Residuals From Past AAs & BAs

Navitas has prepared worksheets detailing the balances of each of the relevant quarterly amounts. The main components of the calculation include the original balance, the ordered Actual Adjustment or Balance Adjustment, and the monthly sales to which the adjustments were applied. Additionally, the worksheets attempt to visually indicate the residual portion by demonstrating the months at the end of the period during which there was no recovery due to the transition. Conceptually, it is rather simple to understand the existence of a residual balance applicable, for example, to the Actual Adjustment ordered in Case No. 2021-00136, which was effective May 1, 2021 and only ran three of its normal twelve months, thus nine months were not recognized/collected. Likewise, each prior filing would miss three fewer months. A bit more challenging is to remember to pick up the residual balances of the Actual Adjustments the third and forth prior quarters as they normally flow into subsequent Balance Adjustments with a quarter lag. We believe the workpapers present the figures in a reasonably straightforward manner. Below each county (system) is discussed in turn.

Floyd County

B&H Gas Company (Floyd County) had no ordered Actual Adjustments or Balance Adjustments in place. Thus, the residual balance for Floyd County is zero.

Johnson County

Johnson County Gas had nearly a full compliment of Actual Adjustments in place, having appeared to have missed a quarterly filing in 2020. Of the three Actual Adjustments the residual under-recovered balance is $4,548.69.

Clinton County

Navitas KYNG, LLC has a full compliment of Actual Adjustments and Balance Adjustments in place including a very significant balance from 20-103 which was in its lag quarter before becoming a Balance Adjustment effective August 1, 2021. The totality of the residual balances is $101,860.78 under-recovered with nearly half of that remaining from 21-136 (the last regular filing prior to the acquisition).

Transition Period Cost Difference

The Transition Period Cost Differences are essentially the Schedule IV Actual Adjustments that did not take place during the interim period between the last normal filing and this filing. The principle difference being the term for all the systems being longer than three-months and, while a recovery mechanism is proposed below, a traditional Actual Adjustment is not calculated. The associated worksheets are included in this filing.

Floyd County

Navitas has rejected numerous invoices from B&S Oil. Toward that end we used calculated figures in place of some of invoices. This is especially the case as Navitas did pay invoices from prior to the acquisition nor, as noted, are we paying incorrectly-invoiced amounts (i.e. – amounts that do not comport with the calculation testified to and approve by the Commission). This has made the process extremely tedious and frustrating. Navitas is undertaking additional measures to make the system less dependent on well gas and even more independent from the former owner.

The Transition period covered for B&H Gas Company (Floyd County) is the seven-months of January through July. The summation of the monthly cost differences is under – recovery of $5,763.60

Johnson County

I'll take this opportunity to raise a concern with regard to the Schedule III calculation line loss limitation. Percentage line loss is an industry standard created by large major utilities to minimize the issue. Especially in view of new PHMSA regulations, the actual physical quantity of gas lost is of real concern. Most people, including regulators, do not understand that the quantity of gas lost from a leak is a function of hole size and pressure, it is not a function of volume of gas delivered by the pipe. Thus, while most of the rural systems served by Navitas have a comparatively high percentage of line loss they lose less gas per mile of pipe than the majors. In a line loss case in another jurisdiction, Navitas was able to demonstrate that its systems lost on average 6.5 MCF per mile of pipe per month while the largest gas utility in the state lost in excess of 13 MCF per mile of pipe per month, nearly twice the physical quantity per mile of system. However, whereas the major utility had less than 2% line loss, Navitas approached 10%. Of course, this was simple a function of volume. While the major utility had giant users, Navitas served only rural homes and small businesses.

Moreover, a leak that generates 2% line loss on our system in the winter (example 1960 MCF sold / 2000 MCF purchased) will generate a 29% line loss in the summer (98 MCF sold / 138 MCF purchased). This is because the hole(s) will leak the same amount regardless of volume passing through the pipe if the pressure remain constants.

The Transition period covered for Johnson County Gas is the seven-months of January through July. The summation of the monthly cost differences is over – recovery of ($939.71).

Clinton County

The Transition period for Clinton County is only six-months from February through July due to a timing difference with the filings. The summation of the monthly cost differences is under – recovery of $34,019.67 with the vast majority being from the months of February and March.

Proposed Recovery of Residual Balances and Transition Period Cost Differences

This chart summarizes the Residual and Transition Period balances:

	Floyd	Johnson	Clinton
Residual		4,548.69	101,860.78
Transition	5,763.60	(939.71)	34,019.67
Total	$5,763.60	$3,608.98	$135,880.45

The Residual balances would normally be substantially recovered over on average of about eight months based on a 3, 6, 9, & 12 month AA. The Transition balances would have been recovered over fourteen months for each filing thus about twelve months. Note that the percentage of under - collected does not match the percentage of flow by county, thus a uniform rider would result in a transfer of some pre-acquisition costs.

Navitas suggest for Floyd County and Johnson County net the totals with the balances for each respective customer refund account, e.g. – reduce the balances by $5,763.60 and $3608.98 respectively. With the effect that the refund ends slightly sooner for each county.

Navitas suggest for Clinton County, with annual sales approximating 100,000 MCF, that a rider of $1.00 per MCF be implemented until such time as the total of $135,880.45 is collected, which should take approximately sixteen months. In the event that Navitas over collects in the final month, the amount of overcollection will be included in the subsequent AA filing for return to the customers.

Note, the totality of these balances are a significant amount of money, representing a substantial portion of the Navitas KYNG, LLC operating line of credit.