

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC PURCHASED)	
GAS ADJUSTMENT FILING)	CASE NO. 2023-00428
OF NAVITAS KY NG, LLC)	

**RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION**

Navitas KY NG, LLC (“Navitas KY”), by counsel, files its responses to Commission Staff’s Second Request for Information, issued in the above-captioned case on March 15, 2024.

FILED: March 29, 2024

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-1: Refer to Navitas KY's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1. Over the period of the last ten years, explain how often Navitas KY has had to make corrections to its Gas Cost Recovery (GCR) rate report due to errors. If a single report had to be corrected more than once, include each correction as a separate incident in the count.

RESPONSE: Navitas KY has reviewed its GCR rate report filings and acknowledges the Commission has identified errors or matters requiring adjustment on a number of occasions (approximately eleven of the most recent twenty final orders indicated a necessary correction). While certain of these issues were minor (e.g., during one period of time spanning roughly a dozen GCR rate reports, a one-cent difference accounted for the "error" – five times minus one-cent, six times plus one-cent), Navitas recognizes it must take care in preparing filings. Navitas KY is a very small but complex company serving rural customers, and is continually trying to improve. Navitas appreciates that Kentucky's quarterly GCR process helps minimize the implications of errors and ensure they are rectified quickly.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-2: Refer to Navitas KY's response to Staff's Second Request, Item 2, regarding the services of Kinetrex and Russmar.

a. Explain why these services are being included in Navitas KY's GCR rate report and why Navitas KY decided that these services should be included in the gas cost recovery mechanism.

b. Explain when these services were first included by Navitas KY in its GCR rate report.

c. Provide a monthly breakdown of the expenses related to these services Navitas KY included in its GCR rate report since the expenses were first included.

RESPONSE:

a. Kinetrex is a supplier of liquefied natural gas ("LNG") and related equipment.

[REDACTED]

[REDACTED]

[REDACTED] Note that a new source of supplemental gas supply is being procured for Clinton County and usage of LNG as a supplemental source is not expected to continue. Russmar is a third-party contractor that has been engaged to review and manage the LNG readings as well as a curtailment regulator at the far-end of the Clinton County system to manage gas supply into the system.

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

b. Kinetrex was first included in the PGA in February 2022. Russmar was then engaged and included in the PGA in August of 2022.

c. Navitas KY provides monthly invoices with respect to these suppliers in connection with its quarterly GCR submission.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-3: Refer to Navitas KY's response to Staff's Second Request, Item

2.

a. Explain what the abbreviation "ETGP" used in "Petrol ETGP" is.

b. Explain the difference between Petrol ETGP and Petrol KY.

RESPONSE:

a. The abbreviation refers to "East Tennessee Gas Pipeline."

b. Petrol supplies gas to Navitas KY and related entities in Tennessee, Kentucky, Oklahoma, and Texas. "Petrol ETGP" indicates service to areas in Tennessee and to Albany, Kentucky, and "Petrol KY" indicates service to Floyd and Johnson Counties, Kentucky.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-4: Refer to Navitas KY's response to Staff's Second Request, Item 3a, page 1 of 3, and page 3 of 3. The response indicates that Navitas KY uses the NYMEX chart provided on page of 3 of the response in conjunction with the statement, "is adjusted for location and other factors to develop estimated anticipated gas rates" as provided on page 1 of 3. Provide the adjustments Navitas KY uses in conjunction with the NYMEX that account for "location and other factors".

