

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

**In the Matter of:**

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

**RESPONSE OF NAVITAS KY NG, LLC TO COMMISSION STAFF'S  
SECOND 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 February 16, 2024.

**FILED:        March 1, 2024**

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**REQUEST NO. 2-1: Refer to Navitas KY's GCR rate report, the file labeled: "KY\_GCA\_231231\_23-00428\_to\_be\_filed.xlsx", tab labeled: "Cover Page", the section under notes for the Actual Adjustment. The cell in column C, row 29 states, "The Total Cost Difference from the last two previous Quarters, ending April and July respectively had an incorrect formula attached to the cells on the Sales Page where the number originates. The Total Cost Difference affects the Actual Adjustment on the Actual Adjustment page." Provide a detailed description of the error, where the error in the rate report occurred, how the error affected the rate calculation, and what Navitas KY did to correct for the error.**

**RESPONSE:** The error occurred as follows (tracing back to the origin):

- As noted in the notes for the Actual Adjustment, total sales (in MCF) for the months of MAY '23, JUN '23, & JUL '23 (cells AW20, AY20, & BA20, respectively) on the Actual Adjustment (IV) sheet (the "Affected Cells") were incorrect.
- The Affected Cells incorporated cells N51, P51, & R51 on the Sales sheet (the "Sales Cells"), which were supposed to be the combined sales (in MCF) for Clinton, Floyd, and Johnson County for the months of MAY '23, JUN '23, & JUL '23.
- The Sales Cells incorrectly totaled the average monthly sales in May, June, and July of the preceding five years for the previously referenced counties (rows 14, 27, & 40 of the Sales sheet) instead of totaling the sales in MAY '23, JUN '23, & JUL '23 for previously referenced counties (rows 11, 24, & 37 of the Sales sheet).

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Navitas KY corrected for this error by have the Sales Tab total sales in MAY '23, JUN '23, & JUL '23 for the relevant counties which occurred by having them total rows 11, 24, & 37 of the Sales sheet instead of rows 14, 27, & 40 of the Sales sheet.

Note that the total of the average monthly sales for the preceding five years are used as the divisor in the final calculation of the Actual Adjustment for each quarter, thus the reason for calculating this average. Under steady state conditions, the delta between the five-year average and the actual month sales is not expected to be substantial but it can be significant. For example, in 2023 Floyd County had sales (in MCF) of 389, 202, & 117 in May, June, and July versus average sales over the preceding five years in those months of 643, 328, & 280, respectively. However, in 2023 for those same months Clinton County had sales of 1,884, 1,871, & 1,651 versus average sales over the preceding five years in those months of 5,627, 4,518, & 3,889. The reason for the significant delta in Clinton County is due to a single user, the chicken processing facility, having a piece of equipment down for an extended period.

An approved Actual Adjustment rate cannot be changed without additional approval, and thus Navitas KY kept the existing rate in addressing the issue, which has the temporary effect of returning funds to customers until a subsequent adjustment occurs. Navitas KY has recalculated the balance to the correct number using the appropriate sales figures as described above; the result is that during the Balance Adjustment period, the funding inaccuracies caused by the error will be corrected. This does mean that Navitas KY must wait to collect these funds, but Navitas KY

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determined this approach was the simplest way to adjust for the error and ensure the pass through is ultimately correct.

Navitas KY does acknowledge that a database system would presumably help avoid these errors; however, Navitas KY is in a unique situation in that its operations are complex enough to utilize such a system but not large enough to justify its implementation considering operational and financial costs. Navitas KY would also like to note that regulatory authorities in Tennessee recognize the value of Navitas KY's current methods, as they have expressed an interest in Navitas KY implementing the methods it uses in Kentucky there as well. While the approach described has certain moving parts, Navitas KY believes it to be a fair and comprehensive solution.

