

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

In the Matter of:

**ELECTRONIC APPLICATION OF NAVITAS KY)
NG, LLC FOR AN ALTERNATIVE FILING) CASE NO. 2024-00252
PURSUANT TO 807 KAR 5:076)**

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

Navitas KY NG, LLC (“Navitas”), by counsel, files its responses to Commission Staff’s First Request for Information, issued in the above-captioned case on October 9, 2024.

FILED: October 23, 2024

IN THE MATTER OF:
ELECTRONIC APPLICATION OF NAVITAS KY NG, LLC
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REQUEST NO. 1-1: Refer to 807 KAR 5:001, Section 17(b). Provide evidence that Navitas complied with the referenced regulation.

RESPONSE: Commission Staff's Request No. 1-1 refers to a Section 17(b), which is not contained within 807 KAR 5:001. As a result, it is unclear to which subsection of 807 KAR 5:001, Section 17 the Commission Staff refers.

The public notice and hyperlink to the Commission's website is posted on Navitas' website at: <https://navitasutility.com/kentuckynaturalgastariff.html>.

Navitas mailed written notice of the rate case application to each customer. On August 7, 2024 and September 25, 2024, Navitas filed affidavits from an authorized representative verifying the original and revised customer notice provided to Navitas customers in the case record.¹ Please also see the bulk mail receipts attached hereto as Exhibit PSC 1-1.

Witness: Thomas Hartline

¹ Available at: https://psc.ky.gov/pscecf/2024-00252/jill.wall%40dinsmore.com/08072024102120/Notarized_Affidavit_of_Customer_Notice.pdf;
https://psc.ky.gov/pscecf/2024-00252/jill.wall%40dinsmore.com/09252024012509/Kelley_Affidavit-Certificate_of_Notice_to_the_Public.pdf.

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REQUEST NO. 1-2: State the last time Navitas performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.

a. Explain whether Navitas considered filing a COSS with the current rate application and the reasoning for not filing one.

b. Explain whether any material changes to Navitas' system would cause a new COSS to be prepared since the last time it completed one.

c. If there have been no material changes to Navitas' system, explain when Navitas anticipates completing a new COSS.

d. Provide a copy of the most recent COSS that has been performed for Navitas' system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

RESPONSE: Navitas has not performed a COSS.

a) **As a small utility, Navitas did not consider filing a COSS with the current rate case. Navitas is a small utility that is proceeding under the procedures set forth in 807 KAR 5:076, which are intended to provide a simplified and less expensive procedure for small utilities to apply for rate adjustments, including by disposing of any requirement to file a COSS. Indeed, the Commission has recognized that the benefits of a COSS do not warrant forcing a small utility to incur the significant economic burden of performing a COSS when seeking a rate adjustment. See 807 KAR 5:001, Section 16(4)(u) (requiring a COSS for a gas**

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utility only where the utility “has annual gross revenues greater than \$5,000,000”); *In the Matter of: Proposed Adjustment of the Wholesale Service Rates of Hopkinsville Water Environment Authority*, Case No. 2009-00373, 2010 Ky. PUC LEXIS 766, at *13 n.15 (Ky. PSC July 2, 2010) (“We recognized that in some instances, especially those involving smaller municipal utilities, performing a cost-of-service study is not cost effective and will not result in any savings.”).

(b) If the Navitas system experiences a significant growth in customers or revenues, such that Navitas becomes a larger utility that can justify the expense of a COSS, that would likely cause Navitas to prepare a COSS.

(c) If the Navitas system experiences a significant growth in customers or revenues, such that Navitas becomes a larger utility that can justify the expense of a COSS, that would likely cause Navitas to prepare a COSS.

(d) Navitas has not undertaken a COSS, nor is Navitas aware of any COSS for its acquired systems in Kentucky.

Witness: Thomas Hartline

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REQUEST NO. 1-3: Provide a schedule listing the number of occurrences for each nonrecurring charge that was recorded during the test year and the total amount recorded for each nonrecurring charge. If the revenue for any nonrecurring charge was zero, include that charge and indicate that no revenue was recorded. Include the general ledger account numbers where each nonrecurring charge is recorded.

RESPONSE: Please see Exhibit PSC 1-3.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-4: Attached, as an Appendix C hereto, is a Nonrecurring Charge Cost Justification form available on the Commission's website.² Fill out the attached form separately for each of Navitas' nonrecurring charges to support each nonrecurring charge listed in the tariff.

RESPONSE: Please see Exhibit PSC 1-4.

Witness: Carlos A Gonzalez Meixueiro

² The Nonrecurring Charge Cost Justification form is located on the Kentucky Public Service Commission's website at <https://psc.kv.gov/Home/UtilForms>.

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REQUEST NO. 1-5: Refer to the Annual Report of Navitas to the Public Service Commission for the Year Ending December 31, 2023 (2023 Annual Report).³

a. Refer to pages 20 and 21. Line 26 reports the Net Utility Operating Income as (\$380,216). However, Line 27 reports Net Utility Operating Income as \$368,313. Reconcile and explain the difference between these amounts.

b. Refer to page 21, Line 56. Net Other Income and Deductions (Lines 39, 44, and 53); All three of these lines are blank in the Statement of Income. However, Line 56 Reports Net Other Income and Deductions as (\$456,941). Explain in detail how the (\$456,941) is calculated, include references to the appropriate line numbers.

c. Refer to page 21, Line 67. Income Before Extraordinary Items (Lines 25, 54, and 64); Line 25 is recorded as \$1,548,105, line 54 and 64 are blank in the Statement of Income. However, Line 67 Reports Income Before Extraordinary Items as (\$300,756). Explain in detail how the (\$300,756) is calculated, include references to the appropriate line numbers.

RESPONSE: (a) Line 27 should read (\$380,216) as it is carried from line 26.

(b) Page 21, Line 56 is a total of all Net Other Income and Deductions, and was computed by totaling Lines 32, 33, 34, and 37 on Page 21: $((\$72,806) + \$39,609.43 + (\$675,723.70) + \$29,242.07 = (\$679,678.20)$. Next, the amount in Line 45, which includes

³ Annual Report of Navitas to the Public Service Commission for the Year Ending December 31, 2023. This report has been filed with the Commission but is under review and has not yet been published on the Commission's website.

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unbilled Revenues (\$222,717.20) and the B&W FERC Fee (\$20.31), was subtracted from the totals of Lines 32, 33, 34, and 37 to arrive at the total Net Other Income and Deductions. (\$679,678.20) – (\$222,737.51) = (\$456,940.69).

(c) Line 67 should likely match the Net Utility Operating Income on Page 20, Line 26. The annual report references for Line 67 are unclear because Line 25 is total utility expenses, not a line related to income.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-6: Refer to the Navitas 2023 Annual Report, page 5 of 131,
regarding the "Sales to Public Authorities (482)."

- a. Identify the six Public Authority Customers.
- b. Explain what current rate schedule the six Public Authority Customers
being billed under.
- c. Explain what proposed rate schedule the six Public Authority Customers
would be billed under.

RESPONSE: (a) The revenues reported as "Other Sales to Public Authorities"
account for sales to Agricultural Heat Customers, as the Annual Report does not contain a
dedicated line for the Agricultural class.

- (b) The Agricultural customers are currently billed as a Commercial customer.
- (c) Under the proposed rate schedule, these customers would be billed under the
Agricultural class.