RESPONSE: The referenced NYMEX chart is the beginning of the month index at Henry Hub (located in Louisiana). The standard industry practice is to adjust for the interstate pipeline transportation from Henry Hub to the serving interstate pipeline. Thus, gas delivered to areas like Texas is cheapest, then a bit more expensive in Oklahoma, and even more costly in Kentucky, as it is farther from Louisiana. Roughly speaking this distance adds \$1 per MCF for Texas, \$2 for Oklahoma, and \$3 for Tennessee, and \$4 for Kentucky. Navitas KY then uses its experience and knowledge to account for other factors that may affect the price, such as weather impacts and industry developments. These adjustments to estimated gas costs attempt to acknowledge the dynamic marketplace. While holding the estimated price of gas relatively constant and allowing actual adjustments to account for small market fluctuations makes sense in a stable environment, volatility experienced in recent years (where gas has ranged up to \$14, rises and falls in notable increments quickly (e.g. – ranges from \$3 to \$7), and can wildly spike (Winter Storm Uri)) could

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

lead to excessive cost transfer between time frames if not accounted for. Ultimately, Navitas recognizes that the estimate will face an inevitable true-up with ensuing GCR submissions.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-5: Refer to Navitas KY's response to Staff's Second Request, Item 3a, page 1 of 3, the statement: "In the past four quarters in question (e.g. – ending October 2023 and submitted December 2023), the costs for Navitas KY have been \$9.33, \$6.35, \$12.07, and \$8.72 per MCF." Explain how these values were calculated, the inputs used, and where in the case records these values are stated.

RESPONSE: These values are calculated on the Actual Adjustment (IV) (submitted with the initial filing) tab row 26 in the first month of each quarter. It is the sum of the total cost (row 18) divided by the sum of the total sales (row 20) for the quarter.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-6: Refer to Navitas KY's response to Staff's Second Request, Item 3a, page 1 of 3, the statement: "Moreover, in the calendar year of October 2022 to October 2023, the rolling twelve-month average (calculated on the submission quarter) has been \$11.97, \$11.62, \$10.11, \$9.40, and \$8.51 per MCF." Explain how these values were calculated, the inputs used, and where in the case records these values are stated.

RESPONSE: Similar to Navitas KY's response to Item No. 3-5, though not normally presented in the Actual Adjustment (IV) tab, these are calculated by summing the total monthly costs for the twelve months quarter ending and dividing it by the total monthly sales. Unlike the quarterly value, this value is not typically left present (though it is often used as a check during the preparation process). However, the underlying data on rows 18 and 20 is present.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-7: Refer to Navitas KY's response to Staff's Second Request, Item 3b, page 2 of 3, the statement: "By utilizing these data points in conjunction with all other sources of data, Navitas KY attempts to establish an estimate for all of Kentucky." Explain why the calculation of Navitas KY's GCR rate report should use an estimate rather than be based on actuals.

RESPONSE: Navitas KY is not sure it understands the request, but its goal under the operation of the purchased gas adjustment mechanism is to provide its best estimate of its natural gas costs for the next period. This amount is based on the known costs of gas it has contracted to buy during that time or will withdraw from storage, as well as the estimated cost of gas that will be purchased during the period. The retrospective portion of the mechanism provides for a "true up" that insures that customers pay no more or no less for gas than Navitas' KY's actual costs. If Navitas KY overestimated its costs, the difference is returned to customers by a reduction in the purchased gas adjustment. Conversely, if market conditions lead to an underestimation of costs, the company recovers the difference through an increase in the adjustment. Of course, the estimate of the future number is based on certain known or assumed parameters, but the exact pricing charged by suppliers some months in the future is not known at the time of the submission.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-8: Refer to Navitas KY's response to Staff's Second Request, Item

4b.

a. Provide an updated version of the attached response that includes the monthly supplier invoice rates separately for Sparta, Diversified, and Petrol over the five-year period ended October 31, 2023.

b. Provide the average monthly supplier invoice rates separately for Sparta, Diversified, and Petrol over the five-year period ended October 31, 2023.

c. Provide the average monthly supplier invoice rates separately for Sparta, Diversified, and Petrol over the 24-month period ended October 31, 2023.

d. Provide the average monthly supplier invoice rates separately for Sparta, Diversified, and Petrol over the 12-month period ended October 31, 2023.

