

**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
SECOND REQUEST FOR INFORMATION**

Navitas KY NG, LLC (“Navitas”), by counsel, files its responses to Commission Staff’s
Second Request for Information, issued in the above-captioned case on November 7, 2024.

FILED: November 22, 2024

IN THE MATTER OF:
ELECTRONIC APPLICATION OF NAVITAS KY NG, LLC
FOR AN ALTERNATIVE FILING PURSUANT TO 807 KAR 5:076
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REQUEST NO. 2-1: Refer to the Application, page 3 and Attachment 4. Also refer to Navitas's response to Commission Staff's First Request for Information (Staff's First Request), Item 8.

a. Explain why Navitas did not provide a Schedule of Adjusted Operations with the Application, given that it now proposes adjustments to the test year.

b. Explain why Navitas did not use the pro forma test year expenses to calculate its revenue requirement.

RESPONSE: (a) Navitas did not have “reason to believe that some of the revenue and expense items set forth in its most recent annual report [had] or [would] change” when it filed its Application because intercompany billing and financial reports through Q2 of 2024 had not been finalized at that time. Navitas provided the Schedule of Adjusted Operations as was requested by the Commission Staff’s Data Request, which was after Navitas had finalized intercompany billing and financial reports for Q2 2024.

(b) Please see the Response to subpart (a).

Witness: Carlos A Gonzalez Meixueiro

IN THE MATTER OF:
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REQUEST NO. 2-2: Refer to Navitas's response to Staff's First Request, Item 3 and Item 8. Reconcile the miscellaneous service revenues shown in these responses. Include in the explanation a list of all items included in the miscellaneous service revenues.

RESPONSE: Attached as Exhibit PSC 2-2 are the GL transactions for Revenue Accounts 488 and 419 accounting for miscellaneous service revenues.

Witness: Carlos A Gonzalez Meixueiro

IN THE MATTER OF:
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REQUEST NO. 2-3: Refer to Navitas's response to Staff's First Request, Item 8.

- a. Provide a schedule that calculates the test-year depreciation expense.
- b. Provide the calculation and supporting documentation for Navitas's proposed adjustments to Natural Gas Production Expenses, Distribution Expenses, Customer Accounts Expenses, Customer Service and Informational Expenses, and Administrative and General Expenses. Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.
- c. Provide the items and amounts for Taxes Other than Income. Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible
- d. Explain why Other Gas Revenues are (\$222,737.51) and provide the items that are recorded in this account.

RESPONSE: (a) Please see the Depreciation Schedule attached to Application as Attachment 6. The total test-year depreciation expense is calculated by totaling the “Grand Totals” of the “Mo Expns” columns for each applicable month in calendar year 2023.

(b) Attached as Exhibit PSC 2-3(b) is an Excel spreadsheet that includes the calculations comparing 2023 to 2024 expenses.

(c) Taxes Other than Income includes an accrual for Ad-Valorem Taxes for \$30,000.

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(d) Please see Navitas' Response to PSC No. 1-42. All amounts referenced in Navitas' Response to PSC No. 1-42 are included within the General Ledger provided as CONFIDENTIAL Exhibit PSC 1-9(a).

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 2-4: Refer to Navitas's response to Staff's First Request, Item 8. Explain whether Natural Gas Production Expenses are recovered through Navitas's Gas Cost Adjustment. If not, generally explain these expenses.

RESPONSE: Natural Gas Production Expenses include 804 – City Gate Purchases which Navitas believes should be recoverable through Navitas' Gas Cost Adjustment.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 2-5: Refer to Navitas's response to Staff's First Request, Item 2(b). Also Refer to Navitas's response to Staff's First Request. Item 37, Exhibit PSC 1-37.

a. Explain why Navitas considers the initial acquisition of its system in Case No. 2010-00468¹, the acquisition of its Floyd County and Johnson County systems in Case No. 2020-00396², and the increase in the number of customers per class by year since 2012 is not a significant enough growth in its customers or revenue that would require a cost-of-service study (COSS) to be performed.

b. Identify and explain how many additional customers or how much additional revenue growth would be required for Navitas to justify a COSS to be performed.