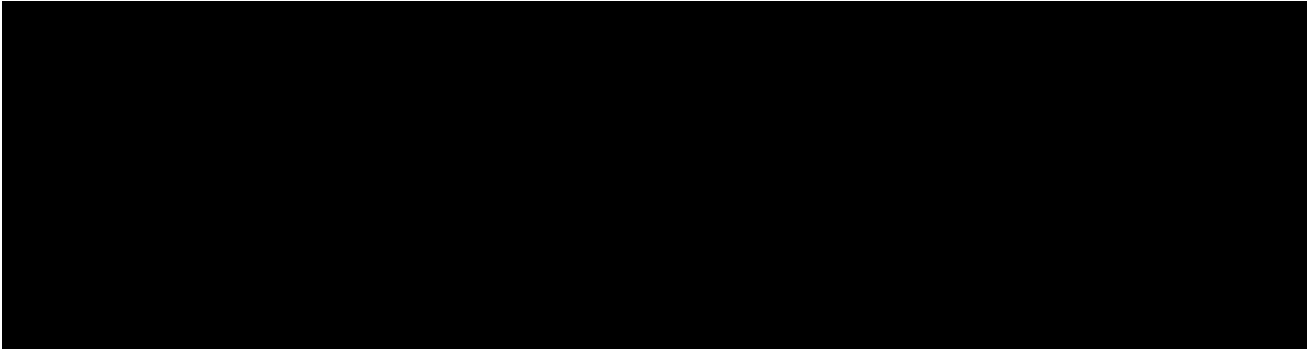
Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-7: Explain if Navitas has any special contract customers that are being billed a rate different from the current tariff rates. If so, provide the contract and provide the monthly and annual usage for each special contract customer.

RESPONSE: Navitas has a single special contract associated with the pipeline extension to the chicken processing plant in Clinton County. This contract was approved in Case No. 2014-00027. A copy of the Agreement between Navitas and Keystone is attached as Exhibit PSC 1-7⁴. The annual usage for Keystone is as follows:



A 10-year agreement with FSR Services, LLC was approved in Case No. 2016-00065. However, FSR closed that facility and forfeited its take deposit.

Witness: Thomas Hartline

⁴ Exhibit PSC 1-7 was also attached as Exhibit B to Navitas' Application in Case No. 2014-00027. Available at: https://psc.ky.gov/pscscf/2014%20cases/2014-00027/20140129_avitas-app.pdf.

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REQUEST NO. 1-8: Attached, as an Appendix D hereto, is the Schedule of Adjusted Operations form available on the Commission's website.⁵ Complete the form in its entirety.

RESPONSE: Please see Exhibit PSC 1-8 for a completed Schedule of Adjusted Operations form.

Witness: Carlos A Gonzalez Meixueiro

⁵ The Schedule of Adjusted Operations form is located on the Kentucky Public Service Commission's website at <https://psc.ky.gov/Home/UtilForms> under Alternative Rate Filing Forms. The form is titled, "ARF Form 1 - Attachment SAO-G - Schedule of Adjusted Operations - Gas Utility"

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REQUEST NO. 1-9: Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected. Employee names should be redacted from all documents.

a. The general ledger in Excel spreadsheet format for the year ended December 31, 2023, and through July 31, 2024.

b. The trial balance in Excel spreadsheet format for the year ended December 31, 2023, and through July 31, 2024.

RESPONSE: (a) Attached as **CONFIDENTIAL Exhibit PSC 1-9(a)** are 2 Comma-Separated Values (CSV) files generated from our accounting software containing the General Ledger for Navitas KY NG, LLC for the year ended December 31, 2023 (Exhibit PSC 1-9(a), Part 1), and through June 30, 2024 (Exhibit PSC 1-9(a), Part 2). Financial reports for Navitas KY NG, LLC have been finalized and closed through Q2 2024, thus General Ledger transactions for Q3 are not yet available. Navitas will supplement this Response with the general ledger through July 31, 2024 as soon as it becomes available.

(b) Attached as **CONFIDENTIAL Exhibit PSC 1-9(b)** are 2 Comma-Separated Values (CSV) files generated from our accounting software containing the Trial Balance for Navitas KY NG, LLC for the year ended December 31, 2023 (Exhibit PSC 1-9(b), Part 1), and through June 30, 2024 (Exhibit PSC 1-9(b), Part 2). Financial reports for Navitas KY NG, LLC have been finalized and closed through Q2 2024, thus the Trial Balance report for Q3 is not yet available. Navitas will supplement this Response with the Trial Balance through July 31, 2024 as soon as it becomes available.

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Witness: **Carlos A Gonzalez Meixueiro**

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REQUEST NO. 1-10: Provide certificates of insurance and most recent invoices for general liability, workers' compensation, automobile, property, and casualty for 2023 and 2024.

RESPONSE: Please see **CONFIDENTIAL Exhibit PSC 1-10.**

Witness: **Carlos A Gonzalez Meixueiro**

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REQUEST NO. 1-11: Provide a description of all employee benefits paid to or on behalf of each employee for the calendar year 2023. Supplemental coverage for which the employee pays 100 percent of the cost should also be included. Employee names should be redacted from all documents.

RESPONSE: Navitas does not have any employees. Navitas Utility Corporation, the manager of Navitas, provides the following benefits to all full-time employees:

- **Health, Dental, Vision, Group term life, AD&D, and Dependent life insurance start after 60 days of employment; paid 100% by Navitas**
- **Supplemental Life Insurance starts after 60 days of employment; paid 100% by EE only**
- **Air lift coverage if injured starts after 60 days of employment; paid by Navitas (75%) and EE (25%)**
- **PTO – Vacation, Personal, Sick, Bereavement, Holiday – starts from day 1 of employment; paid 100% by Navitas**
- **401(K) – Retirement starts from day 1 of employment; % EE wants to contribute and Navitas contribution match 100% for first 3% and 50% for next 2%**

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-12: Provide a copy of the most recent invoice for each employee benefit(s) described and provided in the response to Item 11.

RESPONSE: Please see **CONFIDENTIAL Exhibit PSC 1-12** for the employees of Navitas Utility Corporation, the manager of Navitas. Note that PTO and 401K benefits are not invoiced.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-13: Using a table format, provide an Excel spreadsheet with all formulas, rows, and columns fully accessible and unprotected that lists each position (Position 1, Position 2, etc.) job titles, hours worked, pay rates, total wages paid, and total FICA cost for each employee for the year ended December 31, 2023, and 2024 year to date. Include the date each employee was hired and, if applicable, the employee's termination date. If a position is recently vacated but the intent is to fill it, note the vacancy and the amount of time that it has been vacant. The table should include a column for total wages by employee (regular wages and overtime) and a row for total hours worked, wages paid, and FICA for all employees. Employee names should be redacted from all documents.

RESPONSE: Please see **CONFIDENTIAL Exhibit PSC 1-13 (Parts 1 and 2)** for the employees of Navitas Utility Corporation, the manager of Navitas.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-14: Using the same table created in response to Item 12, list each employee benefit (medical, dental, life, and others), the employee's contribution, the employer premium contribution, and an adjustment based on Bureau of Labor Statistics (BLS) contribution rates, if applicable. If medical insurance is provided, designate the coverage type (i.e., single, family, couple, or parent plus). If benefits other than medical insurance are provided, include a total column for the cost of all benefits excluding the BLS adjustment.

RESPONSE: Please see **CONFIDENTIAL Exhibit PSC 1-14 (Parts 1 and 2)**, which uses the same format as the tables provided in Exhibit PSC 1-13.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-15: Provide the following information related to billing software:

- a. Brand or common name for software.
- b. State whether the software is locally installed on a utility-owned computer or is a subscription service that is internet based.
- c. If locally installed, state the installation date.
- d. State whether the system is still serviced by the manufacturer and whether the utility maintains a service contract.

RESPONSE: Navitas utilizes a utility billing software product that is regularly maintained by the developer of the software. Navitas does maintain a service contract for the utility billing software product that it uses.