RESPONSE: Please see the included CONFIDENTIAL Attachment, which is provided subject to a motion for confidential treatment filed contemporaneously herewith.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-9: Refer to Navitas KY's response to Staff's Second Request, Item

6a.

a. Explain who at Navitas KY is capable of performing the calculations for the estimated supplier rates. Include in the response what Navitas KY would do in a situation if those personnel were no longer available to perform such an estimate.

b. Provide a detailed mathematically based breakdown of Navitas KY's justification for the estimated \$11.4999 per Mcf rate for Petrol. This response should provide those exact values, along with noting the source of those values, which would mathematically equate to the estimated \$11.4999 per Mcf. If Navitas KY cannot provide such a detailed breakdown then, explain why it would be reasonable for the supplier rates used in Navitas KY's GCR rate report to be based on an estimate rather than be based on historic actuals or a verifiable forecasted market-based rate.

RESPONSE:

a. The President of the Company, Mr. Hartline, is the individual that reviews the submission and makes the final judgement as to the estimated cost of gas. In addition, Julie Loving, who assists in the preparation of the submission, continues to gain the requisite experience to make the judgements required for the estimates. Other persons within the Navitas organization, including Mr. Varner, the CEO, Carlos Gonzalez, the Director of Accounting, Kevin Percy, the Director of Operations, or Nathan Goble, the Field Supervisor for Kentucky have relevant experience and could assist with the process were Mr. Hartline unavailable.

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

b. As discussed in previous responses, in late December Mr. Hartline believed that the 2023-24 winter was arriving late and there was going to be a significant increase in pricing. As it turned out, largely due to the cancellation (technically a delay) of the LNG export permits, gas pricing crashed.

Mathematically, the estimate for Petrol began with historic actual costs. To arrive at the estimate, Navitas evaluated its costs for the past twelve months and considered the upper range of the last twelve (12) months to be an appropriate estimate. Again, however, the estimate is not purely formulaic. Navitas KY believes that relying only on historic actual costs does not result in the best estimate it can provide; moreover, due to the volume and location of Navitas KY's system, a reliable, verifiable market-based rate for Petrol's future gas costs is not available.

Fundamentally, Navitas KY has an interest in estimating the cost of gas close to the eventual realized figure. If Navitas KY underestimates, it will cause future pricing to increase and could result in curtailed sales due to uncompetitive pricing. If Navitas KY overestimates, it will cause future pricing to fall, with the potential to be negative, which could create cash flow management issues. Navitas KY believes its processes are reasonable, but of course, can and will employ an alternative methodology (e.g., establishing fixed estimates, rely on a particular formula, etc.) if so directed.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-10: Refer to Navitas KY's response to Staff's Second Request, Item

6b. Explain in detail the commercial constraints of the B&W pipeline.

RESPONSE:

The B&W pipeline could be uprated to deliver at much higher pressure. This would allow the pipeline to supply additional gas such that Navitas would not have to curtail certain customers in Clinton County. To uprate the pipeline, B&W would likely need to replace the first three-miles near Deer Lodge, TN. However, an increase in operating pressure would necessitate the addition of compressors on the Sparta wells (note Sparta and B&W are affiliates) in order to overcome the pipeline inlet pressure, which would add increased expense and complexity it appears that they do not want to undertake.

At this time, Navitas KY is developing another source of supply which it anticipates bringing on in April of 2024 to alleviate some of the curtailment at the far end of Clinton County.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-11: Refer to Navitas KY's response to Staff's Second Request, Item 6b. Explain if Sparta is the only supplier accessible to Navitas KY from the B&W pipeline.

RESPONSE: Some months of the year, typically during the low-volume summer months, Sparta is the only supplier in Clinton County. This is because B&W reduces the pressure in their pipeline in the summer months from the 60 PSI winter peak. When the pressure is decreased, the pressure created by the incoming Sparta wells is sufficient to prevent any other party from supplying gas through the East Tennessee Gas Pipeline gate at Deer Lodge, TN. In winter, when the pressure is increased, or in the event the Sparta wells are in a turnaround, then other parties (e.g.: Petrol) are able to supply gas.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-12: Refer to Navitas KY's response to Commission Staff's First Request for Information, Item 6.

a. Explain what Navitas KY is using as the published month ahead index as the gas pricing for the gas supplied by Mr. Bud Rife's wells.

b. Confirm that Navitas KY is referencing repayment to Navitas KY of the refunds ordered to be made by the Commission when it states, "thereby reducing amounts owed Navitas KY by Mr. Rife".

c. Provide the methodology Navitas KY is using or is planning to use to collect the amounts owed by Mr. Rife through the GCR. The explanation should include the price Navitas KY is using to calculate the GCR rate, and the amount it pays Mr. Rife which presumably will be less than the amount reflected in the GCR rate report.

