,472)
Required Revenue Increase	$ 992,436	$ 432,949
Required Revenue Increase Percentage	76.90%	33.55%

(B) Average Annual Principal and Interest Payments and Additional Working Capital. Navitas KY reported $180,891 in Interest Expense during the test year.[96] When Navitas KY provided its actual interest and principal payments for 2024, the interest charges equaled $185,454.[97] Navitas KY provided the amortization schedules for its outstanding debt.[98] Using the amortization tables, Staff calculated the average annual interest on a three-year average for the years 2027 through 2029. Staff calculated average Principal and Interest Payments of $[redacted] and Interest Expense of $117,239 and as shown in the following table:[99]

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96 Application, Attachment 5 – Revenue Requirement Calculation.

97 Navitas KY's Response to Information Requested in IC Order (filed Oct. 27, 2025), Attachment C.

98 Application, Attachment 8 – Loan Documents.

99 Application, Attachment 8 – Loan Documents.

	2027	2028	2029	Total
Principal and Interest	[redacted]	[redacted]	[redacted]	[redacted]
Divided by 3 Years				3
				[redacted]
Interest	[redacted]	[redacted]	[redacted]	$351,717
Divided by 3 Years				3
				$117,239

For purposes of comparing the OR and DSC methods, Staff recommends that the Commission accept the inclusion of $117,239 in Interest Expense in the OR method Revenue Requirement because the OR method allows for recovery of the interest payments.

Staff recommends that the Commission use the DSC method to calculate Navitas KY's revenue requirement because it will both allow Navitas KY to meet its loan covenants and provide Navitas KY with sufficient operating margins. The DSC method, as historically applied by the Commission,[100] also includes an allowance for additional working capital that is equal to the minimum net revenues required by a utility's lenders that are above its average annual debt payments. Navitas KY did not propose to use the DSC method in its application because it would result in a higher revenue requirement.[101]

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[100] *See* Case No. 2016-00177, *Application of East Daviess County Water Association, Inc. for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 16, 2016); Case No. 2022-00053, *Electronic Application of Jessamine-South Elkhorn Water District for a Sewer Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 25, 2022); Case No. 2024-00242, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2025); and Case No. 2024-00331, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC June 24, 2025),

[101] Navitas KY's Response to Staff's Post-Hearing Request, Item 26.

RATE DESIGN AND REVENUE ALLOCATION

Navitas KY commissioned a COSS as part of its application, which was filed on February 10, 2026, to review the appropriateness of its proposed rates and rate design. The resulting cost of service for each class reflects its relative contribution to overall system costs. Navitas KY's filed COSS follows industry standard processes corresponding to the FERC Uniform System of Accounts.[102] For the allocation of the distribution mains, the zero-intercept method was used to estimate the fixed costs per foot that the utility would incur to design and install a natural gas distribution main regardless of the main's diameter.[103] The Commission has expressed its preference for the zero-intercept method in both electric and natural gas cases. Notably, that if the zero-intercept analysis does not provide reasonable results, then this indicates little relationship between the amount of costs and the number of customers.[104] The results of the COSS illustrate that there are high levels of subsidization occurring between the different rate classes; specifically, that all classes, except the Base Industrial and Commercial class, currently under-contribute towards their class cost of service.[105]

The development of a COSS to use as a guideline for a utility's rates is the most fair, just and reasonable method to ensure each customer category is charged for services based on the cost to serve that particular class's cost of service. Utilizing the

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[102] Sheikh Direct Testimony at 17.

[103] Sheikh Direct Testimony at 18–19.

[104] Case No. 2020-00131, *Electronic Application of Meade County Rural Electric Cooperative Corporation for an Adjustment in Rates* (Ky. PSC Sept. 16, 2020), Order at 12; also see Case No. 2021-00190, *Electronic Application of Duke Energy Kentucky, Inc. for: 1) an Adjustment of Natural Gas Rates; 2) Approval of New Tariffs, and 3) All Other Required Approvals, Waivers, and Relief* (Ky. PSC Jan. 25, 2022).

[105] Sheikh Direct Testimony at 22.

