ATTACHMENT 11

COST ALLOCATION MANUAL

Navitas Utility Corporation

Cost Allocation Manual

Introduction

Navitas Utility Corporation ("NUC") provides services as the operator for Local Distribution Companies ("LDC") owned by Navitas Assets, LLC ("NALLC"), a sister company. NUC also provides services as the operator for two Hydro Electric Plants ("HEP") owned by Navitas Hydro, LLC ("Hydro"), a subsidiary of NUC. The purpose of this manual is to detail how costs are being allocated and billed to each of the client companies owned by NALLC and Hydro.

The services provided by NUC include, but not limited to, financial and regulatory reporting, tax planning and reporting, treasury and cash management, financial planning, internal audit, purchasing, field labor, customer service, customer billing, human resource and labor expertise, benefit plans, corporate communications, safety and risk management, shareholder services, and executive management services. To support these services, there are general costs associated with administration and information technology ("IT") that also need to be allocated and billed.

The LDCs serve customers in four jurisdictions including Oklahoma, Kentucky, Tennessee, and Texas. As regulated utilities, LDCs are allowed to recover prudent and reasonable costs for services it receives from NUC, and reflects the cost of these services in its revenue requirements for setting rates. Costs allocated from NUC are based on allocation factors that are calculated annually.

The manual has been written to document NUC's approach to cost allocation billing. Its purposes are to provide an easily referenced source of information, state and clarify policy, formalize procedures, provide a basis of communication between all employees concerning cost allocation matters, and meet all regulatory inquiries and/or requirements for maintaining a cost allocation manual.

Responsibility for adhering to the policies and procedures rests with every employee.

Errors in content and other requests for revision of this manual should be directed to the attention of Carlos A Gonzalez Meixueiro, Director of Accounting.

Carlos A Gonzalez Meixueiro
Director of Accounting

Methodology

As operator NUC receives and pays for all costs associated with the operation of LDCs and HEPs. NUC identifies and assigns costs in four categories: 1) directly assignable costs ("Direct Charges"), 2) general costs that are allocated using the allocation factor stated ("Allocation Charges"), 3) gas commodity costs ("Commodity Charges"), and 4) costs exclusively incurred by NUC ("Other Expenses").

Direct Charges are those costs where the purpose behind the costs can be attributed as a benefit to a specific LDC or HEP. Direct Charges are the preferred method of assigning costs and is used to the greatest extent possible. Direct Charges are billed directly to the benefiting LDC or HEP.

Allocation Charges are those costs where the purpose behind the costs cannot be attributed as a benefit to one specific LDC or HEP. These costs include general and administrative costs. Indirect Charges are billed to all LDC and HEP according to the allocation factor.

Commodity Charges are those costs for the acquisition of gas commodities for LDCs in the four jurisdictions. Indirect Charges are billed to all LDC according to the allocation factor.

Other Expenses are those costs that are incurred exclusively for the benefit of NUC. Other Expenses are not billed to any clients.

NUC billing to LDCs and HEPs are done monthly after all costs have been processed in the accounting system. NUC utilizes the Income Statement to classify expenses into the above-mentioned cost categories. When a LDC or HEP has special projects, expansions, or extraordinary expenses, NUC processes the expenses in a clearing account and are later billed directly to the LDC or HEP receiving the benefit for said expense. Following is the list of expenses from NUC's Income Statement and cost category assigned to said expense.

Account	Cost Category
800 · Well Head Purchases	Commodity
800.15 · Well Head Purchases OK	Commodity
804 · City Gate Purchases	Commodity
804.15 · City Gate Purchases KY	Commodity
804.16 · City Gate Purchases TN	Commodity
804.28 · City Gate Purchases TX	Commodity
804.46 · City Gate Purchases OK	Commodity
805 · Other Gas Purchases	Commodity