(a) Release of the software used by Navitas will reduce the security and resilience of Navitas' computer system. Due to the cost of customized software, small utilities, like Navitas, are forced to use "off the shelf" utility billing software products of which only a very small number exist. These products have open knowledge base articles, installation guides, and troubleshooting guides, which would assist a cybercriminal in maliciously accessing a small to mid-sized utility's system. By keeping the exact billing software used private, the overall security of Navitas' system is increased.

(b) Disclosure of how the billing software is installed will reduce the security and resilience of Navitas' computer system. By delineating publicly if locally installed software is used, a cybercriminal can easily target the IP address of the local utility office for theft of

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credentials or a DDOS attack, effectively shutting down operations. By delineating publicly if a remote or subscription service software is used, a cybercriminal can monitor inbound and outbound IP traffic from any of the utility's offices and spoof or intercept data required to gain access to the remote/subscription software.

(c) Release of the installation date of a particular brand of software will reduce the security and resilience of Navitas' computer system. Providing the installation date of a particular software product would allow a cybercriminal to determine the approximate level of security/patches of the software utilized by a utility. This would assist a cybercriminal in gaining malicious access to the system.

(d) Release of this information will reduce the security and resilience of Navitas' computer system. If the software is not serviced by the manufacturer, a cybercriminal can use this information to assume the utility company is an easier target for malicious attacks like DDOS, Brute Force, and software specific issues based on the patch/installation date. If the system is serviced by the manufacturer, a cybercriminal can use this information to conduct social engineering attacks on utility employees to gain access. These include spoofing emails, calling the utility company employees and pretending to be a support technician.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-16: Provide minutes from Navitas' directors' meetings that authorize current salaries and wages for all current employees.

RESPONSE: Navitas does not have any employees. Navitas is managed by Navitas Utility Corporation, which allocates the cost of its employees to Navitas, as well as to other affiliated operating utilities managed by Navitas Utility Corporation. Salaries and wages of the employees of Navitas Utility Corporation are approved by its President, Thomas Hartline.

Witness: **Thomas Hartline**

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REQUEST NO. 1-17: Provide the minutes from Navitas' directors' meetings for the calendar years 2022, and 2023, and 2024 to date.

RESPONSE: Minutes from the Navitas' 2022 directors meeting are attached as CONFIDENTIAL Exhibit PSC 1-17. Navitas did not conduct a directors' meeting in 2023. The 2024 annual board meeting will not be held until after the receipt of the Audited Financial Report, which is expected by Thanksgiving 2024 (note that this is the typical timing of this matter).

Witness: Thomas Hartline

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REQUEST NO. 1-18: Provide copies of the most recent reports or internal audits, prepared Navitas and outside auditors, that have been conducted within the last ten years.

RESPONSE: Attached as **CONFIDENTIAL Exhibit PSC 1-18** are copies of the most recent **2021 Audited Financials for Navitas Assets, LLC and Navitas Utility Corporation** prepared by **HBC CPAs & Advisors**.

Witness: **Carlos A Gonzalez Meixueiro**

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REQUEST NO. 1-19: Provide a document listing the name of each Navitas director for each of the calendar years 2023 and 2024 to date. State, individually, the total amount of each benefit paid to, or on the behalf of, each director during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.), their term (beginning and ending), and current authorized annual compensation.

RESPONSE: Please see **CONFIDENTIAL Exhibit PSC 1-19.**

Witness: **Carlos A Gonzalez Meixueiro**

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REQUEST NO. 1-20: Refer to Application, Exhibit 7. For each outstanding debt issuance with a term of longer than two years, state whether Navitas requested and received approval pursuant to KRS 278.300. If so, provide the case number. If not, explain why not.

RESPONSE: Navitas requested and received approval of the financing utilized to purchase Johnson County Gas and B & H Gas in Case No. 2021-00153.⁶

In Case No. 2010-00468, the Commission recognized that Navitas would “finance the purchase of Gasco Albany by drawing down \$149,700 from a USDA Business and Industry loan secured in 2009.”⁷ Approval of this loan was not required under KRS 278.300 because it was evidence of indebtedness “subject to the supervision or control of the federal government or [an] agency thereof.” KRS 278.300(10).

In Case No. 2014-00027, Navitas alerted the Commission that it was financing the project for which a CPCN was granted in that Case, but Commission approval was inadvertently not sought when the construction loan was rolled into a “take-out” loan.

Witness: Thomas Hartline

⁶ https://psc.ky.gov/pscscf/2021%20Cases/2021-00153//20210427_PSC_ORDER.pdf.

⁷ https://psc.ky.gov/pscscf/2010%20cases/2010-00468/20110211_PSC_ORDER.pdf.

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REQUEST NO. 1-21: Provide the following with respect to new tap installations:

- a. Number of installations during the test year.
- b. State whether labor costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.
- c. State whether material costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

RESPONSE: (a) Navitas had 2 new service location installations in 2023.

(b) The new service installations were completed by a subcontractor and the cost of the installations included both labor and materials. The cost of both installations totaled \$4,950 and were capitalized in GL fixed asset account 1722 – Services – Built Systems.

(c) Please see the Response to No. 1-21(b).

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-22: Provide the number of occurrences and dollar amounts for late fees that were recorded during the calendar years 2022 and 2023.

RESPONSE: During calendar year 2022, the number of occurrences for late fees that were recorded was 1,407 amounting to \$19,158.97. During calendar year 2023, the number of occurrences for late fees that were recorded was 1,369 amounting to \$39,933.42.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-23: Refer to the Application, Attachment 1, Customer Notices.

- a. Explain how Navitas plans to differentiate between the Residential, Commercial, Industrial, and Agricultural rate classes.
- b. Provide a copy of the present tariff indicating the proposed additions in this case by italicized inserts or underscoring and striking through proposed deletions in this case.
- c. Explain why Navitas is proposing to change its usage charges to bill based on Ccf, instead of Mcf.

RESPONSE: (a) The differentiation of rate classes occurs as follows: Residential – applies to any structure in which individual persons domicile; Industrial – any very large user, generally determined by if the meter required to service the equipment present requires a meter capacity of 5,000 cubic feet per hour or greater; Agricultural – any operation involved in the growing of crops or the husbanding of livestock; Commercial – is considered the default tariff in that if the customer does not otherwise fit into another class they are considered commercial.

(b) Please see the attached Exhibit PSC 1-23(b).

(c) Navitas discovered in a recent rate case in another jurisdiction that quite a few of its customers use just a single Ccf in the summer months and/or single digit Ccfs in the shoulder months surrounding the summer months. Navitas hopes the transition to usage charges being measured by the Ccf will better allow Navitas' customers to control their utility costs by more closely tying the usage charge metric and the actual usage.

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Further, because Ccf differs from Mcf by a factor of ten, more refined information regarding usage is provided to a customer when measuring in Ccf, which Navitas also believes will help its customers.

Witness: Thomas Hartline

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REQUEST NO. 1-24: Refer to the Application, Attachment 2, Reasons for Application, page 3 of 7, subsection titled "Introduction", paragraph 2.

a. Provide the "small company cost of service method under the rules and regulations of the [Commission]" as referenced in the document.

b. Identify the "schedules, which are defined in the rules for the small company cost of service method" as referenced in the document.

RESPONSE: (a) The small company cost of service method under the rules and regulations of the Commission is a reference to 807 KAR 5:076, the Commission regulation pursuant to which this proceeding is filed, and which is titled "Alternative rate adjustment procedure for small utilities."

(b) The schedules referred to are the prescribed ARF Forms filed with Navitas' application.

Witness: Thomas Hartline

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REQUEST NO. 1-25: Refer to the Application, Attachment 2, Reasons for Application, page 3 of 7, subsection titled "Time", second paragraph.

a. Provide the case numbers of the referenced full rate cases for the Floyd and Johnson County service areas as referenced.

b. Provide the case numbers of the referenced full rate case for the Clinton County service area as referenced.

