

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF NAVITAS TN NG, LLC
FOR EMERGENCY RELIEF FOR
NATURAL GAS RATES**

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Docket No. 11-00060

PROPOSED SETTLEMENT AGREEMENT

For the sole purpose of settling this case, Tennessee Regulatory Authority ("TRA" or "Authority") Docket Number 11-00060, Petitioner Navitas TN NG, LLC ("Navitas" or "Company") and Robert E. Cooper, Jr., the Tennessee Attorney General and Reporter, through the Consumer Advocate and Protection Division ("Consumer Advocate"), (collectively the "Parties") respectfully submit this Proposed Settlement Agreement. Subject to TRA approval, the Parties stipulate and agree as follows:

1. Navitas is a Tennessee limited liability company under the laws of the State of Tennessee and is engaged in the business of transportation, distribution, and sale of natural gas in Campbell County, Pickett County, and Fentress County, Tennessee, and in Whitely County and Clinton County in Kentucky. Navitas is a public utility pursuant to the laws of Tennessee, and its public utility operations are subject to the jurisdiction of the TRA.

2. Navitas is a wholly-owned subsidiary of Navitas Assets, LLC, a Delaware limited liability company. The principal office and place of business of Navitas is located at 18218 East McDermott, Irvine, California 92614. Local offices are maintained at 613 Sunset Trail, Jellico, Tennessee 37762 and 9825 Hwy 111, Static, Tennessee.

3. On December 30, 2010, the Authority issued an Order in TRA Docket 10-00220 approving the transfer of control of the utility systems of Gasco Distribution Systems, Inc. ("Gasco"). At the time of the acquisition by Navitas of Gasco, Gasco operated as Debtor in Possession while in proceedings before the United States Bankruptcy Court for the Southern District of Ohio, Eastern Division. Navitas adopted all of Gasco's existing tariffs.

4. On April 20, 2011, Navitas filed a Petition for Emergency Relief in which the Company sought approval to increase the rates paid by Tennessee consumers. Since acquiring the system formerly held by Gasco, Navitas has been operating at a substantial loss. The petition sought to implement a monthly customer charge of \$6.00 and a charge of \$1.00 per 9 Ccf per month. The relief sought is estimated to reduce the operating losses of Navitas from \$159,000 to \$62,000. By this filing, Navitas has not sought to cure the entire revenue deficiency it submits it is incurring or sought to make any return on its investment.

5. On May 5, 2011, the Consumer Advocate filed a petition to intervene to investigate the need for emergency relief sought by Navitas and the impact of such relief on Tennessee consumers.

6. In response to TRA data requests and in sworn pre-filed testimony, Navitas has stated there are insufficient records and accurate data from which to formulate a test year to file a formal rate case. Navitas submits very few records were provided to Navitas during the acquisition of Gasco.

7. According to Navitas' sworn testimony, currently, Navitas is operating at a significant financial loss. According to TRA quarterly "3.04" surveillance reports on file with the Authority, Gasco had not earned a profit since 2005. Gasco had not filed for a rate increase since

1992. Unlike all other natural gas public utilities in Tennessee, the rate design of neither Gasco in the past nor of Navitas in the present has included a monthly customer charge.

8. Both Navitas and the Consumer Advocate recognize the extraordinary circumstances in this matter. The Parties have engaged in a substantial review and informal discovery in this matter, have reviewed the TRA data requests and data responses, and have undertaken settlement discussions to resolve the disputed issues in this Docket. Based on those discussions and Navitas' sworn representations regarding the lack of information and data available to file a rate case, the Parties have agreed to settle the issues pending solely in this Docket. More specifically, subject to TRA approval, the Parties have agreed to the following terms and conditions of compromise and settlement based on the unique and extraordinary facts of this case:

