

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NAVITAS KY)	
NG, JOHNSON COUNTY GAS COMPANY, AND)	
B&H GAS SYSTEM FOR APPROVAL OF)	CASE NO.
ACQUISITION, TRANSFER OF OWNERSHIP,)	2020-00396
AND CONTROL OF NATURAL GAS UTILITY)	
SYSTEMS)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO NAVITAS KY NG, JOHNSON COUNTY GAS COMPANY, AND B&H GAS SYSTEM

Navitas KY NG (Navitas KY), Johnson County Gas Company (Johnson County), and B&H Gas System (B&H) (collectively, Applicants) pursuant to 807 KAR 5:001, are to file with the Commission an electronic version of the following information. The information requested herein is due on January 29, 2021. The Commission directs Applicants to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Applicants shall make timely amendment to any prior response if Applicants obtain information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Applicants fail or refuse to furnish all or part of the requested information, Applicants shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, page 3, paragraph 5.

a. Provide an analysis of plant accounts, including depreciation schedules and remaining lives, which supports the statement that the Seller has substantially rebuilt the B&H system.

b. Refer also to Exhibit F. Given that Mr. Rife purchased the system in 1999 and has “substantially rebuilt the Johnson County system,” explain why Exhibit F assumes that Johnson County’s system was recommissioned in 1987.

2. Refer to the Application, page 3, paragraph 7. Provide an analysis of plant accounts, including depreciation schedules and remaining lives, which supports the statement that the Seller has substantially rebuilt the system.

3. Refer to the Application, page 7, paragraph 19, in regard to the additional employee Navitas KY agreed to hire.

a. State the role this additional employee will have upon completion of the acquisition.

b. Explain the agreement with Navitas KY and other applicants to hire this employee and why this agreement was necessary for this acquisition.

4. Refer to the Application, page 7, paragraph 19.

a. Provide the name and job title of each of the current B&H or Johnson County operating staff and personnel that Navitas KY will retain after the proposed transfer and a summary of their experience and qualifications.

b. Confirm whether Bud Rife will be employed by Navitas KY if the acquisition is approved. If confirmed, state the role Mr. Rife will hold under the new acquisition and provide in detail his subsequent duties.

5. Refer to the Application, page 7, paragraph 20. Provide analysis and support for the statement: “As a standalone entity, B&H does not generate sufficient revenue to maintain safe and reliable gas service to its customers.”

6. Refer to the Application, page 7, paragraph 22.

a. If the transfer is approved, provide Navitas KY’s expected timeline for requesting unified rates for its Kentucky systems.

b. Confirm that Navitas is proposing to adopt the existing tariff sheets of B&H and Johnson County Gas. If the answer is no, provide any additional proposed tariff sheets that Navitas KY plans to implement upon this acquisition, or any proposed changes along with a detailed explanation of why the changes were made.

c. Confirm if the Applicants are requesting that Johnson County’s current tariff rate be used for B&H’s current ratepayers upon acquisition in this case, irrespective of the outcome of the B&H rate case. If confirmed, provide copies of B&H’s and Johnson County’s billing analyses in Excel spreadsheet format with all formulas intact and unprotected and all rows and columns fully accessible in such detail that revenues at current rates and at proposed rates based on actual gas usage can be readily determined. If this cannot be confirmed, clarify what rates Navitas KY is proposing to adopt for each of the two systems.

d. State whether Navitas KY intends to eventually charge all Kentucky customers in the three service areas under one unified rate schedule.

7. Refer to the Application, pages 7 and 8, paragraph 23, in regard to the consolidation of Navitas KY’s accounting and billing practices for B&H and Johnson County upon its acquisition.

a. Provide a timeline and explain in detail the method that will be used to consolidate the accounting and billing practices.

b. State when B&H and Johnson County currently bill their customers each month.

c. State whether Navitas KY, Johnson County, or B&H currently prorate their billing and Gas Cost Adjustment (GCA) rates when the date for service billed to customers and the meter reading date is different from the Commission approved effective date for services rendered.