COSS to calculate rates is an appropriate manner to establish fair, just and reasonable rates that yield sufficient revenues. In cases where a shift in customer load has occurred over time that may result in a subsidization in rates, the Commission has directed the utility to perform a COSS in its next rate case.[106]

(A) Consolidation of Clinton, Johnson, and Floyd County customers. Navitas KY proposed that its Clinton County Residential and Commercial classes be consolidated with its Johnson, and Floyd County Residential and Commercial classes into a consolidated Residential class and consolidated Commercial class. Based on the COSS results, there is not a significant difference in the cost of service for the Residential class and Commercial class across the three counties.[107]

Staff recommends that the Commission accept the proposed consolidation of the Clinton, Johnson, and Floyd County customers under a single rate structure.

(B) New Rate Classes for Base Industrial, Mutually Curtailable Industrial (MCI), and Agricultural customers. Navitas KY proposed to include three new customer classifications in its tariff with individual proposed new customer charges and volumetric usage rates.[108] The MCI rate schedule would be distinguished from the Base Industrial classifications as it would include high usage customers with curtailable loads that have the ability to switch between fuels based on pricing considerations.[109] In the formal

[106] Case No. 2020-00342, *Electronic Application of CitiPower, LLC for a Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 27, 2021) at 16; and Case No. 2024-00252, *Electronic Application of Navitas KY NG, LLC for an Alternative Rate Filing Pursuant to 807 KAR 5:*076 (Ky. PSC Apr. 27, 2021) at 18-20.

[107] Sheikh Direct Testimony at 4.

[108] Sheikh Direct Testimony at 3.

[109] Sheikh Direct Testimony at 7.

COSS, Navitas KY provided evidence that there are differences in class cost of service between Commercial, Industrial, and Agriculture classes.[110] Based on the COSS, there is significant variation in usage per customer among these classes. The Industrial customers use approximately three times more natural gas than Commercial customers, and Agricultural customers use approximately two times more natural gas than Commercial customers.[111] In response to Staff's Fourth Request, Navitas KY provided sample tariff sheets including proposed language for Navitas KY's proposed new customer classifications.[112]

Staff recommends that the Commission accept Navitas KY's proposal to establish new customer classifications for base Industrial, MCI, and Agricultural customers. Staff further recommends that the Commission accept the proposed rate classification language for tariff sheets: PSC Ky. No. 1, Original Sheet No. 4, Customer Classifications; PSC Ky. No. 1, Original Sheet No. 10, Deposits; PSC Ky. No. 1, Original Sheet No. 21, Stand-By Space Heating Service; PSC Ky. No. 1, Original Sheet No. 22, Extension of Distribution Main.[113]

(C) Revenue Allocation and Rate Design. Navitas KY proposed that the final year of its four year phase-in of 2030 be informed by the results of the COSS while also taking into consideration with bill impact and rate continuity.[114] Navitas KY proposed to move the rate classifications towards cost-based rates by a 20 percent movement of

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[110] Exhibit TAS-2 (filed. Feb. 10, 2026) COSS Summary, page 1 of 1.

[111] Sheikh Direct Testimony at 12, *see* Figure 6.

[112] Navitas KY's Response to Staff's Fourth Request, Items 2–8.

[113] Navitas KY's Response to Staff's Fourth Request, Exhibit 4–8.

[114] Sheikh Direct Testimony at 6.

current class revenues towards each class's cost of service, and a reduction in non-residential rates and an increase in residential rates.[115]

Staff recommends that the Commission use the COSS filed by Navitas KY as a guideline for allocating revenue and designing rates, but that the Commission consider the principle of gradualism when approving rates. The Commission has previously acknowledged that the concept of gradualism in ratemaking is to mitigate the financial impact of rate increases on customers, and that gradualism is used in circumstances where there is evidence that there is an economic imbalance or difficult financial conditions within the utility service territory.[116] Due to the implementation of the interim rates as approved by the Commission's December 22, 2025 Order and the proposal by Navitas KY to place its new rates into effect on and after January 1, 2027, Staff recommends that the Commission consider the interim rates that have been in effect when determining the final rates that would be fair, just and reasonable.

Navitas KY's proposed rates for year 2030 following the proposed phase in of rates allocated approximately 51.5 percent of revenue recovery towards the Residential customer class. The remaining revenue allocation proposed was as follows: 22.2 percent for Commercial; 11.2 percent for Industrial; 4.4 percent for Agricultural; and 10.7 percent for MCI.[117] Navitas KY proposed a Residential customer charge of $39.00 and a base volumetric charge of $13.8200 per Mcf. The year 2030 proposed allocation would result in a reduction of rates to non-residential classes and an increase of rates to the residential

[115] Sheikh Direct Testimony at 6.

