

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
Electronically Submitted

In the Matter of:

Purchased Gas Adjustment)	Case No.
Filing of Navitas KY NG, LLC)	2021-00381

UNIFIED GAS COST ADJUSTMENT & COMPLIANCE FILING

Comes now Navitas KY NG, LLC (“Navitas KY”), by counsel, and for its Unified Gas Cost Adjustment (“GCA”) and Compliance Filing, respectfully states as follows.

INTRODUCTION

1. Navitas KY is a Kentucky limited liability company and distributor of natural gas to approximately 700 customers in Clinton, Floyd, and Johnson Counties, Kentucky. Navitas KY began utility operations in the Commonwealth following its acquisition of Gasco Distribution Systems, Inc., in 2011.¹ By Order entered earlier this year in Case No. 2020-00396,² the Commission approved the acquisition by Navitas of neighboring local distribution companies, Johnson County Gas Company (“Johnson County”) and B&H Gas Company (“B&H”).

2. Since acquiring Johnson County and B&H, Navitas KY has undertaken multiple, significant measures to ensure the safe, functional, and compliant operation of the newly-combined system. Although the acquisition and transition have not been without challenges, Navitas KY is committed to providing the dependable, responsible utility service that customers of the tri-county

¹ 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).

² Case No. 2020-00396, *Application of Navitas KY NG, LLC, John County Gas Company, and B & H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems* (Ky. PSC Apr. 27, 2021).

area deserve and should expect. For the Commission's information, a non-exhaustive list of Navitas KY's recent efforts include:

- engaging Bell Engineering to examine the feasibility of joining the two sides of the former Johnson County system. Following on-site investigation and extensive discussion with appropriate parties, it was determined that this connection is prohibitively expensive due to the necessity of crossing a railroad.
- ordering and beginning installation of over 100 new meters and regulators. Navitas KY has found that certain existing meters may be unreliable and typically fail in favor of the customer (i.e., under-record gas usage), which is often a significant source of line loss.
- ordering check meters to place on incoming well gas. Field operations will schedule the installation of these meters. Navitas KY believes these meters installed at receipt points promotes accuracy and reliability.
- Acquiring a new mini-excavator to affect the installation of additional pipeline.

3. As demonstrated by the above, Navitas KY is determined to address the operational issues which impact the combined system. In conjunction with these efforts, Navitas KY continually examines its gas supply costs and the recovery of those costs through Commission-approved rates. Although, as stated, certain challenges necessarily accompany the combination of three (3) existing systems (and, particularly, these three systems), the present filing is intended to sensibly approach the resolution of past issues as well as reaffirm sound practices moving forward for the combined system.

UNIFIED GCA AND TRACKERS

4. As part of its final Order in Case No. 2020-00396, the Commission approved the implementation of a unified GCA mechanism for the Navitas KY combined system and directed Navitas KY to file a first unified Gas Cost Recovery (“GCR”) rate report no later than July 2, 2021, for rates to be effective August 1, 2021. Navitas KY filed its first unified GCR rate report as part of Case No. 2021-00278.³ On July 30, 2021, the Commission approved a unified GCR rate of \$7.2892 per Mcf effective August 1, 2021, but held that the “case shall remain open until the reasonableness of the gas cost for the unified system is obtained.”⁴ On August 6, 2021, Navitas KY filed responses to requests for information contained in the Commission’s final Order.

5. Also as part of its final Order in Case No. 2020-00396, and after acknowledging the existing gas cost recovery mechanisms already in place at each of the pre-acquisition utilities, the Commission held that “Navitas KY should continue to charge customers of each of those systems a tracker specific to each specific utility to reconcile any remaining under- and over-recoveries of past gas cost.”⁵ The Order directed that these individual tracking adjustments, “to be charged to customers in the three systems until the final reconciliation of past gas cost is complete,” are to be established in the present matter for rates effective November 1, 2021.

6. Submitted herewith are the following (in both Excel and PDF format, where appropriate):

- a. Navitas KY’s unified GCR rate report for rates effective November 1, 2021.

This is Navitas KY’s second unified GCR rate report, the first having been filed in Case No. 2021-00278. It is the “normal” quarterly filing and

³ Case No. 2021-00278, *Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed July 2, 2021).

⁴ *Id.*, at p. 5.

⁵ *Supra*, n. 2, at p. 13 (“As the existing Navitas KY system, Johnson County and B & H each have their own GCA mechanisms through which they track under- and over-recoveries of gas cost.”).

intended to comport with the Commission’s earlier directives regarding the combined system’s unified GCR framework. It does not reflect an Actual Cost Adjustment (ACA) or Balancing Adjustment (BA), as those will be implemented in future unified GCA filings.⁶ Notably, natural gas prices are up sharply, with indexes having nearly tripled in the previous three months.

- b. Navitas KY’s proposed tracker mechanisms, designed to reconcile over- and under-recovered amounts related to service rendered by Navitas KY, Johnson County, and B&H, respectively, before the combined system’s unified GCR rate went into effect on August 1, 2021. The total amount of each former system’s individual tracker is comprised of: (i) AA and BA residual amounts that have already been approved by the Commission with respect to that individual system but had not been collected at the time of unification (“Residual AA and BA”); and (ii) the AAs that have not yet been recognized or collected with respect to that individual system since the filing of that individual system’s most-recent Commission-approved GCA (approximately 6-7 months). Additional detail with respect to the computation of the amount sought to be recovered under each tracker mechanism, as well as the proposed timeframe for recovery, is provided in the accompanying Excel and PDF files.

⁶ *Id.* (“The subsequent Actual Cost Adjustment (ACA) and Balancing Adjustment (BA) will be implemented in future unified GCA filings. The first Actual Cost Adjustment to track under- and over-recoveries for the combined system will be included in Navitas KY’s GCA report for rates effective February 1, 2022.”).

WHEREFORE, Navitas KY respectfully requests the Commission approve its proposed updated unified GCR rate report and tracker mechanisms as described, as well as grant Navitas KY such other relief as it may appear entitled.

This 1st day of October, 2021.

Respectfully submitted,

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