- a. Effective upon TRA approval, a customer charge of \$6.00 per month will be implemented as referenced in the proposed attached tariff page (Exhibit A).
- b. Effective upon TRA approval, the volumetric charge will be increased by \$0.25 for the first 9 Ccf per month as referenced in the proposed tariff page (Exhibit A). This is \$0.75 less than sought by Navitas in its Petition.
- c. The proposed temporary rate changes will produce approximately \$50,052 in additional revenue, based on the schedule attached at Exhibit B, as opposed to the \$96,000 sought. This is \$46,000 less than sought by Navitas in its Petition; and
- d. Navitas will file a formal rate case including all minimum filing requirements and supporting sworn testimony by no later than June 30, 2012. If Navitas does not file a formal rate case by this date, the increases set forth above will not be billed to Tennessee ratepayers as of the July, 2012 billing period.
- e. Navitas agrees to meet all applicable reporting requirements of the TRA, including but not limited to 3.04 reports and all quarterly and annual reports.

9. The stipulations agreed to in this Proposed Settlement Agreement, which are the product of negotiations and substantial communication and compromise between the Parties, are just and reasonable and in the public interest.

10. The Parties jointly recommend that the Authority issue an order adopting this Proposed Settlement Agreement in its entirety without modification.

11. If the TRA does not accept the Proposed Settlement Agreement in whole and as full and final settlement of the issues in this Docket, this Proposed Settlement Agreement shall terminate and the Parties shall not be bound by any position set forth in this Proposed Settlement Agreement. Should this Proposed Settlement Agreement terminate, it will be considered void and have no binding effect, and the signatories to this Proposed Settlement Agreement reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Proposed Settlement Agreement. The provisions of this Proposed Settlement Agreement are not severable.

12. By agreeing to this Proposed Settlement Agreement, no Party waives any right to continue litigating this matter should the Proposed Settlement Agreement be rejected by the TRA in whole or in part.

13. No provision of this Proposed Settlement Agreement shall be deemed an admission of any Party.

14. The Parties agree to support this Proposed Settlement Agreement in any proceeding before the Authority in this Docket; however, the Parties further agree and request the Authority to order that the settlement of any issue pursuant to this Proposed Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority or any court, state or federal.

15. The provisions of this Proposed Settlement Agreement do not necessarily reflect the positions asserted by any Party, and no Party to this Proposed Settlement Agreement waives the right to assert any position in any future proceeding except as expressly stipulated herein.

This Proposed Settlement Agreement shall not have precedential effect in any future proceeding or be binding on any Party except to the limited extent necessary to implement the provisions hereof.


16. The Parties agree to implement this Proposed Settlement Agreement in good faith and with due diligence.

17. This Proposed Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding conflict of law provisions.

SIGNATURES ON FOLLOWING PAGE

The foregoing Proposed Settlement Agreement of Docket 11-00060 is agreed and stipulated to this 5th day of July, 2011.

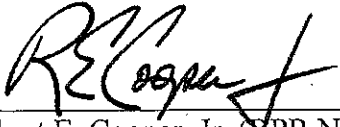
FOR NAVITAS TN NG, LLC:




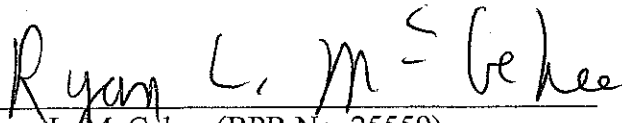
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EXHIBIT A

Residential and Commercial Tariff
First Revised TRA Service Schedule No. 1

Navitas TN NG, LLC, Jellico Division
P.O. Box 183
121 Eakly Campus Road
Eakly, Oklahoma 73033

SCHEDULE OF APPROVED RATES
As ordered by the
TENNESSEE REGULATORY AUTHORITY

For billing all Residential Natural Gas Service
In the entire service area of the Company

Effective upon approval by and further order of the Commission, the following schedule shall be charged by Navitas TN NG, LLC, Jellico Division for natural gas served in the territory shown above for the class of service indicated in accordance with the Company's Rules and Regulations, where the Company's distribution mains are suitable for supplying the desired service.

RESIDENTIAL & COMMERCIAL "RC" SERVICE
Schedule No. 1

AVAILABILITY

Available to any residential or commercial customer within all areas served by Navitas TN NG, LLC, Jellico Division.