[116] Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024), Order at 20.

[117] Exhibit TAS-5 (filed. Feb. 10, 2026) Rate Design and Bill Impacts, page 1 of 4.

class from the emergency rates that were approved, subject to refund, for service after December 22, 2025.[118]

2030 Proposed Allocation	Residential	Commercial	Industrial	Agricultural	MCI
Allocation percentage	51.5 %	22.2 %	11.2 %	4.4 %	10.7 %
Class Revenue	$ 597,958	$ 257,315	$ 130,190	$ 50,683	[redacted]
Total Revenue	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Emergency Rate Relief Allocation	Residential	Commercial	Industrial	Agricultural	MCI
Allocation percentage	26.2 %	34.3 %	18.4 %	6.1 %	15.0 %
Class Revenue	$ 266,828	$ 348,315	$ 187,080	$ 62,185	$ 152,474
Total Revenue	$ 1,016,882	$ 1,016,882	$ 1,016,882	$ 1,016,882	$ 1,016,882

The rates calculated by Staff were based on the COSS results but modified to try and maintain gradualism from the interim rates allowed by the Commission in its December 22, 2025 Order. Staff modified the increase to lessen the overall impact to Residential customers while maintaining those customers' control over their bills by monitoring and controlling their usage. Due to the Emergency rates being placed into effect, subject to refund, Staff allocated the necessary revenue increase to each class in an effort to maintain the current level of rate class contribution to avoid a lengthy refund process but move the rate classes closer towards cost-based rates.

Staff Recommended Allocation	Residential	Commercial	Industrial	Agricultural	MCI
Allocation percentage	30.5 %	33.1 %	18.4 %	6.1 %	11.9 %
Class Revenue	$ 391,642	$ 424,154	$ 236,039	$ 78,508	$ 152,474
Total Revenue	$ 1,282,817	$ 1,282,817	$ 1,282,817	$ 1,282,817	$ 1,282,817

[118] Dec. 22, 2025 Order at 11.

In Staff's reallocation process the MCI rate class remains revenue neutral from the interim Emergency rate relief. The Commission, on its own motion, in its February 13, 2026 Order granted a deviation from 807 KAR 5:076, Section 8(1)(b), in relation to customer notice for the February 10, 2026 amended application. In its original application Navitas KY includes in its customer notice that it is proposing to add Industrial and Agricultural classes.[119] In its amended application, Navitas KY proposes to add Industrial, Agricultural, and Mutually Curtailable Industrial classes.[120] Due to the deviation granted by the Commission, the potential customer(s) that would be included in the MCI rate class were not provided notice pursuant to 807 KAR 5:076, Section 5. Staff recommends that the Commission approve a revenue neutral reallocation based on the interim emergency rates for the MCI rate class.

In the allocation between fixed and volumetric charges, Staff used the allocation as proposed by Navitas KY in its 2030 rate design as a guideline. In the table below, the top rate represents the monthly service charge, and the bottom volumetric rate is the base rate:

[119] Original Application, Attachment 1, Customer Notice (tendered Oct. 14, 2025).

[120] Shiekh Direct Testimony at 7.

	Current Tariffed Rates	Interim Rates[121]	Staff Recommended Rates
Clinton Residential	$ 8.00 $ 4.6200 per Mcf	$ 16.00 $ 6.6000 per Mcf	$ 26.00 $ 8.9107 per Mcf
Clinton Commercial	$ 35.00 $ 3.6200 per Mcf	$ 87.00 $ 9.3600 per Mcf	$ 85.00 $12.4536 per Mcf
Floyd/Johnson Residential	$ 15.00 $ 8.6000 per Mcf	$ 16.00 $ 6.6000 per Mcf	$ 26.00 $ 8.9107 per Mcf
Floyd/Johnson Commercial	$ 15.00 $ 8.6000 per Mcf	$ 90.00 $ 9.3600 per Mcf	$ 85.00 $12.4536 per Mcf
Base Industrial	$ 75.00 $ 3.6200 per Mcf	$ 170.00 $ 9.3600 per Mcf	$ 300.00 $10.8519 per Mcf
Mutually Curtailable Industrial	$ 75.00 $ 3.6200 per Mcf	$ 170.00 $ 9.3600 per Mcf	$ 532.00 $ 9.0897 per Mcf
Agricultural	$ 35.00 $ 3.6200 per Mcf	$ 87.00 $ 9.3600 per Mcf	$ 80.00 $12.2558 per Mcf