RESPONSE: (a) The Application inadvertently indicated the Floyd and Johnson County services went through a full rate case in 2015. The last full rate case for the Johnson County service area was actually even earlier, Case No. 2012-00140. While Navitas is aware that Johnson County Gas Company filed a rate case in 2018, Case No. 2018-00434, Navitas did not refer to that rate case in its Application due to the investigation of the then owner and ultimate denial of any rate increase that occurred in that proceeding.

The Floyd County service area last went through a rate case in 2020, Case No. 2020-00364, which was filed by B & H Gas Company. The rates approved in that case were consistent with the Commission's finding in Case No. 2020-00396, that "B&H should use Johnson County's base rates because B & H can likely support rates that are higher than Johnson County's existing rates and Navitas KY requests to use the lower rates of Johnson County to reduce customer confusion and for ease of operations."⁸

⁸ https://psc.ky.gov/pscscf/2020%20Cases/2020-00364//20210910_PSC_ORDER.pdf.

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(b) While Navitas believed Clinton County had a rate adjustment in 1995 when the system was acquired by Gasco Distribution Systems, Inc., based upon a review of the records relating to Gasco Distribution Systems, Inc. on the Commission's website, it does not appear that Gasco Distribution Systems, Inc. ever filed a full rate case with the Commission. As a result, it appears that it has been even longer since the Clinton County service area has seen an increase in base rates.

Witness: Thomas Hartline

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REQUEST NO. 1-26: Refer to the Application, Attachment 2, Reasons for Application, page 3 of 7, subsection titled "Inflation", first paragraph. Provide a credible source which supports the statement, "change in CPI since 2015 is 33% and since 1995 is over 100%."

RESPONSE: This information is available by utilizing the CPI Inflation Calculator on the Bureau of Labor Statistics website, available at: <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=100.00&year1=199501&year2=202409> and <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=100.00&year1=201501&year2=202409>.

Witness: **Thomas Hartline**

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REQUEST NO. 1-27: Refer to the Application, Attachment 2, Reasons for Application, page 3 of 7, subsection titled "Inflation", second paragraph. Explain in specific detail the "cost control and judicious grow", and "low-cost funding" measures used by Navitas to manage low rates of inflation without rate increases.

RESPONSE: **Cost control – Navitas’ parent company has historically keyed off a test case year 2013 whereby we would measure growth in costs against growth in non-commodity revenue. Save for ad valorem taxes, Navitas and its affiliates had good success in managing the increase in expenses such that direct cost and indirect or administrative costs increased in relation to non-commodity revenue. A key aspect in our cost control was low turnover, which had three key factors, 1) training and recruitment costs were kept to a minimum, 2) staff experience prevented mistakes and problems, and 3) wage pressure was low.**

Judicious growth – Including its initial acquisition in 2007, Navitas’ parent has acquired fourteen gas companies, two hydroelectric facilities, and constructed three major greenfield projects. Thus, Navitas’ parent has been selective and judicious in finding the right growth opportunities, averaging a little more than one acquisition per year. Navitas’ parent company has nearly tripled its initial customer base, which now approaches 5000 throughout the five states in which it operates utilities. This allows fixed costs or nearly fixed costs to be spread over a wider base of customers. It also provides geographic diversity, which tends to smooth weather fluctuations between the various systems.

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Low-cost funding – For the decade prior to 2022, Navitas’ parent had access to lines of credit at a favorable rate of 6%. Unfortunately, those interest rates have increased significantly to near double digits. These rates exceed the weighted average cost of capital currently established in most of our jurisdictions.

Witness: Thomas Hartline

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REQUEST NO. 1-28: Refer to the Application, Attachment 2, Reasons for Application, page 3 of 7, subsection titled "Inflation", third paragraph.

a. Explain in detail what Navitas means by "essentially excludes all growth pursuits during the rate case time frame."

b. Identify and explain in detail the "growth pursuits" referenced.

RESPONSE: (a) Because of the costs of a rate case, paying for counsel, and potentially engaging consultants and experts, if required, the Company will have no additional available capital to pay for the costs of a growth opportunity such as paying for counsel, funding due diligence, and engaging valuation experts, if needed. Additionally, given the small administrative staff of Navitas' affiliated entity providing management services, there is not personnel to manage both an acquisition (or other growth opportunity) and a rate case in the same time period as one or the other will suffer for it.

(b) For the reasons set forth in Response to Request No. 1-28(a), the growth pursuits referenced include pursuits of Navitas and Navitas' affiliated operating utilities as set forth below:

2007 Acquisition of Fort Cobb Fuel Authority in Oklahoma

2007 Acquisition of abandoned Krebs, OK system

2008 Acquisition of Velma, OK municipal system

2008 Acquisition of Greenfield, OK system

2009 Acquisition of Dustin, OK municipal system

2009 Acquisition of Krebs, OK municipal system

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2009 Acquisition of LeAnn Gas system in OK

2010 Joint venture development of Chickasaw WinStar Resort gas system in OK

2010 Acquisition of Gasco Tennessee operations from U.S. Bankruptcy Court

2011 Acquisition of Gasco Kentucky operations from U.S. Bankruptcy Court

2014 Development of Chicken Processing Facility Pipeline in KY

2017 Development of TXA gas system in Texas

2017 Development of Fitzgerald Extension in Albany, KY

2019 Development of Industrial Park Extension in Albany, KY

2019 Acquisition of Rosenberg pipeline in Texas

2021 Acquisition of Johnson County and Floyd County gas systems in KY

2021 Acquisition of Southern Star retail customers in OK

2022 Acquisition of Jennings gas system at OK Corporation Commission request

2022 Acquisition of Hydroelectric facilities in North Carolina

Witness: Thomas Hartline

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REQUEST NO. 1-29: Refer to the Application, Attachment 2, Reasons for Application, pages 3-4 of 7, subsection titled "Inflation", fifth paragraph. Explain in detail the "prior projects" referenced. Be sure to include: a general description of each project; a timeline of project start date to project completion date, if applicable; a projected project completion date, if applicable; overall associated project costs; and generalized location for each project.

RESPONSE: While all the projects listed in Response to Request No. 1-28 indirectly benefited the Navitas customers due to the diluting effects they have on allocated costs (fixed and semi-fixed overheads) among all operating utilities of Navitas' parent company, the four projects in in Kentucky are:

2014 Development of Chicken Processing Facility nine-mile pipeline for \$1.685MM.

2017 Development of Fitzgerald Plant one-mile pipeline extension for \$177K

2019 Development of Industrial Park two-mile extension for \$429K

2021 Acquisition of Johnson County and Floyd County gas systems for \$660K.

In addition to those referenced in Response to Request No. 1-28, Navitas engaged in the following projects (note that all, except for 2023, are in Clinton County):

2012 pipeline extensions with two services, \$6K

2014 pipeline extensions with six services, \$23K

2015 pipeline extensions with six services, \$15K

2016 pipeline extensions with four services, \$29K

2017 pipeline extensions with five services, \$9K

2018 pipeline extensions with seven services, \$10K

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2019 pipeline extensions with one service, \$15K

2022 LNG tank yard, \$50K

2023 pipeline extension with one service, \$2K

Witness: Thomas Hartline

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REQUEST NO. 1-30: Refer to the Application, Attachment 2, Reasons for Application, page 4 of 7, subsection titled "Regulatory Changes", first paragraph.

- a. Provide the most recent Distribution Integrity Management Plan (DIMP) referenced.
- b. Explain when Navitas began to implement the DIMP and how often a DIMP requires an update.
- c. Provide the approximate annual cost associated with the implementation of the DIMP.

RESPONSE: (a) The most recent DIMP is attached as **CONFIDENTIAL** Exhibit PSC 1-30.

