

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 17, 2011

IN RE:)
)
PETITION OF NAVITAS TN NG, LLC) Docket No. 11-00060
FOR EMERGENCY RELIEF FOR)
NATURAL GAS RATES)

NOTICE OF FILING

COMES NOW Petitioner NAVITAS TN NG, LLC ("Navitas"), by and through counsel, and hereby submits this Notice of Filing. Navitas files herewith the Testimony of Thomas Hartline pursuant to the Scheduling Order in this proceeding.

Dated this the 17th day of June, 2011.

Respectfully Submitted,



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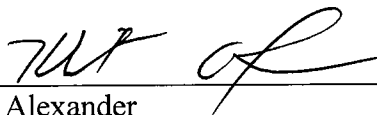
Counsel for Navitas TN NG, LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 17th day of June, 2011, a true and correct copy of the foregoing instrument was filed electronically and deposited in the United States Mail, with postage prepaid, and addressed to the following:

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**PETITION OF NAVITAS TN NG, LLC
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Docket No. 11-00060

TESTIMONY OF THOMAS HARTLINE

1Q: PLEASE STATE YOUR NAME.

A. My name is Thomas Hartline.

2Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Navitas Utility Corporation as President and am Treasurer. I am also Secretary of Navitas TN NG, LLC, Navitas Assets, LLC, and Fort Cobb Fuel Authority, LLC.

3Q: WHERE IS THE PRINCIPLE BUSINESS OFFICE FOR NAVITAS TN NG LLC?

A. Navitas' principal place of business is 18218 East McDurmott, Irvine, California 92614, however we do maintain a local office at 613 Sunset Trail, Jellico, TN and 9825 Hwy 111, Static, TN.

4Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION AND HAVE YOUR CREDENTIALS BEEN ACCEPTED?

1 A. Not before the Tennessee Regulatory Authority (the TRA) but I have testified numerous
2 times before the Oklahoma Corporation Commission.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I am testifying in support of Navitas' Emergency Application in the instant proceeding to
5 include a monthly service charge in our tariffs. The monthly service charge has two
6 purposes, the first is to partially compensate the company for the facilities in place to serve
7 the customer even though the customer may not use any significant amount of natural gas in
8 any given month and the second is to provide a revenue stream to help pay some expenses
9 incurred during months of low natural gas usage. I will explain this in greater detail below.

10 **Q. PLEASE BRIEFLY EXPLAIN THE OPERATIONS OF NAVITAS.**

11 A. In Oklahoma, Navitas' sister company, Fort Cobb Fuel Authority furnishes natural gas
12 service to approximately 4500 residential, agricultural and industrial customers located in 17
13 counties. In Tennessee, since January, Navitas has been engaged in furnishing natural gas
14 service to approximately 551 customers located in: 1) Campbell County, Tennessee and
15 Whitley County, Kentucky (the Jellico System); 2) Pickett County, Tennessee (the
16 Byrdstown System) and; 3) Fentress County, Tennessee (the Fentress Domestic Taps).
17 Navitas also furnishes natural gas service to approximately 145 customers located in Clinton
18 County, Kentucky (the Albany System). Navitas' focus is serving customers in rural, high
19 cost areas the larger gas utilities do not serve. We own approximately 34 miles of gas
20 distribution and transmission pipe in rural Tennessee in addition to the facilities in Oklahoma
21 and Kentucky. The assets of Navitas consist of the gas distribution facilities, including

1 mains, regulator stations, and metering equipment. Navitas purchases gas from a non-
2 affiliated third party gas supplier, and distributes it to our customers.

3 **Q. PLEASE DESCRIBE NAVITAS' REQUEST IN THIS CAUSE.**

4 **A.** On December 30, 2010, the TRA issued an Order approving the *Joint Petition* and the
5 *Amendment to the Joint Petition* filed on November 17, 2010 and December 10, 2010,
6 respectively, of Navitas and Gasco Distribution Systems, Inc. ("Gasco") (collectively, the
7 "Petitioners"). The Petitioners sought Authority approval of: (1) the transfer of control of gas
8 utility systems of Gasco to provide retail gas utility services in Jellico, Campbell County,
9 Byrdstown, Pickett County and Fentress County, Tennessee and Whitley County, Kentucky
10 deriving from the Certificate of Public Convenience and Necessity issued by the TRA's
11 predecessor, the Tennessee Public Service Commission and related orders, approvals, and
12 actions of the TRA of its predecessor; (2) the transfer of franchise agreements including the
13 agreements between Gasco and the City of Byrdstown, Gasco and Pickett County and the
14 City of Jellico to provide utility service in Jellico, Byrdstown and Pickett County, Tennessee
15 and (3) the financing arrangements of Navitas. Gasco had filed for Chapter 11
16 bankruptcy protection (Case No. 09056171) in the United States Bankruptcy Court
17 ("Bankruptcy Court") for the Southern District of Ohio, Eastern Division and operated as
18 Debtor in Possession until the acquisition was approved by the TRA.