The rates provided in Appendix B to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from natural gas sales to recover the $1,295,311 revenue required from rates, which results in an approximately 121.36 percent increase from prior Commission approved rates or approximately 64.03 percent increase from the Interim Emergency rates. The monthly natural gas bill for a typical Residential customer using approximately 3.0 Mcf of gas per month[122] will increase by $16.93 from $35.80[123] to $52.73[124] or approximately 47.3 percent.[125]

[121] Commission's December 22, 2025 Order, Appendix B.

[122] Application, Customer Notice (filed Nov. 7, 2025) at unnumbered page 7.

[123] The Average Bill at Current Rates is based on the Interim rates allowed to go in effect by the Commission's December 22, 2025 Order. Monthly customer charge of $16.00, plus volumetric rate of $6.6000 per Mcf times average monthly usage of 3.0 Mcf = average monthly bill at current rates of $35.80.

[124] Monthly customer charge of $26.00, plus volumetric rate of $8.9107 per Mcf times average monthly usage of 3.0 Mcf = average monthly bill at current rates of $52.73.

[125] $53.23 (Average Bill New Gas Rates) - $35.80 (Average Bill Current Interim Gas Rates) = $17.43 (Total Difference in Customer Bill) ÷ $35.80 (Average Bill Current Interim Gas Rates) = 49.0 percent.

Average Monthly Customer Bill by rate class:

Customer Class	Average Monthly Usage in Mcf [126]	Interim Emergency Rates	Staff Recommended Rates	Percentage increase	Dollar Amount increase
Residential	3.0	$ 35.80	$ 52.73	47.3 %	$ 16.93
Commercial	21.0	$ 284.16	$ 346.53	21.9 %	$ 62.37
Industrial	89.0	$ 1,003.04	$ 1,265.82	26.2 %	$ 262.78
Agricultural	70.0	$ 742.80	$ 937.91	26.3 %	$ 195.11
MCI	[redacted]	$ 12,703.04	$ 12,703.11	0.0 %	$ 0.07

Staff recommends that the Commission accept the rates provided in Appendix B to this report as fair, just and reasonable.

(D) Effective Date of Rates. As part of its proposed changes to rate design Navitas KY also requested to implement rates over a four-year phase-in from 2027 to 2030;[127] and to include a five-year shortfall period, starting in 2031, for under recovered revenues during the phase-in period.[128]

Staff recommends that the Commission reject the proposal to implement rates over a four-year phase-in and the proposal for the shortfall recovery. Staff recommends that the Commission approve the charge of the emergency rates from the Commission's December 22, 2025, Order up to and including December 31, 2026, and approve the rates recommended by Staff herein for service rendered on and after January 1, 2027. Due to the Interim Emergency Rates, the implementation of a four-year phase-in is no longer necessary and thus the proposed shortfall period is also unnecessary.

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[126] Shiekh Direct Testimony at 12, Figure 6. The Avg. Monthly Use / Customer was converted from Ccf to Mcf and rounded.

[127] Shiekh Direct Testimony at 6.

[128] Shiekh Direct Testimony at 6-7.

(E) Refund from Emergency Rates. Staff recommends that no refund be directed from the Interim Emergency Rates because the final proposed rates are higher than the interim rates.

STAFF COMMENTS

Commission Staff identified a number of items of concern that warrant further comment during the review.

1. Special Contract Customer. Navitas KY has a special contract with an industrial customer[129] that is not being enforced to the letter of that agreement.[130] The special contract allows for a minimum monthly usage and a minimum monthly payment. When the customer uses less than the minimum monthly usage, the minimum monthly payment can be used to offset actual usage for the following 12-month period.[131] Navitas KY is allowing the accumulated payments to offset usage on a continuous basis.[132] Staff recommends that the Commission order Navitas KY to enforce the contract as written and open an investigation into the failure to comply with the Commission approved contract. Staff also recommends that the Commission require Navitas KY to file a semiannual report on the usage of this customer, as the usage greatly affects Navitas KY's revenues.