(b) Navitas produced an initial DIMP for KY in 2013 using history through 2012 and prior. Having acquired the system in 2011, Navitas only had documentation for one full year of operation in calendar 2012. Field Supervisory personnel responsible for on-site operations of systems participate in DIMP evaluations to ensure maximum accuracy and benefits from the effort.

Federal Regulations require the DIMP to be completed once each 5 calendar years. Navitas completed additional DIMPs in 2016 and 2021. Navitas' DIMP plans are developed using the APGA Shrimp Tool. Navitas anticipates preparing its next DIMP in 2026, using history through 2025.

Additionally, Navitas continually monitors DIMP effectiveness with documentation of details ongoing from operations (which includes ongoing review and enhancement of records

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maintained to maximize the safety impacts of DIMP Risk Rankings) and documented reviews annually to determine if any trends or effectiveness requires a response to further enhance safe operations or address emerging risks. Should an annual review indicate the need for further DIMP modifications including the possibility of an interim ground up re-evaluation one would be conducted by Navitas or other changes to existing DIMP plans would be implemented and documented.

Over and above these referenced annual reviews, during key Safety Meetings, DIMP history, trends, record keeping and employee responsibilities are reviewed. These are considered a part of the DIMP training for all personnel which is an ongoing effort by Navitas. DIMP is not a once each 5 year tool required by regulatory rules. Navitas considers DIMP and the intent of the regulations requiring such a plan as a key safety enhancement to its operations and expends time and effort on an ongoing basis to develop, monitor and evaluate the results of DIMP status and Risk Ranking in order to maximize its benefit to the communities we serve. We strive to be as reasonably prepared for risks and response to them as it is reasonably possible to do so. We also consider DIMP (as well as all Natural Gas System Manuals, Guidelines and Policies) to be a part of our Safety Management System (SMS), which is not required by regulations (nor utilizing the API RP 1173 format) supporting the Protection of Life, Property and the Environment. The PIPES Act of 2020 and subsequent acts, rules and regulations all impact DIMP, requiring ongoing operational changes, employee training, enhanced record keeping and other means to support effective development and monitoring of our DIMP Plan.

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(c) **Total annual costs associated with preparing DIMPs at the Navitas' parent company level is estimated to be \$80,000. A portion of this cost is allocated to the Kentucky jurisdiction based upon the allocation methodology utilized by Navitas' parent company.**

Witness: Thomas Hartline

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REQUEST NO. 1-31: Refer to the Application, Attachment 2, Reasons for Application, page 4 of 7, subsection titled "Regulatory Changes", second paragraph.

- a. Explain in detail the "fugitive emissions tracking" implemented by Navitas as referenced.
- b. Provide the statutory or regulatory cites that dictate the "fugitive emissions tracking" referenced and identify the regulatory agencies responsible for enforcement of those provisions.
- c. Provide the approximate annual cost associated with the implementation of the "fugitive emissions tracking."

RESPONSE: (a) **Fugitive emissions tracking is one and the same as line loss. In another jurisdiction and eventually to be rolled out company wide, Navitas is beginning to track line loss by sub-system. Currently and historically, line loss has been tracked on a jurisdiction-wide basis.**

(b) **The Pipeline and Hazardous Materials Safety Administration (PHMSA) is in the process of implementing new regulations from rule makings updated in December of 2020. While these rules are targeted at gathering systems, and do not yet affect Local Distribution Companies, these rules may eventually apply to distribution systems. Navitas also follows the Commission's regulations associated with line loss or fugitive emissions.**

(c) **The current cost of tracking line loss is and will continue to be embedded in the costs of performing the Purchased Gas Adjustment (PGA) calculation, as well as other**

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annual PHMSA reports which are currently required. The current estimated cost for line loss monitoring to Navitas is approximately \$1,200 annually.

Witness: Thomas Hartline

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REQUEST NO. 1-32: Provide the program or software being used by Navitas for the "digital infrastructure mapping" as referenced.

a. Explain when Navitas began the implementation of the "digital infrastructure mapping" and provide a general timeline of when Navitas expects the project to be completed.

b. Provide the approximate annual cost associated with the implementation of the "digital infrastructure mapping."

RESPONSE: (a) In 2009, Navitas began the process of digital mapping by gathering coordinate points on small handheld Delorme GPS units. Subsequently, when it came available, Navitas switched to gathering data using the phones of its field service personnel. With either device, the field service personnel log a coordinate, usually with a picture into Dropbox, when they perform a meter change out, line repair, or other routine service. The coordinates are placed on a Google map and then a line is drawn connecting the various points. This project is ongoing.

(b) The main cost is the incremental time it takes to log the coordinate and then place it in Dropbox. Then there is the time associated with creating a map from the points when it is needed. Initially, the Delorme handhelds were approximately \$1,000 each, but now there is no discernible incremental cost associated with using the field personnel phone. Navitas believes the cost to be substantially less than hiring a third party to map its system.

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Witness: **Thomas Hartline**

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REQUEST NO. 1-33: Refer to the Application, Attachment 2, Reasons for Application, page 4 of 7, subsection titled "Regulatory Changes", third paragraph. The line, "A particular example of this is Navitas now has an employee largely dedicated to the submission of mandatory reports to various jurisdictional and federal agencies (i.e. — KYPSC, FERC, etc.)." Provide a list of the mandatory reports and the respective regulatory agencies that receive those reports.

RESPONSE: A list of all reports required to be filed for Navitas and Navitas' affiliated operating utilities is set forth on Exhibit PSC 1-33.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-34: Refer to the Application, Attachment 2, Reasons for Application, page 4 of 7, subsection titled "Regulatory Changes", third paragraph. the line, "While only a portion of this employee's cost is attributable to the Kentucky jurisdiction, it likely approximates \$2.00 per customer per month." Explain how the portion attributed to Kentucky jurisdiction is determined.

RESPONSE: The cost for this employee is allocated and charged to Navitas KY NG, LLC from Navitas Utility Corporation using the "Atmos Method" referenced by Mr. Hartline in the Application, Attachment 2, Reasons for Application, page 6 of 7, subsection titled "Allocations." Please also see the Response to PSC Request No. 1-39.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-35: Refer to the Application, Attachment 2, Reasons for Application, page 5 of 7, subsection titled "Aging Infrastructure", first paragraph. Provide a list on the planned upgrades and system improvements Navitas is planning to implement.

a. Provide the estimated cost savings for each planned upgrade and system improvement.

RESPONSE: The most pressing upgrade and system improvements Navitas is exploring are related to the supply issues in Clinton County discussed in response to Request No. 1-38. Resolving this issue is a long-term endeavor. Please also see Response to Request No. 1-38.

In Johnson County, Navitas would like to find a cost-effective solution to connecting the two sub-systems. Throughout its service area, Navitas continues to replace timed-out meters.

Further, Navitas evaluates expansion opportunities across the Commonwealth as they become available. Navitas believes that an expanded customer base on a unified rate structure could allow Navitas to better serve its existing and future Kentucky customers by seeking to achieve economies of scale.

(a) Any planned improvements or system upgrades are not currently at a point in the planning phase to provide a definitive estimated cost savings. Any proposed projects regarding the supply constraints in Clinton County would better serve the community by ensuring natural gas supply to the community at peak times, which is currently difficult to

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achieve. Connecting the sub-systems in Johnson County would create supply redundancies, enhancing the safety of the system serving Johnson County.

Savings from the expansion of Navitas' customer base are derived from spreading fixed or nearly fixed costs over a wider customer base. For example, each additional customer or molecule of gas sold does not increase our insurance expense. Similarly, save for the incremental cost of printing and mailing, each new customer does not add to the expense of operating the billing department. Thus, as we evaluate growth opportunities we determine the breakeven point. For example, if we consider extending the system to a currently unserved area we look at the cost versus the projected number of customers and non-commodity revenue. In the long run, adding customers to the Navitas system would result in lower utility costs to individual customers than would be expected with a smaller number of customers.