805.46 · Other Gas Purchases OK	Commodity
851 · Sys Cntrl & load dispatching	Commodity
851.28 · Sys Cntrl & load dispatching TX	Commodity
851.46 · Sys Cntrl & load dispatching OK	Commodity
855.46 · Other util comp state OK	Commodity
874 · Mains & Services Expense	Allocation Charges[1]
874.15 · Mains & Services Expense KY	Direct Charges
874.16 · Mains & Services Expense TN	Direct Charges
874.28 · Mains & Services Expense TX	Direct Charges
874.46 · Mains & Services Expense OK	Direct Charges
887 · Maintenance of Mains	Allocation Charges[1]
887.15 · Maintenance of Mains KY	Direct Charges
887.16 · Maintenance of Mains TN	Direct Charges
887.28 · Maintenance of Mains TX	Direct Charges
887.46 · Maintenance of Mains OK	Direct Charges
893 · Maintenance of Meters	Allocation Charges
894 · Maintenance of Other Equipment	Direct Charges
535 · Operation supervision	Allocation Charges[1]
535.1 · Operation supervision Hydro	Direct Charges
535.2 · Operation supervision Cliffside	Direct Charges
535.3 · Operation supervision Stice-Sho	Direct Charges
537 · Hydraulic Expenses	Allocation Charges[1]
537.1 · Hydraulic Expenses Hydro	Direct Charges
537.2 · Hydraulic Expenses Cliffside	Direct Charges
537.3 · Hydraulic Expenses Stice-Shoals	Direct Charges
538 · Electric Expenses	Allocation Charges[1]
538.1 · Electric Expenses Hydro	Direct Charges
538.2 · Electric Expenses Cliffside	Direct Charges
538.3 · Electric Expenses Stice-Shoals	Direct Charges
540 · Rents	Allocation Charges[1]
540.0.1 · Rents Hydro	Direct Charges
540.0.2 · Rents Cliffside	Direct Charges
540.0.3 · Rents Stice-Shoals	Direct Charges
540.1 · Operation supplies and expenses	Allocation Charges[1]
540.1.1 · Operation supplies Hydro	Direct Charges
540.1.2 · Operation supplies Cliffside	Direct Charges
540.1.3 · Operation supplies Stice-Sh...	Direct Charges
541 · Maintenance supervision and eng	Allocation Charges[1]
541.1 · Maint Supervision Hydro	Direct Charges
541.2 · Maint Supervision Cliffside	Direct Charges
541.3 · Maint Supervision Stice-Shoals	Direct Charges
542 · Maintenance of structures	Allocation Charges[1]

542.1 · Maint of structures Hydro	Direct Charges
542.2 · Maint of structures Cliffside	Direct Charges
542.3 · Maint of Structures Stice-Shoal	Direct Charges
543 · Maintenance of Dam	Allocation Charges[1]
543.1 · Maintenance of Dam Hydro	Direct Charges
543.2 · Maintenance of Dam Cliffside	Direct Charges
543.3 · Maintenance of Dam Stice-Shoals	Direct Charges
403 · Depreciation Expense	Other Expenses
407 · Other Amortization	Other Expenses
903 · Customer Records & Collection	Allocation Charges[2]
6130 · Postage	Allocation Charges
6230 · Utilities	Allocation Charges
6320 · Bank fees	Allocation Charges
6410 · Lic, permit, member	Allocation Charges
903.15 · Customer Records KY	Direct Charges
903.16 · Customer Records TN	Direct Charges
903.28 · Customer Records TX	Direct Charges
903.46 · Customer Records OK	Direct Charges
904 · Bad Debt	Other Expenses
908 · Customer Assistance	Allocation Charges[2]
908.15 · Customer Assistance KY	Direct Charges
908.16 · Customer Assistance TN	Direct Charges
908.46 · Customer Assistance OK	Direct Charges
909 · Info Advertising	Allocation Charges[2]
6460 · Company promotions	Allocation Charges[2]
920 · Administration & Gen Sales	Allocation Charges
921 · Office Supplies	Allocation Charges[2]
6110 · Comm equip	Allocation Charges
6120 · Comm serv	Allocation Charges
6140 · Office consumables	Allocation Charges
6242 · Fuel	Allocation Charges
921.12 · Office Supplies NC	Allocation Charges
921.121 · Office Supplies Hydro	Direct Charges
921.122 · Office Supplies Cliff...	Direct Charges
921.123 · Office Supplies Stice...	Direct Charges
921.15 · Office Supplies KY	Direct Charges
921.16 · Office Supplies TN	Direct Charges
921.28 · Office Supplies TX	Direct Charges
921.46 · Office Supplies OK	Direct Charges
923 · Outside Services	Allocation Charges[2]
6241 · Contracted Transportation	Allocation Charges
6420 · Tax consult & filing	Allocation Charges

