

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT )	CASE NO.
FILING OF NAVITAS KY NG, LLC )	2023-00091

ORDER

On March 29, 2023, Navitas KY NG, LLC (Navitas KY) filed its proposed Gas Cost Recovery (GCR) rate report to be effective May 1, 2023. Navitas KY's previous GCR rate was approved in Case No. 2023-00002.<sup>1</sup>

BACKGROUND

On April 30, 2021, the transfer of ownership of B & H Gas Company (B & H) and Johnson County Gas Company (Johnson County) to Navitas KY was consummated following the closing of Case No. 2020-00396.<sup>2</sup> Navitas KY was ordered in that case to file a unified GCR rate report for rates effective August 1, 2021, which only included the combined systems' Expected Gas Cost (EGC) in the calculation of the GCR rate. The subsequent Actual Cost Adjustment (ACA) was ordered by the Commission to be implemented in the unified GCR rate report for rates effective February 1, 2022. The Commission further ordered Navitas KY to implement a tracker specific to each legacy

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<sup>1</sup> Case No. 2023-00002, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Feb. 9, 2023).

<sup>2</sup> 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 Systems* (Ky. PSC Apr. 27, 2021).

gas system to reconcile any remaining under- and over-recoveries of past gas cost.<sup>3</sup> These gas costs are related to the previously Commission approved ACA and Balancing Adjustment (BA) quarters that were not fully charged to each legacy gas system, along with the remaining gas costs that could not be collected due to residual and the transitional period balance that occurred during the acquisition period.<sup>4</sup> The remaining residual amounts for each system were found to be \$135,880 for Clinton County, or former Navitas KY system customers; \$5,763 for Floyd County, or former B & H system customers; and \$12,133 for Johnson County, or former Johnson County system customers.<sup>5</sup> In Case No. 2022-00109, the Commission approved Navitas KY's proposed residual surcharge of \$1.00 per Mcf to be effective on and after May 1, 2022, and to be included as a separate line item for the customers in each legacy gas system until the recoveries of gas costs is individually reconciled.<sup>6</sup> When each legacy gas system has recovered the full amount allocated to its system, the \$1.00 per Mcf line item shall be removed from the respective customer's bills.

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<sup>3</sup> 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 Systems* (Ky. PSC Apr. 27, 2021) at 13.

<sup>4</sup> The previously approved quarter ACA and quarter BAs for the separate systems were set forth in Case No. 2021-00136 for former Navitas KY customers, Case No. 2021-00101 for former Johnson County customers and Case No. 2021-00100 for former B & H customers. These quarters could not be fully charged to their respective gas system customers the full period before the acquisition approved in Case No. 2020-00396 was consummated.

<sup>5</sup> See Application, Case No. 2021-00381, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (filed Oct. 1, 2021), Application. The tracker mechanism was originally proposed in Case No. 2021-00381, but following the Informal Conference held with Commission Staff on March 29, 2022, Navitas KY proposed to revise its tracker mechanism and include its new proposal in the current case.

<sup>6</sup> Case No. 2022-00109, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Apr. 29, 2022).

## LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.<sup>7</sup>

## DISCUSSION

Since May 1, 2022, Navitas KY has been charging its customers the \$1.00 per Mcf residual surcharge in order to recover the costs associated with the remaining gas costs that could not be fully recovered by each of the legacy gas systems following the implementation of the unified gas system GCR rate report. Included in the GCR rate report filed by Navitas KY is the monthly sales data from each of the gas systems of the former Navitas KY system customers, former B & H system customers, and former Johnson County system customers.<sup>8</sup> After reviewing the monthly sales for each gas system, the Commission has calculated that Navitas KY has collected approximately \$33,575 from former Navitas KY legacy system customers, the full total of \$5,763 from former B & H system customers, and \$10,042 from former Johnson County system

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<sup>7</sup> KRS 278.274(2); KRS 278.274(3)(c), and KRS 278.274(3)(d).

<sup>8</sup> GCR rate report, Sales tab.

customers.<sup>9</sup> The remaining totals are as follows: \$102,305 for former Navitas KY system, and \$2,091 for former Johnson County system.<sup>10</sup> In Case No. 2023-00002, the Commission determined that the full residual amount of \$5,763 for the former B & H system customers had been collected and Navitas KY was ordered to remove the \$1.00 per Mcf surcharge from any subsequent bills for the former B & H system customers.<sup>11</sup>

Based on the historic sales data, the Commission finds that the former Johnson County gas system has average sales of 1,628 Mcf and 819 Mcf for the months of March and April, respectively.<sup>12</sup> Given the historical trend of sales for the former Johnson County gas system the full residual amount of \$12,133 for the former Johnson County system customers will be collected by the proposed May 1, 2023 effective date. Thus, the Commission finds that Navitas KY should remove the \$1.00 per Mcf surcharge for the former Johnson County system customers for any subsequent bills for service rendered on and after May 1, 2023. The Commission also finds that Navitas KY should file revised tariff sheets that remove the former Johnson County customers from the \$1.00 per Mcf residual surcharge rate description.