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[129] Case No. 2014-00027, *Application of Navitas KY NG, LLC for Certificate of Public Convenience and Necessity for Its Pipeline, Construction Work Plan in Clinton County, Kentucky* (Ky. PSC June 2, 2014) and Navitas KY's Response to Staff's Second Request for Information, Item 22.

[130] Navitas KY's Response to Staff's First Request, Item 5 and Navitas KY's Response to Staff's Second Request, Item 13.

[131] Navitas KY's Response to Staff's Second Request, Item 13.

[132] Navitas Ky's Response to Staff's Second Request, Items 12 and 13.

2. Non-compliance with Case No. 2019-00430.[133] Navitas KY did not comply with a Commission Order to hold refunds in a separate account.[134] Staff recommends that the Commission order Navitas KY to comply with the prior Commission Order within 90 days of the date of the final Order in this case.

3. Returned Payment Charge. Navitas KY did not charge the correct Returned Payment Charge during the test year. Navitas KY overcharged customers $35 per instance, from $15 to $50. Staff recommends that the Commission order a refund to these customers and open an investigation into Navitas KY's failure to follow its tariffed rates.

4. Bill Compliance with 807 KAR 5:006, Section 7. In Case No. 2026-00072, Navitas KY stated that it believed that its current bills are generally in compliance with 807 KAR 5:006, Section 7(1)(a),[135] but that because each meter is read every month and usage is not estimated, the bills reflect and indicate actual readings, but do not specifically state whether the bill is estimated or calculated.[136] Staff has concerns about whether Navitas KY is in compliance with 807 KAR 5:006, Section 7, and recommends that the Commission order Navitas KY's to comply with 807 KAR 5:006, Section 7, within 90 days of the date of the final Order in this proceeding. Staff further recommends that Case No. 2026-00072 be incorporated into this case.

[133] Case No. 2019-00430, *Electronic Application of Navitas KY NG, LLC for an Alternate Rate Adjustment* (Ky. PSC June 17, 2020).

[134] Navitas KY's Response to Staff's Second Request, Item 16.

[135] 807 KAR 5:006, Section 7(1)(a), requires that specific information be clearly stated on utility bills. As part of the required information, a utility must clearly chow if the bill is estimated or calculated.

[136] Case No. 2026-00072, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Mar. 31, 2026) Navitas KY's Response to Commission Staff's First Request for Information, Item 13.

5. Capital Structure and Debt. Navitas KY has financed nearly all construction with debt. Its capital structure is 74.29 percent long-term debt and 25.71 percent equity.[137] This is an unsustainable, over-leveraged position that results in significant debt payments and interest charges relative to Navitas KY's income, cash flows, and other operating expenses.[138] Navitas has a negative operating cash flow.[139] Navitas is in technical default of its debt instruments.[140] The Commission generally favors a balanced capital structure.[141] Staff recommends that the Commission order Navitas KY to justify the impact on its capital structure in any further applications for approval of long-term debt.

6. Late Payment Penalties on Debt. Navitas KY incurred significant late payment fees on its debt service. During the test year, Navitas KY incurred $9,137 in late payment fees.[142] It appears that most of the late payments were only one business day late. Although these fees do not affect Navitas KY's rates, Staff recommends that the Commission encourage Navitas KY to inspect its payment schedules to ensure that debt payments are provided in a timely manner to avoid late payment penalties.

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[137] 2024 Annual Report at 17–18.

[138] Navitas KY's average principal and interest payments are nearly [redacted] percent of its operating expenses.

[139] Navitas KY's Response to Staff's IC Request, Item A.

[140] Hearing Video Transcript of Dec. 5, 2025 Hearing at 09:53:37–09:55:00.

[141] *See* Case No. 2025-00113, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and Approval of Certain Regulatory and Accounting Treatments* (Ky. PSC Feb. 16, 2026), Order at 139–140; and Case No. 2025-00257, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Certain Regulatory and Accounting Treatments; and (4) All Other Required Approvals and Relief* (Ky. PSC Feb. 28, 2026), Order at 136–137. The Commission recognized that an overleveraged position may make it harder and more expensive to acquire new debt.