Replacing old meters leads to cost savings because older, poorly functioning meters contribute to an inability to detect line leakage, and replacing with a newer meter is a critical part of leak checking.

Witness: Thomas Hartline

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REQUEST NO. 1-36: Refer to the Application, Attachment 2, Reasons for Application, page 5 of 7, subsection titled "Aging Infrastructure", second paragraph.

- a. Provide a detail description of the types of pipes on the Navitas gas systems and the expected lifespan for the respective pipe.
- b. Explain if Navitas ever considered the possible implementation of a pipeline replacement program. If not, explain how Navitas plans to replace the pipe close to the end of its lifespan and how Navitas plans to finance these replacements.
- c. Refer to the Application, Attachment 2, Reasons for Application, page 5 of 7, subsection titled "Growth and Supply", first paragraph. Provide a credible source which supports the statement, "For a very long-time, in any one-year, approximately 2% of the existing population departed the local."

RESPONSE: (a) From the PHMSA 7100 report, Navitas has three miles of unprotected steel pipe and 100 miles of poly pipe. The bulk of our pipe, approximately 80 miles of poly, was installed some three decades ago with the balance of approximately 20 miles having been installed in the last decade. A copy of the PHMSA 7100 Report is attached hereto as Exhibit PSC 1-36(a).

Poly pipe carries a life of forty years designated by the industry. With the initial installations of modern poly pipe constructed some forty years ago there is discussion about increasing the suggested life span. However, a particular problem of microscopic holes developing from static electric discharge was brought to fore more recently. Given that the

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velocity conditions necessary for static discharge are unlikely to exist within our Kentucky operations, we do not believe this to be a potential major issue for Navitas in this jurisdiction.

(b) Navitas does not have a formal pipeline replacement program. Historically, Navitas and its affiliated operating utilities have used any net income generated to replace existing or build new pipeline. For large construction projects, like the pipeline to the chicken processing facility in Albany, Navitas' has obtained funding from the issuance of debt.

For future replacements, Navitas will consider engaging in the Commission's aid to construct program for pipeline replacement funded by existing customers, any available grant programs established by the federal government for the replacement of aging infrastructure, and possible aid from local governments, as was done with the pipeline construction in Clinton County.

(c) The statement is an estimation based upon Navitas' parent company's observations of operating natural gas utilities in rural communities across the country. When ignoring the various acquisitions made by Navitas' parent company, the number of customers served by the operating utilities managed by the Navitas' parent company declines year over year.

Witness: Thomas Hartline

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REQUEST NO. 1-37: Refer to the Application, Attachment 2, Reasons for Application, page 5 of 7, subsection titled "Growth and Supply", first paragraph. Provide a breakdown of the customer growth by customer class and by year since 2012.

RESPONSE: Please see Exhibit PSC 1-37, which includes a chart that tracks the number of customers per class by year since 2012 and a second chart that tracks the percentage change in customers year over year for the same period.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-38: Refer to the Application, Attachment 2, Reasons for Application, pages 5-6 of 7, subsection titled "Growth and Supply", final paragraph. Explain in detail the supply constraint issues referenced.

RESPONSE: Gas supply to Navitas' system in Clinton County, Kentucky comes from the B&W pipeline at the Tennessee-Kentucky border, which in turn is connected to a series of wells and the national grid through the East Tennessee pipeline at Deer Lodge. This is the only grid connected supply to the area. Moreover, the B&W pipeline, which runs some sixty miles, has a MAOP of sixty pounds, severely limiting its ability to transport the volume of gas needed at times of high usage. This lack of supply causes curtailment in the winter whereby first to run short is the chicken processing facility and then the feed mill. From time to time, it has affected the Albany school district buildings.

Navitas has mitigated this curtailment in the past with the addition of tanker transported Liquid Natural Gas. Very recently, a five-mile transmission line to a group of wells near the chicken processing facility had its first flow. Further, Navitas is undergoing preliminary review of feasibility of a horizontal storage loop around the plant.

Ultimately, Navitas believes two projects are needed to address the supply constraints in Clinton County. First, a second source of supply should be established by constructing a transmission line (initially seven miles plus a further amount to bypass the Burkesville system as usage increases) to connect Clinton and Cumberland Counties (e.g. – connect the Navitas Albany system to Burkesville's Apache transmission line); and second, replace the

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initial section of the B&W pipeline at Dear Lodge (approximately three miles) such that the entire pipeline can be updated.

Witness: Thomas Hartline

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REQUEST NO. 1-39: Refer to the Application, Attachment 2, Reasons for Application, page 6 of 7, subsection titled "Allocations", first paragraph. Provide the following information for the most recent calendar year concerning the utility and any affiliated service corporation or corporate service division/unit:

a. A schedule detailing the costs, those directly charged, either directly or allocated, by the utility to the service corporation. Indicate the utility's accounts in which these costs were originally recorded. For costs that are allocated, include a description of the allocation factors utilized.

b. A schedule detailing the costs charged, either directly or allocated, by the service corporation to the utility. Identify the utility's accounts in which these costs were recorded. For costs that are allocated, include a description of the allocation factors utilized.

RESPONSE: (a) For calendar year 2023, there were no costs charged, directly or allocated, by Navitas KY NG, LLC (the utility) to Navitas Utility Corporation (the service corporation).

(b) For calendar year 2023 there were a total of \$1,328,549.35 costs charged, directly or allocated, by the service corporation to the utility. Attached as Exhibit PSC 1-39, Parts 1 – 12 are Excel spreadsheets containing the monthly direct and allocation calculations of charges billed from the service corporation to the utility.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-40: Refer to the Application, Attachment 2, Reasons for Application, page 6 of 7, subsection titled "Allocations", final paragraph.

a. Provide documentation and cite the relevant Tennessee Commission case numbers that show the "Atmos Method" was approved by the Tennessee Commission.

b. Provide documentation and cite the relevant Oklahoma Commission case numbers that show the "Atmos Method" was approved by the Oklahoma Commission.

RESPONSE: (a) **Based upon the testimony of the Consumer Advocate and Protection Division, in which the CAPD “propose[d] an allocation similar to what Atmos uses for its Kentucky, Mid-state operations,”⁹ the Final Order entered in the Navitas TN NG, LLC 2012 rate proceeding, which approved a Settlement Agreement among the parties, set rates based upon the use of the allocation methodology recommended by the CAPD.¹⁰ This allocation methodology was also utilized in proposing the rates approved by the Tennessee Public Utility Commission in 2019.¹¹**

(b) **In Oklahoma, both Case Nos. 2014-00140 and 2023-00030 were submitted using the Atmos method for allocated costs. In both of these cases, the Oklahoma Corporation Commission did not propose or require an alternative allocation method and**

⁹ TRA Docket No. 12-00068, Redlined Direct Testimony of Charlena Aumiller, at 21, lines 11-13, *available at:* <https://share.tn.gov/tra/orders/2012/1200068bf.pdf>.

¹⁰ TRA Docket No. 12-00068, Order Approving Settlement Agreement with Modifications, *available at:* <https://share.tn.gov/tra/orders/2012/1200068bq.pdf>.

¹¹ TRA Docket No. 19-00057, Final Order Setting Rates, *available at:* <https://share.tn.gov/tra/orders/2019/1900057am.pdf>.

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neither order, save for on background, spoke to the matter. Copies of the Final Orders entered in those proceedings are attached as Exhibit PSC 1-40(b).