RESPONSE: (a) Navitas did not consider the referenced acquisitions and increase in customers to be a significant enough growth to require a COSS to be performed because the Commission's promulgated regulations evince a policy determination that Navitas does not have revenues in a significant enough amount to justify the expense of performing a COSS. See 807 KAR 5:076; 807 KAR 5:001 § 16(4)(u) ("If the utility provides gas . . . utility service and has annual revenues greater than \$5,000,000, a cost of service study based on a methodology generally accepted within the industry . . ."); 807 KAR 5:001 § 16(7)(v) ("If the utility provides gas . . . utility service and has annual gross revenues greater

¹ Case No. 2010-00468, Joint Application of Navitas KY NG, LLC And GASCO Distribution Systems, Inc. For Approval of An Acquisition of Ownership and Control of Gas Utility Systems (Ky. PSC Feb. 11, 2011).

² Case No. 2020-00396, Electronic Application of Navitas KY NG, Johnson County Gas Company, And B&H Gas Company for Approval of Acquisition, Transfer of Ownership, And Control of Natural Gas Utility Sys[ems] (Ky. PSC Apr. 27, 2021).

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than \$5,000,000 in the division for which a rate adjustment is sought, a cost of service study
...”).

(b) Navitas would be required to perform a cost of service study when required
by Commission regulation. Navitas would likely consider utilizing its financial resources to
perform a COSS as it approaches 4,000 customers.

Witness: Thomas Hartline

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REQUEST NO. 2-6: Refer to Navitas's response to Staff's First Request, Item 5(a) and the Annual Report of Navitas to the Public Service Commission for the Year Ending December 31, 2023 (2023 Annual Report). Explain why Navitas included this error in its 2023 Annual Report.

RESPONSE: Navitas was striving to get the Net Operating Income to match what was listed in the Income Statement. The directions say Line 2 which is \$1,167,888.43 less Line 23 which is zero, instead should be less Line 25, which is the total Utility Operating Expenses which makes the answer (\$380,216.48). Navitas' ultimate goal has been to get the financial report to match up with the sections of the annual report that coincide with the financial report.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 2-7: Refer to Navitas's response to Staff's First Request, Item 6(a). Also, refer to the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act (FERC Uniform System of Accounts for Natural Gas), Account 482 Other sales to public authorities.³ Explain why Navitas deviated from the FERC Uniform Systems of Accounts for Natural Gas when it delegated its Agricultural customers to the Public Authority Customers designation.

RESPONSE: In other jurisdictions, Agricultural Customers have similar exemptions to Public Authority Customers and since there is no placeholder in the Kentucky Annual Report for Agricultural Customers, Navitas inserted them into the Public Authority Customer placeholder as the best and closest match.

Witness: Carlos A Gonzalez Meixueiro

³ A copy of the FERC Uniform System of Accounts Prescribed for Natural Gas Companies Subject to The Provisions of The Natural Gas Act can be found in the Commission's website under Utility Information > Utility Forms > All Utilities > Uniform System of Accounts. <https://psc.ky.gov/Home/utilForms#All?btnUniform>

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REQUEST NO. 2-8: Refer to Navitas's response to Staff's First Request, Item 6(b). Also refer to Navitas's 2023 Annual Report, page 5 of 131. Explain why the six Agricultural customers referenced in the response were not included in the Annual Report under Commercial and Industrial Sales (481) as defined by the FERC Uniformed Systems of Accounts for Natural Gas if those Agricultural customers were being billed by Navitas under its Commercial rate class.

RESPONSE: As discussed above in Response to PSC No. 2-7, the Agricultural Customers tariff is the same as our Commercial Customers, but Navitas believes it is important to separate Agricultural Customers from Commercial Customers because future revisions in the tariff may result in differences between Agricultural Customers and Commercial Customers. In order to be completely transparent, Navitas felt the need to separate the Agricultural Customers.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 2-9: Refer to the Navitas's 2023 Annual Report, and FERC Uniform Systems of Accounts for Natural Gas. For each line in the filed 2023 Annual Report, with an Account number in parentheses, confirm that the information provided is in correspondence to the FERC Uniformed System of Accounts for Natural Gas. If not, then:

- a. Identify each correction needed,
- b. Explain why Navitas failed to provide the correct information,
- c. Provide a corrected 2023 Annual Report to the Commission,⁴ and

File the corrected 2023 Annual Report as supplemental documentation in this case proceeding.