19 At the time of approval of the transaction, Navitas adopted the existing tariffs of
20 Gasco for its natural gas operations. The existing tariffs, attached to the Emergency Petition
21 as Exhibit A do not contain a monthly service charge. Gasco's last rate case was conducted
22 in 1992, and it is my understanding from the TRA that Gasco had been operating at a revenue

1 deficiency since 2005; thus the bankruptcy. Without a monthly service charge the system
2 purchased by Navitas in Tennessee will continue to operate at a revenue deficiency as set
3 forth in the schedules filed with the Emergency Petition. Additional information supporting
4 our request is contained in the data request responses provided to the TRA Staff.

5 **Q. PLEASE EXPLAIN WHY NAVITAS HAS NOT FILED FOR A GENERAL RATE**
6 **INCREASE.**

7 **A.** When we purchased the Gasco systems we were not provided complete records that fully set
8 out the operations results for previous years and therefore we will need to operate the systems
9 for at least twelve (12) months before we will have adequate records, including natural gas
10 volumes sold, lost and unaccounted for gas, operating expenses, etc. Until then we must take
11 all reasonable actions to make sure we can continue to provide safe reliable natural gas
12 service to our customers when they have need for it. Navitas is committed to keeping its
13 customers on the system and hopefully growing our customers, but to do so the system must
14 support its own operations. As a rural gas company we realize that our costs are higher than
15 those of urban utilities due to lack of density and the large rural areas where we provide
16 service, coupled with what we believe to be the age of our Tennessee systems. We also
17 know, by examining the minimal data available to us for our Tennessee systems and also
18 operating our systems in Oklahoma is that the recurring cost to operate a system continues
19 even though there is little or no usage of natural gas during some months. Our investment in
20 the pipe, meters and regulators remain in place to provide service upon the customers
21 demand, our payroll for employees continues during months of little or not usage as well as
22 other expenses necessary to provide reliable and safe natural gas service to our customers.

1 **Q. WHY DID YOU FILE FOR EMERGENCY RATE RELIEF REQUESTING THE**
2 **TRA TO APPROVE A MONTHLY SERVICE CHARGE?**

3 **A.** Once we took over operations it was apparent that the existing rates will not provide
4 adequate revenues for the proper operation of the systems in Tennessee. Since we don't
5 believe we have adequate factual financial records to support a general rate increase request
6 now we looked at our Oklahoma operations and realized that if we had a monthly service
7 charge it should provide additional revenues to help until we can file for a general rate
8 adjustment early next year. It is our understanding Gasco, and now Navitas, is the only
9 natural gas utility operating in Tennessee without a monthly service charge which puts us in a
10 unique situation from other natural gas utilities. We realize these are extraordinary
11 circumstances, thus; our instant request for emergency relief, and feel that our request is
12 warranted.

13 **Q. HAVE YOU PREPARED A SCHEDULE THAT SHOWS THE EFFECTS OF THE**
14 **MONTHLY SERVICE CHARGE?**

15 **A.** Yes. It is Exhibit D attached to our Petition for Emergency Relief filed on April 21, 2011.

16 **Q. PLEASE DESCRIBE EXHIBIT D.**

17 **A.** Exhibit D contains confidential information so a redacted version is attached to our filed
18 Petition, however, an unredacted version has been provided to the parties in this cause. The
19 Exhibit is based on the best information we have and it shows the additional revenues that
20 could be generated with the addition of a monthly service charge. It is important to note that
21 even with the monthly service charge of \$6.00 per customer and \$1.00 for each of the first
22 nine (9) Ccf sold per customer per month the company will still be in a under earnings

1 situation, again based on the best information we have.

2 **Q. DO YOU BELIEVE IT IS IN THE PUBLIC INTEREST FOR THE TRA TO**
3 **APPROVE YOUR REQUEST SET FORTH IN THE PETITION FOR EMERGENCY**
4 **RELIEF?**

5 **A.** Yes. Allowing the company to implement the new charges requested, our customers benefit
6 from having lower costs for natural gas usage in the peak usage months because they pay a
7 monthly service charge during low or no usage months and by “leveling out” the amount the
8 customer pays it provides a steady revenue stream to help pay the costs incurred even when
9 little or no natural gas is being consumed.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes, however I reserve my right to supplement my testimony as necessary.