Witness: Thomas Hartline

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REQUEST NO. 1-41: Refer to the Application, Attachment 2, Reasons for Application, page 6 of 7, subsection titled "Conclusion", first paragraph, regarding the statement, "Navitas has been impacted by a host of issues: significant time (decades) since the last rate case." Also, refer the Application, Attachment 1, Customer Notices, Revised Notice, pages 3 and 7 of 9, regarding the statement, "In 2023, the total revenue for Navitas in Kentucky was \$1,167,888. Under the same conditions, the proposed rate changes would result in revenue of \$2,058,065. This is an overall increase of \$890,177 or 76%"

a. Given the stated need for a \$890,177 or 76 percent increase in revenue, explain why Navitas found it reasonable to have waited a significant time or "decades" by Navitas' own declaration before coming before the Commission for a rate adjustment.

b. Explain when Navitas first became aware of its stated need for a revenue increase and rate adjustment.

RESPONSE: (a) The cost of a rate case, even where small utility regulations are available, is significant. Additionally, undertaking a rate case utilizes realistically all available resources at Navitas' parent company. Since entering Kentucky as a regulated utility in 2012, Navitas' affiliated operating utilities have undertaken five rate cases in other jurisdictions, one of which was filed due to acquiring a utility in bankruptcy and another being stipulated to with the applicable state regulator.

(b) Upon entry into Kentucky in 2012, rather than immediately pursue a rate case, Navitas pursued a growth strategy. Thus in 2015, Navitas added several industrial customers, allowing for the further delay of a rate case. Further, in 2020, Navitas was poised

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for substantial growth in Kentucky as well as other jurisdictions. While this growth was realized in 2021, it was completely overwhelmed by cost pressures in 2021 and 2022. By mid-2022, Navitas recognized the imperative of raising rates to counter significant increases in operating costs as well as its weighted average cost of capital. As was explained above, Navitas' parent company does not have the internal resources to simultaneously prosecute rate cases in multiple jurisdictions. As a result, with the close of the books for 2022, Navitas' affiliated operating utility pursued a rate case in Oklahoma throughout 2023. Navitas likewise did the same in Kentucky in 2024, with plans to pursue a rate case for Navitas' affiliated operating utility in Tennessee in 2025.

Witness: Thomas Hartline

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REQUEST NO. 1-42: Refer to the Application, Attachment 4, Revenue Requirement Calculation, page 2 of 2. Provide support for Other Operating Revenues of \$183,128 and indicate whether this amount is considered representative of future Other Revenues collection.

RESPONSE: In 2023, the Other Operating Revenues totaled (\$183,128) which included \$39,609 in 488 – Penalties & service charges and (\$222,737) in 414 – Other Utility Operating Income. 414 – Other Utility Operating Income consists of adjustments to the amounts charged for Past Gas Cost Adjustment (GCA) to B & H and Johnson County Gas customers, pursuant to the Final Order issued in Case No. 2020-00396 on April 28, 2021,¹ and the normal quarterly adjustments for Over and Under-collections for the GCA. Navitas considers the adjustments and charges to be representative of future Other Revenues to be collected, though the amounts will vary quarter to quarter due to the fluctuation of the GCA and customer behavior for penalties and service charges.

Witness: Carlos A Gonzalez Meixueiro

¹ https://psc.ky.gov/pscscf/2020%20Cases/2020-00396//20210428_PSC_ORDER.pdf.

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REQUEST NO. 1-43: Refer to the Application, Attachment 5, Billing Analysis. Provide all sheets of the billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible. If the billing analysis should include any corrections deemed necessary, note each correction, and explain why the correction needed to be made.

RESPONSE: Please see Exhibit PSC 1-43, which is provided in 4 Parts. Each Excel sheet contains the Billing Analysis by class with 6 tabs each containing the current rates and the 4 Phases of proposed rates.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-44: Refer to the Application, Attachment 5, Billing Analysis. Also refer to the Navitas 2023 Annual Report, page 5 of 131.

a. Provide the annual customer count for Residential customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

b. Provide the annual customer count for Commercial customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

c. Provide the annual customer count for the proposed Industrial customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

d. Provide the annual customer count for the proposed Agricultural customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

RESPONSE: The Annual Report customer count is taken directly from the Bill Edits printed out for the year by month. Each month is broken down into Clinton County, Floyd County and Johnson County. The Customer counts for each month for each Class are added up and divided by 12 to determine the number of customers for the Annual Report. This way of doing this count is most closely related to the information input into the PGA (GCA).

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The Customer Count for the 2023 Test Year was done by pulling up a report that comprised a whole year for each class.

- (a) The customer count for the Residential class utilized for the Test Year is 597.**
- (b) The customer count for the Commercial class utilized for the Test Year is 102.**
- (c) The customer count for the Industrial class utilized for the Test Year is 15.**
- (d) The customer count for the Agricultural class utilized for the Test Year is 7.**

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-45: Refer to the Application, Attachment 5, Billing Analysis. Also refer to the Navitas 2023 Annual Report, page 5 of 131.

a. Provide the annual customer usage in Mcf for Residential customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

b. Provide the annual customer usage in Mcf for Commercial customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

c. Provide the annual customer usage in Mcf for the proposed Industrial customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

d. Provide the annual customer usage in Mcf for the proposed Agricultural customers for the 2023 test year. If this amount is different from the amount provided in the 2023 Annual Report, explain why.

RESPONSE: The Annual Report customer usage is taken directly from the Bill Edits printed out for the year by month. Each month is broken down into Clinton County, Floyd County and Johnson County. The Customer usage for each month for each Class are added up. This way of determining the gas usage is most closely related to the information input into the PGA (GCA). There is a slight difference in the Test year data as the information changes as bills are paid after the fact and that changes the Bill Edit information. The sales data in the PGA (GCA) is derived from the Bill Edits for each County.

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(a) The annual customer usage in Mcf for the Residential class utilized for the Test Year is 22,401.1 Mcf.

(b) The annual customer usage in Mcf for the Commercial class utilized for the Test Year is 19,708.8 Mcf.

(c) The annual customer usage in Mcf for the Industrial class utilized for the Test Year is 19,132.2 Mcf.

(d) The annual customer usage in Mcf for the Agricultural class utilized for the Test Year is 4,778.8 Mcf.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 1-46: Refer to the Application, Attachment 5, Billing Analysis.

- a. Provide cost support calculations for the fourth phase proposed Residential customer charge of \$34.50.
- b. Provide cost support calculations for the fourth phase proposed Commercial customer charge of \$44.50.
- c. Provide cost support calculations for the fourth phase proposed Industrial customer charge of \$149.00.
- d. Provide cost support calculations for the fourth phase proposed Agricultural customer charge of \$74.00.
- e. Provide cost support calculations for the fourth phase proposed usage rates for 1 Ccf of usage for each proposed customer class.
- f. Provide cost support calculations for the fourth phase proposed usage rates for more than 1 Ccf of usage for each proposed customer class.

RESPONSE: The summation of the various monthly rate components (customer charge, first flow, and balance of flow) does not exceed the schedule non-commodity revenue less terms and conditions revenue. As presented, this result is achieved through a combination of a monthly charge (the focus of 1-46 a.-d.), a first flow charge (focus of 1-46 e.), and balance of flow charges (1-46 f.).

Utility rate design evolves over time. With one extreme being simply divide non-commodity revenue by total flow to get a toll per unit of flow (anecdotally decades ago there were vending gas meters which could be operated with change). The alternative extreme is

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dividing non-commodity revenue by total number of annual customer months to get a flat monthly charge (this is termed decoupling) which has been adopted by some major utilities.

The charges proposed by Navitas falls in between these two extremes. A major reason for our proposed rate design is many of our customers have limited gas appliances, for example just a heater and a stove, or just a heater and a water heater. These customers may have months in the summer where they use only a few Ccf or even none. A decoupled monthly charge associated with a low-density rural utility is looked on quite askew for these customers and risks conversion to alternative forms of energy which drives up costs for the remaining customers and increases pollution.