RESPONSE: Navitas believes it follows the FERC Uniform System of Accounts Prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act. Our system was initially implemented with assistance and oversight of the Tennessee Consumer Advocate Protection Division. The Regulatory Analyst (RA) for Navitas Utility Corporation files dozens of reports in more than a handful of jurisdictions. It has been the RA's experience that one of the most difficult aspects is completing a report only done once a year, with each jurisdiction providing varying interpretations and expectations of similar requirements.

Witness: Carlos A Gonzalez Meixueiro

⁴ Navitas can email PSC.ReportsSky.gov to request for its annual report be placed back into edit.

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REQUEST NO. 2-10: Refer to Navitas's response to Staff's First Request, Item 15.

Provide a response to the request in full as the provided information is not sufficient. Provide the name, dates, and installation requested as well as the contract referenced in response to Item 15.

RESPONSE:

(a)

(b)

(c)

(d) A copy of the service contract is attached as CONFIDENTIAL Exhibit PSC 2-

10(d).

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 2-11: Refer to Navitas's response to Staff's First Request, Item 16. Also, refer to the Application, Attachment 9.

a. Provide a detailed description of the relationship and corporate structure of Navitas, including any subsidiaries, parent companies, related parties, and affiliates.

b. Provide the cost allocation manual used by Navitas, or any of its related parties, that documents the approach to cost allocation and transfer pricing of affiliate transactions.

RESPONSE: (a) See Exhibit PSC 2-11(a) containing an Organizational Chart for Navitas Companies.

(b) Navitas does not have a manual for cost allocation. Intercompany billing policy is described in Thomas Hartline's narrative in Attachment 2 to the Application in the section "Allocations," paragraph 2. Please also see Exhibit PSC 1-39, Parts 1-12 for the approach to cost allocations.

All expense allocations and "transfer pricing of affiliate transactions" are designated as Direct and Indirect Expenses. Direct Expenses are not allocated and are rounded up to the nearest whole dollar and billed or transferred from the service corporation to the utility. Indirect Expenses are allocated per the Atmos method mentioned in the narrative and rounded up to the nearest whole dollar and billed or transferred from the service corporation to the utility.

Witness: Carlos A Gonzalez Meixueiro

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REQUEST NO. 2-12: Refer to Navitas's response to Staff's First Request, Item 23(a).

Explain if Navitas has considered using an estimated annual or average monthly usage to differentiate between the Residential, Commercial, Industrial, and Agricultural rate classes.

RESPONSE: Certainly annual usage is a differentiator between the larger commercial accounts and the industrial accounts. There is a usage breakpoint at which it is better to switch from one class to the other and we typically work with customers on that issue. Since the final outcome of the tariffs are up to the order of the Commission, and because of the request of the Company to phase rates in over time, this breakpoint will change likely initially and then throughout the phase-in.

It is more difficult to set a usage breakpoint between Residential and Commercial as often the larger residential user will exceed the smaller commercial user. While this fact does not preclude usage breakpoints, the Company is keen on knowing exactly who is a residential user and have them classified in the system as such.

The Agricultural rate is specifically designed for lumpy usage whereby a substantial amount of gas is used within a short period of time (perhaps only a single month), proceeded and followed by very little or no usage. Thus, their annual usage is not a good differentiating metric.

Witness: Thomas Hartline

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REQUEST NO. 2-13: Refer to Navitas's response to Staff's First Request, Item 23(b), Exhibit PSC 1-23(b), page 8 of 31.

- a. Explain why Navitas plans to include the additional language to the Industrial class classification.
- b. Explain the purpose of a "Mini-Max Corrector".
- c. Explain how many Industrial customers currently have a "Mini-Max Corrector."

RESPONSE: (a) Navitas believes that this small addition of language to the Industrial rate class will assist potential customers (as well as field-service personnel) to communicate better. For example, a small commercial user could be located in a light-industrial or industrial building, but only use a small amount of gas for winter building heat. The bit of additional language will help them discern they are not in need of a very large meter and qualify as a Commercial customer.

(b) A Mini-Max Corrector is a device used in place of a regulator on very large meters.

(c) Currently in Kentucky, Navitas has two Mini-Max Correctors deployed amongst the fourteen Industrial Class customers.