**Witness:     Thomas Hartline**

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**REQUEST NO. 2-2: Refer to Navitas KY's response to Commission Staff's First Request for Information (Staff's First Request), Item 1, regarding the Invoice Submissions. For each supplier designate the service each supplier provides to Navitas KY, either "natural gas supply," "transportation," or "other." If "other," provide a detailed description of the service and explain how it relates to Navitas KY's natural gas procurement.**

**RESPONSE:** Please see below.

SUPPLY	TRANSPORTATION	OTHER
Petrol ETGP	Enbridge/Spectra	Kinetrex – LNG Equipment in Albany KY to address the winter gas supply issues
Petrol KY	B&W Pipeline	Russmar – Pressure monitoring at City Gate in Albany KY as early warning of impending commodity shortages
Sparta	TC Energy/Columbia Gas	
Diversified Energy Marketing		

**Witness: Thomas Hartline**

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**REQUEST NO. 2-3: Refer to Navitas KY's response to Staff's First Request, Item 2.**

**In the response, it is stated that Navitas KY "also gathers information from the daily spot price, industry trends, and recent actual costs to establish the estimates for Sparta (which correlate to estimates for Diversified)."**

**a. Provide the daily spot price, industry trends, and recent actual costs discussed in the response to justify the estimated \$9.4999 per Mcf rate for Sparta and Diversified.**

**b. Explain if Navitas KY conducts a similar analysis for Diversified, or Petrol.**

**RESPONSE:**

a. Please see the NYMEX natural gas settlement price history chart included at the end of this Response. This index information, which is based on pricing at Henry Hub in Erath, Louisiana, is adjusted for location and other factors to develop estimated anticipated gas rates. In addition to factors noted elsewhere in these responses, Navitas KY looks at its own historical pricing trends found in its records. 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. 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. Thus, while price per MCF was trending down, Navitas KY's

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expectation was that this trend would reverse and begin trending back up (just as it did in early January of 2024) until the cancellation (technically, suspension) of the LNG export permits substantially changed the near to mid-term supply picture.

b. Yes, and certainly, the rule of thumb regarding relative pricing from similar markets is relevant, as the estimate looked from the central Kentucky (technically Tennessee) pricing of Sparta well gas in relation to Petrol grid gas and the spot market as well as pricing of Diversified in eastern Kentucky with its local supplied well gas. By utilizing these data points in conjunction with all other sources of data, Navitas KY attempts to establish an estimate for all of Kentucky. Ultimately, the estimate of \$11.10 per MCF was within both the range for the preceding four quarters and the rolling twelve months.

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Month	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Jan	2.619	4.709	4.024	2.467	2.158	3.642	2.738	3.930	2.372	3.189
Feb	2.490	3.109	6.265	2.760	1.877	2.950	3.631	3.391	2.189	2.866
Mar	1.615	2.451	4.568	2.854	1.821	2.855	2.639	2.627	1.711	2.894
Apr		1.991	5.336	2.586	1.634	2.713	2.691	3.175	1.903	2.590
May		2.117	7.267	2.925	1.794	2.566	2.821	3.142	1.995	2.517
Jun		2.181	8.908	2.984	1.722	2.633	2.875	3.236	1.963	2.815
Jul		2.603	6.551	3.617	1.495	2.291	2.996	3.067	2.917	2.773
Aug		2.492	8.687	4.044	1.854	2.141	2.822	2.969	2.672	2.886
Sep		2.556	9.353	4.370	2.579	2.251	2.895	2.961	2.853	2.638
Oct		2.764	6.868	5.841	2.101	2.428	3.021	2.974	2.952	2.563
Nov		3.164	5.186	6.202	2.996	2.597	3.185	2.752	2.764	2.033
Dec		2.706	6.712	5.447	2.896	2.470	4.715	3.074	3.232	2.206
<b>Average</b>	<b>2.241</b>	<b>2.737</b>	<b>6.644</b>	<b>3.841</b>	<b>2.077</b>	<b>2.628</b>	<b>3.086</b>	<b>3.108</b>	<b>2.46</b>	<b>2.664</b>