8. Refer to the Application, page 8, paragraph 25.

a. Provide a timeline and explain in detail the method that will be used to consolidate the GCA rates. Be sure to discuss the calculation of the Expected Gas Cost, Actual Cost Adjustment, and the Balancing Adjustment calculations in detail.

b. Provide the proposed unified GCA rate report that Navitas KY plans to use in Excel spreadsheet format with all formulas intact and unprotected and all rows and columns fully accessible.

c. Given that B&H and Johnson County currently use different calendar quarters for their GCA rate reports than Navitas KY, explain which calendar quarters Navitas KY would use if the GCA rate reports were to be consolidated.

d. Assuming a consolidated GCA, explain how Navitas KY plans to reconcile the previous quarters' under/over-recoveries of gas cost that are tracked through the Actual Cost and Balancing Adjustment amounts of the three systems, so that no system's customers subsidize past gas cost of other systems.

e. Also, given that GCA rates are charged on a quarterly basis with the GCA calculation methodology accounting for quarterly adjustments in its Actual Cost Adjustment, and the Balancing Adjustment calculations explain in detail how Navitas KY plans to reconsolidate the calculation differences in the timing of the Applicants GCA rates without causing a disruption in the gas costs paid for by the ratepayers so that subsidization or losses of actual costs of natural gas and pipeline transportation costs do not occur.

f. State the provider of natural gas for each system currently and after the proposed transaction. The response should include details concerning the sources of system gas supply and gas transportation arrangements following the transfer, and include copies of all executed contracts, as well as all possible sources of supply that were considered but not chosen.

g. Describe the due diligence Navitas KY performed to satisfy itself that the price of its gas supply will be the least cost option to provide natural gas service to Navitas KY's customers, consistent with security of supply.

9. Refer to the Application, page 8, paragraph 25. Also, refer to the Application, page 7, paragraph 19. Navitas KY states that it believes that it would be costly and cumbersome to calculate individual sub-system GCAs and would likely require the employment of additional personnel to perform the task.

a. Explain why Navitas KY would require additional personnel for individual sub-system GCAs given that Navitas KY plans to retain all B&H and Johnson County personnel upon acquisition.

b. Explain the post-acquisition roles of the current B&H and Johnson County personnel that handle each utility's GCA rate reports given that Navitas KY plans to retain all B&H and Johnson County personnel.

c. Explain why Navitas KY would not plan to utilize the retained B&H and Johnson County personnel to prepare individual sub-system GCAs.

d. Explain how individual sub-system GCAs filed in Kentucky could not be handled by a single employee given that Navitas currently files multiple GCAs in other states already. Be sure to explain how Navitas KY believes that multiple GCAs filed within Kentucky are more cumbersome than multiple GCAs filed in different states with different filing requirements.

10. Refer to the Application, page 12. Explain how the dismissal of the refunds is fair to B&H's customers who were over-billed.

11. Refer to the Application, page 12 and 13, paragraph 41.

a. Provide the Distribution Integrity Management Plan, unified Operations and Maintenance Manual, and unified Emergency Plan for the Navitas KY system.

b. Explain why Navitas KY's requested, "citation forbearance for one-year for nonconformity with its approved Plan or the outgoing Plan currently in place" is necessary.

c. Provide any procedure or plan that Navitas KY has developed to transition to its unified Distribution Integrity Management Plan, unified Operations and Maintenance Manual, and unified Emergency Plan.

d. Explain whether Navitas KY would document its progress toward implementing its unified plans and manuals in a manner sufficient to determine when the transition is complete.

12. Refer to the Application, page 13. Provide the specific regulations for which Navitas KY is seeking a waiver or deviation in regard to meter shops and state with specificity how those requirements are impractical or unduly burdensome to Navitas KY.

13. Refer to the Application, page 14, paragraphs 45 and 47.

a. Explain whether Navitas KY is requesting approval to issue evidences of indebtedness with terms in excess of two years in this case. If so, provide the information required by 807 KAR 5:001, Section 18. If not, explain whether and when Navitas KY plans to file an application pursuant to 807 KAR 5:001, Section 18.

b. Describe with specificity how Navitas KY plans to fund the purchase price of the two utilities. If the purchase price is to be financed, provide details of the loan agreement.

14. Refer to Exhibit B, APA – EPA – Lease Agreement.

a. Refer to page 7, Article II, paragraph 2.4. State whether this includes any liabilities other than those listed in the Joint Application which relate to pending litigation with the Commission and if so, enumerate the specific B&H Gas and Johnson County Gas liabilities that are excluded pursuant to this paragraph. The information should include any amounts that Navitas KY will assume with regard to Bud Rife Construction and any remaining Johnson County Gas bankruptcy liabilities.

b. Refer to page 15, Article VI. Provide corrections to paragraphs 6.1 and 6.6.