Witness: Thomas Hartline

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REQUEST NO. 2-14: Refer to Navitas's response to Staff's First Request, Item 23(b), Exhibit PSC 1-23(b), page 14 of 31, regarding an increase in the deposit amount required for Residential Customers from \$95.00 to \$200.00.

- a. Explain why Navitas is including this change in its proposed tariff.
- b. Explain why this proposed increase was not included in the Customer Notice.

RESPONSE: (a) The deposit is intended to be a commensurate increase to the deposit as the proposed rates in this proceeding, while still complying with 807 KAR 5:006, Section 8(1)(d)(2), which does not allow equal deposit amounts to exceed two-twelfths of the average bill of customers in the residential class.

(b) The increase to the deposit was not included in the Customer Notice because the increased deposit will not affect existing customers, but would only affect new customers. Further, including this change in the Customer Notice was likely to lead confusion of Navitas' customers who have previously provided a deposit, as Navitas does not seek to require those customers to make an additional deposit.

Witness: Thomas Hartline

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REQUEST NO. 2-15: Refer to Navitas's response to Staff's First Request, Item 23(b), Exhibit PSC 1-23(b), page 18 of 31, regarding the increase to the advance amounts based on meter capacity.

a. Explain why Navitas is including this change in its proposed tariff.

b. Explain why this proposed increase was not included in the Customer Notice.

RESPONSE: (a) There are two issues associated with requested meter testing that led to Navitas including this change in its proposed tariff. One is in the field testing of industrial meters, which already happens as a matter of regulatory course as often as once per year. The other is physically sending meters to third parties for testing. Both of these endeavors are incrementally costly outside of the normal course of business.

Historically, Navitas does not receive many requests for retesting of meters, likely less than a handful per year. Generally, these occur in the context of a customer struggling with significant issues, which may include high gas utility bills. Typically, Navitas does not avail itself of the retesting charge as we want to discern the issue as much as the customer.

By way of example, one of Navitas's affiliated operating utilities served a school that was having particularly high gas bills. Meters were changed and tested, leak searches were undertaken multiple times, and everyone involved was experiencing a high degree of frustration. Ultimately, the issue was traced to an internal pressure regulator on the newly

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replaced rooftop mounted heating units. Navitas was part of the community helping solve the problem and did not further burden the school with additional charges for its services.

However, in situations when responsibility is clearly with the customer or requests for meter testing are unwarranted or unreasonable, the Company needs to have the ability to recover the costs caused by the customer.

(b) The proposed increase at issue is an optional charge that is incurred only upon the voluntary request of a Customer and that ultimately may not be incurred at all pursuant to the terms of the proposed Tariff. A concern with the Customer Notice is ensuring clarity and understanding of the Customer. Generally, the critical piece of information for the consumer is my bill was \$X last year, this year it is going to be \$X + \$Y. Inclusion of a “meter charge” could create confusion that Navitas seeks to impose a separate charge for “metering,” not make changes to a pre-existing voluntary charge that will not be incurred by the vast majority of Navitas customers (and, frankly, never incurred without Navitas first informing the customer of the anticipated cost). Navitas believes the multiple Customer Notices it provided which referenced and substantially detailed its proposed adjustments be accepted as adequate.

Witness: Thomas Hartline

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REQUEST NO. 2-16: Refer to Navitas's response to Staff's First Request, Item 23(c), regarding the statement, "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." Explain in detail how Navitas's proposed rate design helps customers to better control their utility costs over the current rate design method used.

RESPONSE: For highly cost sensitive consumers greater measurement refinement provides more accurate information. For example, Navitas has a particular customer that tracks the cost of their product to the hundredth of a pound. Imagine having costs so refined that McDonalds charged \$6.3947 for a Quarter Pounder. For this customer it is truly important for them to know if they used 34,567 CCF versus 3,457 MCF. Likewise for a residential customer trying to control costs, who may only use 40 MCF per year, it is important to know that setting the thermostat at 68 degrees versus 72 degrees allows them to use 121 CCF in January versus 129 CCF. More refined usage information provides a customer with more granular information. This granular information provides the customer with a better understanding of usage, which such understanding provides a better ability to control utility costs.

It also keeps capital with the consumer longer. While Navitas does not engage in this practice, with an MCF based tariff, a utility could seek to bill a minimum of 1 MCF to each customer with usage every month during the low usage summer months. This creates a scenario where for about seven months of the year the customer is prepaying for as much as

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6 MCF of usage; and if that customer leaves the system during this period, they will lose that prepayment.