[142] Navitas KY's Response to Information Requested in IC Order, Attachment C.

7. Capital Investments. Navitas KY is renewing its system below its depreciation rates, as evidenced by declining plant balances.[143] Navitas KY also does not have a long-term infrastructure improvement plan.[144] Staff recommends that the Commission encourage Navitas KY to increase its capital spending to renew its system at levels that support the long-term safety and reliability of its system and to develop a long-term replacement plan.

8. Allocation Methodology. Navitas KY's allocations from its parent company are likely overstated due to the lack of allocations to one of NUC business units, Hydro, LLC (Hydro). Because Hydro does not have customers or undepreciated plant, it is not included in NUC's allocation method.[145] It is Staff's opinion that NUC needs an added factor in the Atmos method to attribute some expenses to Hydro. Failure to account for all affiliates appears to result in unreasonable allocations of certain expenses. Staff recommends that that the Commission consider requiring employees and direct labor charges be additional factors in the allocation methodology so that some expenses are allocated to all NUC affiliates. Staff recommends that the Commission require Navitas KY to adjust its allocation method to appropriately allocate expenses to Hydo before its next base rate case.

[143] *Annual Report of Navitas KY to the Public Service Commission for the Year Ending December 31, 2023* (2023 Annual Report) at 14 and 2024 Annual Report at 14.

[144] Navitas KY's Response to Staff Second Request, Item 57.

[145] Navitas KY's Response to Staff's Third Request, Item 1a.

9. Gas Losses. Navitas KY had a reported 12-month rolling average gas loss of 32.90 percent in July 2025[146] and 16.79 percent in April 2026.[147] In Case No. 2023-00428, the Commission reminded Navitas KY to follow the Commission's preferred GCR format[148] and to utilize the five percent line loss limiter that is standard to the Commission's preferred GCR rate report.[149] The 5 percent line loss limiter has been standard practice historically at the Commission, and was introduced as a means of incentivizing a Local Distribution Company (LDC) to maintain system infrastructure and correct excess line loss on its system by limiting the recovery of lost and unaccounted for gas cost that could be passed to ratepayers. The Commission has directed that the Commission views line loss as a primary indicator of ongoing maintenance of the system which is critical to the safety of utility customers and the public.[150]

While Navitas KY has decreased the total line loss over time, it is Staff's opinion that Navitas KY's gas losses are still excessive, and Navitas KY needs a replacement program or leak reduction program. Staff also recommends that the Commission encourage Navitas KY to utilize third party contractors to locate line breaks and leaks, as

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[146] Case No. 2025-00316, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Sept. 30, 2025), Navitas_PGA_-_Case_No._2025- 00316.xlsx, Tab "Sch II EGC". The 32.90 percent line loss is based on reported purchases of 114,793 Mcf and sales of 77,023 Mcf for the 12-months ended reporting period of July 31, 2025.

[147] Case No. 2026-00169, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed July 1, 2026), Navitas_PGA_-_Case_No._2026-00169_(XCEL).xlsx, Tab "Sch II EGC". The 16.79 percent line loss is based on reported purchases of 95,317 Mcf and sales of 79,312 Mcf for the 12-months ended reporting period of April 30, 2026.

[148] Case No. 2023-00428, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Oct. 31, 2024), final Order at 13.

[149] Case No. 2023-00428, Oct. 31, 2024, final Order at 19.

[150] Case No. 2023-00067, *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules for Kentucky Frontier Gas, LLC* (Ky. PSC Mar. 28, 2024), final Order at 17.

appropriate. Staff also recommends that Navitas KY assess its system by sections because its system is not geographically connected. If Navitas KY determines that leaks are not the primary cause of its unaccounted-for gas, Staff recommends that the Commission encourage Navitas KY to address the supplemental cause, such as metering or measurement issues. Furthermore, to maintain the Commission's standard use of the five percent line loss limiter, Staff recommends that the Commission order Navitas KY to file revised tariff sheets to include language that states that Navitas KY will use the five percent line loss limiter in its Expected Gas Cost and Actual Cost Adjustment calculation but may request a deviation from the Commission only upon a showing of good cause as part of its Gas Cost Recovery Tariff.[151]

10. Payment to Natural Gas Suppliers. As part of Navitas KY's request for emergency rates, Navitas KY explained that it had not made timely payment to its suppliers and owed significant arrearages.[152] Staff recommends that the Commission open an investigation into whether Navitas KY is providing, pursuant to 278.030, "adequate, efficient and reasonable service."