Further, an aspect of how rates are proposed is applying the increases across all customer classes while also bearing in mind competitive forces such that the increases may not be uniform. This recognizes that uniform increases under the moniker of fairness that lead to excessive customer losses ultimately harm the customer that ostensibly bears a disproportionate burden.

The charges referenced in parts a.-d. and part e. go hand in hand in that the monthly customer charge and the first flow charge are attempting to accomplish the same goal. That goal is to limit cash losses during the summer months when flow is low. The chart below shows the percentage of flow for each month. Ratable flow is 8.33%, thus six months of the year from May through October accounts for 29% of the flow while the alternate six-months accounts for 61%.

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JAN	FEB	MAR	APR	MAY	JUN
14%	12%	12%	10%	7%	5%
JUL	AUG	SEP	OCT	NOV	DEC
4%	3%	4%	6%	9%	13%

Of course, most of our costs, be they direct or indirect, are substantially fixed such that our cash expenses are ratable. Removing depreciation (a non-cash expense), ad valorem tax (which is due in the winter months), and return, leaves cash expenses of approximately 6.5% of annual non-commodity revenue each month.

The components of having a service in the field (even an inactive service) include but are not limited to meter reading, line patrol, leak check, line locate, monthly billing, emergency response, regulatory compliance documentation, personnel support including H.R. and fleet, accounting, and other activities and duties.

The differences between rate classes can be partially explained by the physical difference between the meter and regulator set serving the customer. The chart below indicates this difference in meter size.

	Residential	Commercial	Industrial	Agricultural
Proposed Phase IV Customer Charge	a. \$34.50	b. \$44.50	c. \$149.00	d. \$74.00
Meter Capacity cfh	175 – 400	175 - 800	5,000 – 20,000	400 - 800

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Approx Cost of Meter & Regulator	\$250	\$500	\$5000	\$1000
Reprove interval (*replace in KY)	10 years*	1 to 10 years*	1 to 5 years	1 year

The cost of the meter and regulator shown is our estimate (based on historical observation) of the likely meter and regulator set deployed (note that technically for an industrial service we use a Mini-Max Corrector in place of a regulator).

The cost delta between the various rate class monthly charges reflects in part the purchase cost difference and the reprove interval difference between the various classes.

For the lowest proposed customer charge of \$34.50 (phase IV) the depreciation of the meter purchase plus the amortization of setting the meter with the truck roll, estimated at \$150, is approximately \$3 per month. Thus, all the normal, customary, and required tasks (noted above) in having a service riser must be accomplished for \$31.50 per customer in the absence of flow. With a customer count of approximately 650 (assuming no summer disconnects) this yields approximately \$21,000 per month. While the industrial and agricultural class (and perhaps the commercial slightly if at all) customer charge delta does contribute some additional to this figure there are only a handful of customers in each of those classes.

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With the first flow of gas in each of the classes we are looking to narrow the gap to ratable flow discussed above. To cash flow on a monthly basis, with 650 customers approximately \$105 each is needed.

	Residential	Commercial	Industrial	Agricultural
Proposed Phase IV 1st Flow Charge	a. \$24.50	b. \$24.50	c. \$149.00	d. \$149.00

The chart below is the calculated revenue based on test case year 2023 for the non-ratable months:

First Flow	MAY	JUN	JUL	AUG	SEP	OCT
Residential	11,760	9849	7840	7595	7767	11,883
Commercial	1691	1299	882	931	1054	1862
Industrial	1788	1639	1639	1639	1639	1937
Agricultural	696	745	596	0	596	596
Total	\$15,835	\$13,532	\$10,957	\$10,165	\$11,055	\$16,278

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Putting it all together in the chart below:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Sub Total
CC	26,161	26,063	26,102	26,167	25,125	25,332	25,007	24,272	24,242	25,120	25,935	25,258	304,781
FF	18,119	17,723	17,897	17,254	15,835	13,532	10,957	10,165	11,055	16,278	17,458	17,335	183,605
BoF	159,603	115,066	129,564	92,271	35,026	31,068	26,601	22,591	26,175	59,222	107,137	161,262	965,585
Total	203,883	158,851	173,562	135,691	75,985	69,931	62,565	57,028	61,472	100,619	150,529	203,855	
	14.0%	10.9%	11.9%	9.3%	5.2%	4.8%	4.3%	3.9%	4.2%	6.9%	10.4%	14.0%	

Thus, under the proposed rates we achieve positive cash flow seven of the twelve months and significantly reduce the gap most months versus the current rates.

Additionally, when designing the rates, we did take into consideration the increase associated with each customer class. This was especially true when comparing the increase in CPI to the Residential Class.

Please see Exhibit PSC 1-46, which is an Excel file containing the rate design spreadsheets used in the filing.

Witness: Thomas Hartline

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REQUEST NO. 1-47: Refer to the Application, Attachment 5, Billing Analysis.

- a. Provide a list of the alternative rate design methods Navitas considered to increase its rates.
- b. Explain why Navitas chose a block usage style rate design that differentiates between 1 Ccf of usage and all usage above 1 Ccf.

RESPONSE: (a) Navitas considered implementing the proposed rate increase immediately and over various phase-in periods. Ultimately, Navitas concluded that the proposed four phase phase-in would best allow Navitas the operating revenues needed to continue providing reliable, quality service to its customers, while seeking to gradually implement the rate increase to the benefit of Navitas' customers. In developing these proposed rates, Navitas kept the following principles in mind.

First, the Navitas' industrial rate needs to be as competitive as possible with the major utility companies, otherwise Navitas risks losing its customers to other areas. Second, unlike urban utilities, Navitas has a large agricultural representation, which can have unique characteristics. Third, summer cash flow is a major concern as many Navitas customers use little to no gas in the summer months. Fourth, the weather in Navitas' service area is rarely average and geographic diversity could help smooth fluctuations.

(b) The purpose of the proposed rates is to balance several prominent issues. First, Navitas has a fair number of users, both residential and commercial, that do not take gas a number of months during the year. For example, it could be a home with only a gas heater, or it could be a chicken house with no brood in residence. Shifting to a Ccf structure

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will help alleviate the number of customers that seek to disconnect and reconnect service in a cyclical nature, and the imposition of unpalatable costs and fees incurred for doing so.

The first Ccf charge will allow Navitas the revenues necessary to prudently operate in the summer months, including meter reads, line patrol, leak check, line locate, etc.

Witness: Thomas Hartline

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REQUEST NO. 1-48: Refer to the Application, Attachment 5, Billing Analysis, pages 2, 3, 8, 9, 15, and 20 of 25, the Current Rates for each rate class. Explain why the Bills in column (2) for the lines labeled, "Gas (Tariff)" and "PGA (GCR)" do not match.

RESPONSE: The billing software that Navitas uses places some Terms and Conditions charges into the "Gas (Tariff)" creating more bills than those generated for "PGA (GCR)."

Witness: Carlos A Gonzalez Meixueiro

VERIFICATION

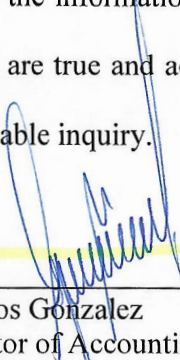
I, Thomas Hartine, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Name: Thomas Hartline
Title: Secretary for Navitas KY NG, LLC and
President of Navitas Utility Corporation

VERIFICATION

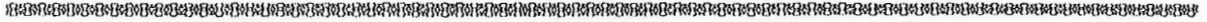
I, Carlos Gonzalez, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Name: Carlos Gonzalez
Title: Director of Accounting for Navitas Utility Corporation

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 22 day of _____, 20____, by
Date Month Year



(1) Carlos Gonzalez Meixueiro

(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

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: 1st Request for Info Ky Rate Case

Document Date: 10/23/2024 Number of Pages: 48 Questions

Signer(s) Other Than Named Above: _____