15. Refer to the Application, Exhibit B, Schedule 1.1(b), Description of Pipeline Asset and Exhibit F.

a. State whether B&H or Johnson County will transfer assets to Navitas KY that are not recorded on their Annual Reports filed with the Commission. If yes, list each asset and state its original cost and accumulated depreciation to date.

b. State whether B&H or Johnson County will retain any of the assets recorded on their Annual Reports. If yes, provide a list of each asset and state its original cost and accumulated depreciation to date.

c. State whether all of the contracts and agreements in Exhibit B are intended to convey all of the assets of Bud Rife Construction to the two utilities and Navitas KY.

16. Refer to the Application, Exhibit B, to the Contracts and Commercial Lease Agreements between B&H Gas and Johnson County Gas and Bud Rife, which each set out an agreement for office rental, truck rental, fees for legal work, and lease details. Confirm that the Lease Agreements are for the same property, and state whether the trucks indicated in the Contracts are the same two trucks that are rented to each utility. State whether Navitas KY intends to honor these contracts and agreements and adopt their provisions. If not, describe how provisions of the Commercial Building Lease Agreement between Navitas KY and Bud Rife differ from those between Bud Rife and the two utilities.

17. Refer to the Application, Exhibit B, the Equipment Purchase Agreement. State whether the two vehicles that are included in the equipment purchase are the two trucks indicated in the Contracts between Bud Rife and B&H and Johnson County, and

whether the remaining equipment has been used for the daily operation and maintenance of the two utility systems.

18. Refer to the Application, Exhibit C. Provide all assumptions, sources, and data relied on to establish values in the exhibit.

19. Refer to Exhibit C, Required Regulatory Actions and Consent, with regard to the B&H rate case. Confirm that the parties understand that cost of service based revenues for B&H will not necessarily equal those of Johnson County Gas, and that B&H's proposed rate structure in Case No. 2020-00364² is not identical to that of Johnson County Gas (B&H's proposed rate structure continues to include a minimum charge for 2 Mcf of gas).

20. Refer to Exhibit C, Required Regulatory Actions and Consent, with regard to pending litigation and actions against Bud Rife et al. Describe Navitas KY's understanding of outstanding issues regarding Bud Rife, B&H Gas, Johnson County Gas, and any other entity, including but not limited to the litigation listed in Schedule 3.4 Litigation. Confirm that Navitas KY proposes that the Commission excuse all fines and penalties it has found to be reasonable with respect to B&H and Johnson County, and that it not require the gas cost refunds that the Commission ordered to be refunded to B&H's customers.

21. Refer to the Application, Exhibit D, page 2, paragraph 1.

a. Explain how Navitas KY has or is in the process of fulfilling the goals set out in its mission statement in its Kentucky service area: "to acquire existing utilities and bring them up to standards necessary for homeowners and farming operations to

² Case No. 2020-00364, *Electronic Application of B&H Gas Company, Inc. for an Alternative Rate Adjustment* (filed Nov. 12, 2020).

thrive and for businesses and factories to locate in and utilize the stable and talented farming community workforce.”

b. Explain how Navitas KY plans to achieve its mission statement in the B&H and Johnson County Gas service areas.

22. Refer to Exhibit D, General Conveyance. Describe all assets that grantors are conveying to Bud Rife that are not currently assets of the regulated utilities, or that have been identified as being of unclear ownership.

23. Refer to the Application, Exhibit F.

a. Explain how the per foot estimates were developed. Provide any supporting documentation.

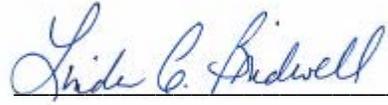
b. Provide the source for the “Dollar factor (BLS) to commission year,” and state the specific index used.

c. State whether the current meters are included in the asset transfer. If so, provide the meter costs included in the net plant calculation or explain why meter costs are omitted.

d. Provide the existing net plant recorded on B&H and Johnson County’s books.

24. Provide any independent or internally generated studies used to evaluate and assess the condition of the plant of B&H and Johnson County.

25. Using the information provided in the application, provide the proposed journal entry or entries Navitas KY will make to record the transfer.



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DATED JAN 21 2021

cc: Parties of Record

Case No. 2020-00396

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