11. Contributions in Aid of Construction (CIAC). Navitas KY is depreciating CIAC over a shorter period than the underlying assets.[153] This artificially lowers plant balances in early years and raises plant balances in later years. Staff recommends that the Commission require Navitas KY to depreciate CIAC over the same period as the

[151] Navitas KY's Tariff, PSC Ky No. 1, Original Sheet No. 24; and PSC Ky No. 1, 1st revised sheet No. 25.

[152] Navitas KY's Motion for Emergency Rate Relief at 2 and Navitas KY's Response to Staff's IC Request, Item D, notices of Termination.

[153] Application, Attachment 7 – Depreciation Schedule.

underlying assets. Staff further recommends that the Commission order Navitas KY to adjust all CIAC amortization in its next base rate case to reflect consistent amortization periods.

12. Certificate of Public Convenience and Necessity (CPCN). Navitas KY stated that it will likely not seek regulatory approval for certain projects because it only works on the projects as operating funds allow.[154] Staff recommends that the Commission order Navitas KY to file for a CPCN for these projects, or in the alternative a declaratory order that they do not need a CPCN, as completing the projects piecemeal does not negate the need for a CPCN.

13. Proposed Revenue Allocation. Navitas KY's proposed rates for year 2030 following the proposed phase in of rates allocated approximately 51.5 percent of revenue recovery toward the Residential customer class. The remaining revenue allocation proposed was as follows: 22.2 percent for Commercial; 11.2 percent for Industrial; 4.4 percent for Agricultural; and 10.7 percent for MCI. Navitas KY proposed a Residential customer charge of $39.00 and a base volumetric charge of $13.8200 per Mcf. The proposed Residential customer charge of $39.00 would allow Navitas KY to collect the highest Residential customer charge for an LDC in Kentucky.[155] Staff is concerned that the rates, and residential rate in particular, may not be fair, just and reasonable for customers, which may in turn lead to customers pursuing alternatives to natural gas. Staff

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[154] Navitas KY's Response to Staff's Third Request, Item 18.

[155] The current highest Residential customer charge for an LDC in Kentucky is Delta Natural Gas Company at $29.95, approved by the Commission in Case No. 2024-00346, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Gas Rates* (July 1, 2025), final Order.

recommends that the Commission encourage Navitas KY to consider the overall impact for Residential customers when it proposes base rates.

14. Customer Notice. On November 7, 2025, Navitas KY filed a revised customer notice as well as a request for any necessary deviations related to notice of its original application. The deficiencies were subsequently cured, and the original application was deemed filed on November 18, 2025. The Commission scheduled a hearing for rate relief on December 5, 2025, and on November 26, 2025, Navitas KY filed proof of customer notice for the hearing in compliance with 807 KAR 5:001, Section 9(2)(b). The most recent public comment in this case proceeding was filed on December 22, 2025. The Commission, on its own motion, in its February 13, 2026 Order granted a deviation from 807 KAR 5:076, Section 8(1)(b), in relation to customer notice for the February 10, 2026 amended application. In its original application, Navitas KY included in its customer notice that it is proposing to add Industrial and Agricultural classes.[156] In its amended application, Navitas KY proposed to add Industrial, Agricultural, and Mutually Curtailable Industrial classes.[157] Due to the deviation granted by the Commission, the potential customer(s) that would be included in the MCI rate class were not provided notice pursuant to 807 KAR 5:076, Section 5. Furthermore, in this Staff Report, Staff is recommending that the Commission deny Navitas KY's proposed phase-in approach, which, if placed into effect, would be a reduction to overall rates beginning in 2027. Staff recommends that the Commission consider ordering Navitas KY to re-notice its customers of the rates following the issuance of the Commission's final Order in this

[156] Original Application, Attachment 1, Customer Notice (tendered Oct. 14, 2025).

[157] Shiekh Direct Testimony at 7.

proceeding. The changes discussed herein, if approved by the Commission, follow significant deviation from the previous customer notice supplied to Navitas KY's customers. Customer expectation of what may be charged beginning in 2027 based on the supplied customer notice differs significantly from what is recommended herein the Staff Report.