**Witness: Thomas Hartline**



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**REQUEST NO. 2-4: Refer to Navitas KY's response to Staff's First Request, Item 2.**

**In the response it states, "Navitas KY has observed the historic trend of supplier Petrol, which is supplying grid gas, being approximately \$2 per unit greater than suppliers Diversified and Sparta."**

**a. Explain the period of time that incorporates the observed historic trend and provide all documents supporting the historic trend.**

**b. Provide a side-by-side comparison of the monthly supplier invoice rates for Sparta, Diversified, and Petrol over the 24-month period ended October 31, 2023.**

**RESPONSE:**

a. The direct historic time frame for the observations and estimates of gas costs are May 2007 to the present, which is the period that Mr. Hartline has been procuring gas for the Navitas KY system. Even prior to the beginning of Mr. Hartline's ownership of regulated natural gas utilities in May 2007, he was involved in the natural gas industry. The timeframe involved in observing Petrol vis-à-vis Sparta is approximately the last dozen years, during which both Petrol and Sparta have been supplying gas to the Albany, KY system. Of course, this same data, particularly the invoices from each, was typically supplied to the PSC on a quarterly basis.

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

**Witness: Thomas Hartline**

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<b>Petrol ETGP</b>													
MONTHS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
2021													
2022													
2023													
<b>Petrol KY</b>													
MONTHS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
2021													
2022													
2023													
<b>Sparta</b>													
MONTHS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
2021													
2022													
2023													
<b>(DEM) Diversified Energy Marketing B&amp;H</b>													
MONTHS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
2021													
2022													
2023													
<b>(DEM) Diversified Energy Marketing Johnson</b>													
MONTHS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
2021													
2022													
2023													
<u>CONFIDENTIAL MATERIAL -- FILED SUBJECT TO A MOTION FOR CONFIDENTIAL TREATMENT</u>													

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**REQUEST NO. 2-5: Refer to Navitas KY's response to Staff's First Request, Item 2.**

a. **Provide the location of the proximate well gas supplied by Diversified and Sparta in relation to the Navitas KY gas systems.**

b. **Explain whether Navitas KY has access to other "grid gas" suppliers. If so, provide the name of those suppliers and if Navitas KY has considered acquiring gas from said suppliers.**

**RESPONSE:**

a. It is the understanding of Navitas KY that Diversified has hundreds of wells in eastern Kentucky feeding into its pipeline network; Navitas KY is not in possession of a map of these wells and such a map would presumably be considered proprietary information.

It is the understanding of Navitas KY that Sparta has dozens of wells in central Tennessee feeding into its pipeline network; Navitas KY is not in possession of a map of these wells and such a map would presumably be considered proprietary information.

b. Navitas KY may have access to other grid gas suppliers in a strictly literal sense, but logistical and economic realities prevent Navitas KY from utilizing them. Primarily, Navitas KY's current volume would not meet the monthly requirements (10,000 MCF) required by most grid gas suppliers at any one transfer point – they do not deal with such small volumes. In fact, Navitas KY's current supplier, Petrol, created its business from many small accounts that were being phased out by a large international supplier. Additionally, most small account suppliers

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have unfavorable pricing and purchase daily on the spot market which can be extremely problematic as to pricing and reliability (see Winter Storm Uri in Oklahoma and other midwestern states). Moreover, the cost of the additional personnel required to manage a bid scheme scenario necessary for an alternate arrangement would quickly outweigh any potential savings.