It would certainly benefit Navitas to bill in MCF, both from a cash flow perspective as well as a line loss perspective. However, unity amongst our jurisdictions (our largest jurisdiction does not allow MCF billing) is more important than the relatively small financial gain available to the company.

Witness: Thomas Hartline

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REQUEST NO. 2-17: Refer to Navitas's response to Staff's First Request, Item 37. Also, refer to Navitas's 2023 Annual Report, page 5 of 131. Reconcile the discrepancy between the customer count for year 2023 in the Exhibit PSC 1-37 and the 2023 Annual Report. Include in the response an explanation for the discrepancy.

RESPONSE: There are several ways to gather the necessary information to come up with the customer count needed for the Annual Report and the Customer Count for the two years noted in Exhibit PSC 1-37:

- 1) Customer Locations who take gas for the month
- 2) Number of Customers meters
- 3) The Maximum Count of either method

As Response to PSC No. 1-44 indicated, 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. This information is most closely related to the information input into the quarterly PGA (GCA). The Bill Edit information may vary slightly over time due to late payments by customers, customer's closing accounts or other bookkeeping inputs out of our control. Another anomaly may occur due to the fact that the customer count for Exhibit PSC 1-37 was taken from the whole state and the information for the PGA's are taken by County. Some of the customers may be on a county border and not counted in the County breakdown.

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Witness: **Carlos A Gonzalez Meixueiro**

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REQUEST NO. 2-18: Refer to Navitas's response to Staff's First Request, Item 37. Also, refer to Navitas's Annual Report of Navitas to the Public Service Commission for the Year Ending December 31, 2022 (2022 Annual Report), page 5 of 131.

a. Reconcile the discrepancy between the customer count for year 2022 in the Exhibit PSC 1-37 and the 2022 Annual Report. Include in the response an explanation for the discrepancy.

b. Explain if Navitas needs to make any corrections to its 2022 Annual Report on file with the Commission.

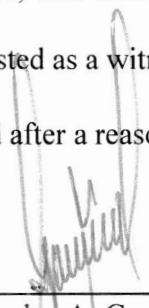
RESPONSE: (a) Please see the Response to PSC No. 2-17.

(b) Navitas does not see a need to make any corrections to its 2022 Annual Report filed with the Commission as the number of Customers can be accounted for by number of locations or by number of meters. Note that a location can have multiple meters on separate account numbers and therefore both customer counts may be correct.

Witness: Carlos A Gonzalez Meixueiro

VERIFICATION

I, Carlos A. Gonzalez Meixueiro, 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 A. Gonzalez Meixueiro
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

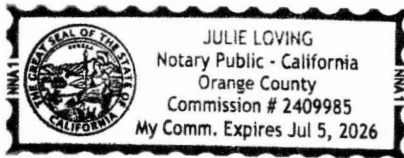
County of Orange

Subscribed and sworn to (or affirmed) before me on
this 22nd day of November, 2024, 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.



Place Notary Seal and/or Stamp Above

Signature Julie Loving
Signature of Notary Public

OPTIONAL

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

Description of Attached Document

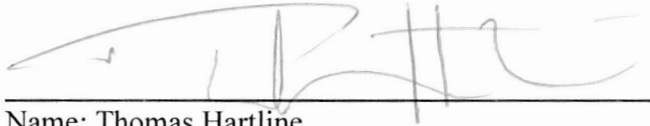
Title or Type of Document: 2nd Data Request Ky Rate Case

Document Date: 11/22/2024 Number of Pages: _____

Signer(s) Other Than Named Above: _____

VERIFICATION

I, Thomas Hartline, 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.

A handwritten signature in dark ink, appearing to read 'TH Hartline', is written over a horizontal line.

Name: Thomas Hartline

Title: Secretary for Navitas KY NG, LLC and
President of 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

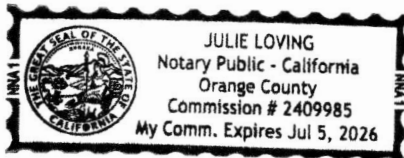
Subscribed and sworn to (or affirmed) before me on
this 22nd day of November, 2024, by
Date Month Year

(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

OPTIONAL

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