6425 · Legal	Allocation Charges
923.15 · Outside Services KY	Direct Charges
923.16 · Outside Services TN	Direct Charges
923.28 · Outside Services TX	Direct Charges
923.46 · Outside Services OK	Direct Charges
924 · Insurance	Allocation Charges
925 · I/D - Safety & Security	Allocation Charges[2]
6445 · Safety & security	Allocation Charges
925.15 · I/D - Safety & Decurity KY	Direct Charges
925.16 · I/D - Safety & Security TN	Direct Charges
925.28 · I/D - Safety & Security TX	Direct Charges
925.46 · I/D - Safety & Secuity OK	Direct Charges
926 · Employee benefits	Allocation Charges
926.15 · Employee benefits KY	Direct Charges
926.16 · Employee benefits TN	Direct Charges
926.28 · Employee benefits TX	Direct Charges
926.46 · Employee benefits OK	Direct Charges
928 · Regulatory Commission Exp	Allocation Charges
930 · Misc Gen Expense	Allocation Charges
931 · Rents	Allocation Charges
932 · Maintenance of General Plant	Allocation Charges
69800 · Uncategorized Expenses	Allocation Charges[1]
409 · Corporate income tax	Other Expenses
411.10 · Expense of non-util operation	Other Expenses
411.70 · Loss on Sale	Other Expenses
426.10 · Donations	Other Expenses
426.30 · Penalties	Other Expenses
427 · Interest Expense	Other Expenses
435 · Extraordinary Expense	Other Expenses

[1] Account generally not used

[2] Account with limited use

Allocation Factors

The allocation factor or method that NUC uses was established based on the settle agreement for a 2012 rate case in TN between Navitas TN NG, LLC, a LDC, and the Tennessee Regulatory Commission ("TRA"). In said agreement, with docket number TRA12-00068, on pages 20 and 21, the Consumer Advocate and Protection Division ("CAPD") "proposes an allocation similar to what Atmos uses for its Kentucky, Mid-state operations." From this NUC derived the "Atmos KY Method" and implemented this allocation method to bill all clients to maintain uniformity across all jurisdictions. The Oklahoma Corporation Commission, in Cases Nos. 2014-00140 and 2023-00030, has reviewed the Atmos KY Method set forth by the TN CAPD twice and has accepted the allocation method in both cases.

The Atmos KY Method consists of two factors: 1) Gross direct property, plant, and equipment ("PPE") in each jurisdiction as a percentage of the total PPE serviced by the NUC, and 2) Number of customers in each state as a percentage of the total customers serviced by NUC.

Each of these factors is then multiplied by 50% to arrive at the allocation percentage for each jurisdiction. For the Oklahoma jurisdiction, the Atmos KY Method is also used to further allocate the Oklahoma allocation to the four separate LDCs under this jurisdiction.

The NALLC consolidated balance sheets are used to acquire the values of factor (1) after Year End Financial Reports are finalized. The Customer Service Department provides the Average Monthly Customer Count for each jurisdiction or LDC for factor (2). Previous year values will be used for current year allocation factors and remain unchanged for the whole year. Since there may be a delay in finalizing Year End Financial Reports, current year billing may also be delayed.

Conclusion

As circumstances change, such as, but not limited to, adding a new service that will be provided by NUC, change in NUC internal policies, or change in regulations set forth by any of the jurisdictions, appropriate changes will be made to the manual.