As originally ordered by the Commission in Case No. 2022-00109, Navitas KY should include updated reports in its future GCR rate report filings on the total amounts

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<sup>9</sup> Although Navitas KY's GCR rate report is based on a reporting period twelve-months ended January 31, 2022, the GCR rate report included sales data up to and including February 2023.

<sup>10</sup> Former Navitas KY gas system totaled 5,579 Mcf and 4,258 Mcf of sales in January and February 2023, respectively. The former Johnson County gas system totaled 2,260 Mcf and 1,565 Mcf of sales in January and February 2023, respectively.

<sup>11</sup> Case No. 2023-00002, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Feb. 9, 2023) at 4.

<sup>12</sup> GCR rate report, Sales tab. The historical sales data provided in the GCR rate report goes as far back as 2016.

recovered for each of the legacy gas systems through the \$1.00 per Mcf residual surcharge until any remaining under- or over-recoveries of gas costs is individually reconciled for each month. Navitas KY should also include in the cover letter when the total amount for each separate gas system has been collected and the \$1.00 per Mcf separate line item for that separate system will no longer be included in those customer's bills.<sup>13</sup>

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that Navitas KY's report includes revised rates designed to pass on to its customers its expected change in gas costs. Navitas KY's report sets out an EGC of \$8.9987 per Mcf, which is a decrease of \$0.8472 per Mcf from its previous EGC of \$9.8459 per Mcf. Navitas KY's report sets out no Refund Adjustment. Navitas KY's report sets out a current quarter ACA of (\$1.1947) per Mcf and a total ACA of (\$0.0926) per Mcf, which is a decrease of \$1.9343 per Mcf from the previous total ACA of \$1.8417 per Mcf. Navitas KY's report sets a current quarter BA and a total BA of \$0.0781 per Mcf. Navitas KY's first unified quarter BA became available after its first unified ACA quarter expired and the period in which the rate was effective is fully included in the reporting period. Navitas KY's first unified ACA quarter was \$0.1686 per Mcf, as approved by the Commission in Case No. 2022-00004 and was in effect for the period of February 2022 through January 2023.<sup>14</sup> Each quarter ACA reflects the amount of allowable gas cost to be recovered or refunded to customers based on expected sales over the twelve month

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<sup>13</sup> Case No. 2022-00109, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Apr. 29, 2022), ordering paragraph 3.

<sup>14</sup> Case No. 2022-00004, *Electronic Purchased Gas Adjustment Filing of Navitas KY NG, LLC* (Ky. PSC Feb. 3, 2022).

period the quarter is in effect. Navitas KY's GCR rate report filing includes the reporting period of twelve months ended January 31, 2023. Navitas KY's proposed unified quarter BA includes the reconciliation of the expired quarter ACA based on the actual 12-month sales for February 2022 through January 2023.

Based on the calculations above, the Commission finds that Navitas KY's GCR rate is \$8.9841 per Mcf, which is a decrease of \$2.7035 per Mcf from its previous GCR rate of \$11.6876 per Mcf. The Commission further finds that the rate set forth in the Appendix to this Order is fair, just and reasonable, and should be approved for service rendered by Navitas KY on and after May 1, 2023.

For the purpose of transparency and to maintain a record of information for future use the Commission finds that Navitas KY should submit all invoices it receives, along with its monthly usage reports when it files its future GCR rate reports. Should Navitas KY purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

1. The rate proposed by Navitas KY and set forth in the Appendix to this Order is approved for service rendered on and after May 1, 2023.
2. Navitas KY shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files future GCR rate reports.
3. Navitas KY shall file with the Commission its subsequent quarterly GCR rate report filings with at least 30 days' notice prior to the beginning of each calendar as established in its Gas Cost Recovery tariff.

4. Navitas KY's future GCR filings shall include a report on the amount recovered for the \$1.00 per Mcf charge to be included as a separate line item for the customers in each legacy gas system until any remaining under- or over-recoveries of gas costs is individually reconciled for each month on and after May 1, 2022. Navitas KY shall include in the cover letter when the total amount for each legacy gas system has been collected and the \$1.00 per Mcf separate line item for that system will no longer be included in those customer's bills.

5. Within 20 days of the date of service of this Order, Navitas KY shall file with the Commission in this case proceeding a letter stating that it has removed the \$1.00 per Mcf surcharge from the former Johnson County system customer bills for service rendered on and after May 1, 2023.

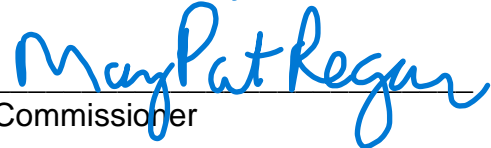
6. Within 20 days of the date of service of this Order, Navitas KY shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.

7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director



## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00091 DATED APR 28 2023

The following rates and charges are prescribed for the customers in the area served by Navitas KY NG, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Gas Cost Recovery rate

The Gas Cost Recovery rate shall be \$8.9841 per Mcf for service rendered on and after May 1, 2023.

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