**Witness: Thomas Hartline**

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**REQUEST NO. 2-6: Refer to Navitas KY's response to Staff's First Request, Item**

**3a.**

- a. Provide a detailed breakdown of Navitas KY's justification for the estimated \$11.4999 per Mcf rate for Petrol.**
- b. Explain whether Navitas KY has had difficulty receiving natural gas from Sparta or Diversified and provide a summary of the reason/cause for each event.**
- c. Explain why Navitas KY is procuring the majority of its natural gas from a supply source described as "inconsistent."**
- d. Explain whether Navitas KY has ever failed to supply natural gas to its customers due to pipeline constraints or natural gas being unavailable.**

**RESPONSE:**

a. Navitas KY analyzed: (i) pricing from the four preceding quarters, (ii) the frequency and magnitude of price increases during the winter, (iii) the relatively low weekly rig count within the context of age based well decline curves, (iv) average winter gas storage volume and trends that may cause deviations, and (v) the anticipated pending ramp-up of LNG exports. Each of these factors indicated either neutral or increases in winter gas prices as compared to historic averages. These factors, coupled with the recent ahistoric winter storm events (widely attributed to climate change, which presumably will continue to cause them), led to Navitas KY's estimate of \$11.4999 MCF rate for Petrol.

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b. Navitas KY has not had any issues receiving natural gas from Diversified. Regarding Sparta, Navitas KY has always received as much gas as Sparta produces and directs to the Albany, KY system, but Navitas KY has, at times, not received as much gas as desired from Sparta. It is Navitas KY's understanding that certain Sparta wells can be rerouted toward power production elsewhere in the area. Navitas KY's issues with receiving gas from Sparta can be attributed to the commercial constraints of the B&W pipeline itself (the sole gas transmission line that supplies the Albany, KY system) and Sparta's reworking of their wells to other areas.

c. As referenced in the previous Response, the Albany, KY system is solely fed by the B&W pipeline, which is owned by the same party as the Sparta wells. If Navitas KY does not take whatever Sparta gas is available via the B&W pipeline whenever it is available, the pressure in the B&W pipeline would fall even further and presumably exacerbate the supply issue to an even greater extent.

d. From its formation through 2023, Navitas KY has had occasional but infrequent curtailment issues in the Albany, KY system.

While theoretically the Albany, KY system is sized sufficiently to supply all its customers' needs, the system requires gas to be supplied at an adequate pressure. However, on the coldest days of the year the system is unable to obtain a supply of gas at sufficient pressure. One could argue that this is not a supply issue but rather a pipeline issue. However, the constraint on the pipeline derives from the supplier which must place the constraint in order for the gas to be able

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to get to market. Sparta's proximate wells would not be able to achieve the pressure necessary to overcome an uprated pipeline that would deliver sufficient volumes of gas.

To alleviate this issue, Navitas KY has pursued connecting the Albany, KY system to the Apache pipeline as well as making itself available to other well gas suppliers more proximate to the north end of the Albany, KY system (the location of the most curtailment). Navitas KY is also actively coordinating with local producers to connect their existing gas wells as well as pursue further exploration. A group of businesses interests, including a contractor, a transmission company, and a well owner, are in the process of developing a gathering and transmission pipeline to bring the gas up to five-miles from a series of wells to the Navitas KY distribution system.

**Witness: Thomas Hartline**

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**REQUEST NO. 2-7: Refer to Navitas KY's response to Staff's First Request, Item 6.**

**Explain whether Mr. Bud Rife was made aware that his wells began to supply the Navitas KY gas system in the summer of 2023.**

**RESPONSE:** Yes, Navitas KY (through its counsel) ensured Mr. Rife (through his counsel) was aware of the supply from the wells and of Navitas KY's intentions.

**Witness:     Thomas Hartline**





**CALIFORNIA JURAT**

**GOVERNMENT CODE § 8202**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Orange

Subscribed and sworn to (or affirmed) before me on

this 23 day of February, 2024, by  
*Date Month Year*

(1) Thomas Hartline

(and (2) \_\_\_\_\_),  
*Name(s) of Signer(s)*

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature Julie Loving  
*Signature of Notary Public*



Place Notary Seal and/or Stamp Above

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Document Date: March 1, 2024 Number of Pages: 8

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