RESPONSE:

a. Navitas is using the Henry Hub Natural Gas Spot Price monthly index, available at <https://www.eia.gov/dnav/ng/hist/rngwhhdm.htm>. The published month ahead index is a neutral third party not subject to any calculation adjustment or interpretation and it is very familiar and assessable to anyone in the natural gas industry.

b. Confirmed.

c. Navitas KY intends to price the gas supplied by Mr. Rife at the month ahead index. Upon confirmation of acceptance of the amount (by the PSC through the approval of the

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

quarterly GCA), Navitas KY through counsel, intends to issue a notice to Mr. Rife's attorney as to the amount by which Mr. Rife's debt to Navitas KY is reduced. Whatever amount is approved by the PSC is the amount by which his debt will be reduced.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-13: Provide the amounts Navitas KY has already refunded of the \$9,450 owed to former Johnson County Gas customers, and the \$101,876 owed to former B&H Gas customers pursuant to the Commission's Order in Case No. 2020-00396.¹ State whether Navitas KY believes the refund amounts will be discharged within the 36 and 60 month refund periods, respectively, that were contemplated in the Commission's Order. If not, state when Navitas KY believes the refunds will be complete.

RESPONSE: Navitas KY has refunded former Johnson County Gas customers \$8,887, and former B&H Gas Company customers \$55,027.60. In anticipation of the three-year anniversary of the acquisition, Navitas KY expects to have refunded Johnson County Gas customers \$9,448 at the completion of the May 7, 2024 billing, and expects a similar result with respect to the former B&H customers at the conclusion of the 60-month refund period.

Witness: Thomas Hartline

¹ Case No. 2020-00396, Electronic Application of Navitas KY NG, Johnson County Gas Company, and B&H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems (Ky. PSC Apr. 27, 2021).

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-14: Explain how Navitas KY considers its GCR rate report to be transparent for its ratepayers and the Commission.

RESPONSE: Navitas KY believes its GCR rate report allows its customers to review and understand the costs for wholesale gas incurred by it, including through the detailed accounting of volumes and pricing, provision of invoices, and related information.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-15: Fill out the following form attached as an Appendix to this request using the purchase, sales, and usage information provided in Navitas KY's GCR rate report based on the reporting period ended October 31, 2023.

RESPONSE: Please find attached.

Witness: Thomas Hartline

IN THE MATTER OF:
ELECTRONIC PURCHASED GAS ADJUSTMENT FILING
OF NAVITAS KY NG, LLC
CASE NO. 2023-00428

RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S
THIRD REQUEST FOR INFORMATION

REQUEST NO. 3-16: Refer to Navitas KY's Tariff, 48th Revised Sheet No. 1, Section

1 Rates and Charges.

a. For the section titled 'Clinton County Customers Monthly Surcharge', provide an update on the total amount collected since Navitas KY began charging the surcharge.

b. For the section titled 'Refund to Johnson County Gas and B&H Gas Customers Pursuant to Case No. 2020-00396, provide an update on the total amount collected since Navitas KY began charging the surcharge.

c. For the section titled 'Refund to Johnson County Customers', provide an update on the total amount collected since Navitas KY began charging the surcharge.

d. For the section titled 'Refund to Floyd Customers', provide an update on the total amount collected since Navitas KY began charging the surcharge.

RESPONSE:

a. Navitas has collected \$82,751.86. This information is included with every quarterly GCR filing.

b. The total amount of the surcharge has been collected and it has been removed from operation.

c. See Response to Request 3-13.

d. See Response to Request 3-13.

Witness: Thomas Hartline