15. Length of Time Between Rate Cases. Navitas KY did not file for a rate increase until 14 years after acquiring its Clinton County system and three years after acquiring its Floyd and Johnson County systems.[158] The rate request was denied for issues with Navitas KY's annual report and allocation methods. As noted in the background above, these systems did not have rate increases for substantial periods of time. When there is significant time between rate cases, the customer impacts are more difficult to mitigate, and a larger increase can cause rate shock. Lengthy times between rate cases also deteriorate the financial condition of the utility. Staff recommends that the Commission order Navitas KY to file a rate request within three years from the date of the final Order in this case.

16. Record Keeping and Annual Reports. Navitas KY's last rate request was denied, in part, for issues with Navitas KY's annual report. Although those same issues were not present in this proceeding, Navitas KY's annual report had several items that were left blank.[159] Additionally, Navitas KY appears to have continued issues with record keeping.[160] Staff recommends that the Commission order Navitas KY to file complete

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[158] Case No. 2020-00369, *Electronic Application of Navitas KY NG, LLC for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC May 5, 2025).

[159] *See* Navitas KY's 2024 Annual Report at 23–24, 42, 63–64, 110–112, and 123–124.

[160] *See* Navitas KY's Response to Staff's IC Request, Attachment C and 2024 Annual Report at 22. The interest on long-term debt does not match between these two documents. Staff used Navitas KY's

and accurate annual reports and, in support of that effort, to contract for an audit of its next Annual Report.

debt instrument amortization schedules to determine average principal and interest payments. *See* Navitas KY's 2024 Annual Report at 3 and 91. Natural gas purchases do not match.

Signatures

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Prepared by: Mary K. Whitaker
Revenue Requirement Branch
Division of Financial Analysis

_____Sarah Jankowski_______________
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APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00332 DATED AUG 12 2026

* Denotes Rounding

Nonrecurring Charge Adjustments

Collection Charge

	Navitas KY	Staff
Field Materials	-	
Field Labor (1hr X $ 30/hr.)	$30.00	-
Office Supplies	-	-
Office Labor (0.25 hr. X $ 22.50/hr.)*	$5.00	-
Transportation	$20.00	$20.00
Misc.	-	-
Total Revised Charge	$55.00	$20.00
Current Rate	$25.00	

Reconnection Charge		
	Navitas KY	Staff
Field Materials	-	-
Field Labor (3 hr. X $ 30/hr.)	$90.00	-
Office Supplies	-	-
Office Labor (1 hr. X $22.50/hr.)	$22.50	-
Transportation	$60.00	$40.00
Misc.	-	
Total Revised Charge	$172.50	$40.00
Current Rate	$25.00	

Returned Payment Charge		
	Navitas KY	Staff
Field Materials	-	-
Field Labor	-	-
Office Supplies	$1.25	$1.25
Office Labor (0.25 hr. X $22.50/hr.) *	$5.00	-
Transportation	-	-
Misc. (Bank Fee)	$29.00	$29.00
Total Revised Charge	$35.25	$30.25
Current Rate	$15.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00332 DATED AUG 12 2026

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report 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.

Interim Emergency rates approved by the Commission for service rendered on and after December 22, 2025:

RATES

	Customer Charge	Per Mcf[1]
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

[1] The Volumetric Charge does not include the Gas Cost Recovery rate.

Rates recommended by Commission Staff for service rendered on and after January 1, 2027:

RATES
The rate per Mcf for all consumption shall be:

	Base Rate[2]
Residential	
Customer Charge	$ 26.00 per Month
Volumetric Charge per Mcf	$ 8.9107
Commercial	
Customer Charge	$ 85.00 per Month
Volumetric Charge per Mcf	$ 12.4536
Base Industrial	
Customer Charge	$ 300.00 per Month
Volumetric Charge per Mcf	$ 10.8519
Mutually Curtailable Industrial	
Customer Charge	$ 532.00 per Month
Volumetric Charge per Mcf	$ 9.0897
Agricultural	
Customer Charge	$ 80.00 per Month
Volumetric Charge per Mcf	$ 12.2558

[2] The Volumetric Charge does not include the Gas Cost Recovery rate.

Service List for Case 2025-00332

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