BASE RATE ⁽¹⁾

Customer charge per month	\$6.00
First 9 Ccf per month ⁽²⁾	\$0.25 per Ccf
Commodity charge	\$0.40 per Ccf

(1) The cost of purchased gas is not included in the base rate/non-commodity charge.

(2) The charge for the first 9 Ccf per month is in addition to the per Ccf charge per customer class for the first 9 Ccf. For example, if a customer uses 10 Ccf in a month, the charge will be \$6.00 (customer charge) plus \$0.25 per Ccf for the first 9 Ccf plus \$0.40 per Ccf for the first 9 Ccf then \$0.40 for the 10th Ccf used that month, for a total non-commodity charge of \$12.25

CUSTOMER MONTHLY CHARGE

A monthly charge for gas delivered from the time of initial service until termination at the customer's request will be billed, unless there is a temporary discontinuance of service in which case there will be a reconnect charge.

PAYMENT TERMS

All bills for service are due upon presentation and the above stated net rate shall be allowed if payment is made on or before the last day for payment as specified on the bill. Payments made after that day shall be for the gross amount plus five percent (5%) of the net bill.

ADJUSTMENTS

Bills for service are subject to adjustment for changes in the cost of purchased gas. Purchased gas adjustments and all applicable taxes and fees are in addition to the above rate.

Issued by: Thomas Hartline
Secretary

Effective:

Docket No.

EXHIBIT

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A

Industrial, Institutional and Public Tariff
1st Revised TRA Service Schedule No. 2

Navitas TN NG, LLC, Jellico Division
P.O. Box 183
121 Eakly Campus Road
Eakly, Oklahoma 73033

SCHEDULE OF APPROVED RATES
As ordered by the
TENNESSEE REGULATORY AUTHORITY

For billing all Public, Industrial and Institutional Natural Gas Service
In the entire service area of the Company

Effective upon approval by and further order of the Commission, the following schedule shall be charged by Navitas TN NG, LLC, Jellico Division for natural gas served in the territory shown above for the class of service indicated in accordance with the Company's Rules and Regulations, where the Company's distribution mains are suitable for supplying the desired service.

PUBLIC, INDUSTRIAL & INSTITUTIONAL "PII" SERVICE
Schedule No. 2

AVAILABILITY

Available to any public, industrial or institutional customer within all areas served by Navitas TN NG, LLC, Jellico Division.

BASE RATE ⁽¹⁾

Customer charge per month	\$6.00
First 9 Ccf per month ⁽²⁾	\$.25 per Ccf
Commodity charge	\$.030 per Ccf

(1) The cost of purchased gas is not included in the base rate/non-commodity charge.

(2) The charge for the first 9 Ccf per month is in addition to the per Ccf charge per customer class for the first 9 Ccf. For example, if a customer uses 10 Ccf in a month, the charge will be \$6.00 (customer charge) plus \$0.25 per Ccf for the first 9 Ccf plus \$0.30 per Ccf for the first 9 Ccf then \$0.30 for the 10th Ccf used that month, for a total non-commodity charge of \$11.25.

CUSTOMER MONTHLY CHARGE

A monthly charge for gas delivered from the time of initial service until termination at the customer's request will be billed, unless there is a temporary discontinuance of service in which case there will be a reconnect charge.

PAYMENT TERMS

All bills for service are due upon presentation and the above stated net rate shall be allowed if payment is made on or before the last day for payment as specified on the bill. Payments made after that day shall be for the gross amount plus five percent (5%) of the net bill.

ADJUSTMENTS

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Issued by: Thomas Hartline
Secretary

Effective:

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EXHIBIT B

TN pro forma income statement

	Monthly			Annual	
	Quantity	Price	Total	Total	
Rates					
Proposed					
Customer charge	530	6	3,180	38,160	\$6 per month customer charge
Surcharge units 1-9	3,964	0.25	991	11,892	plus \$0.25 per month surcharge on 1st nine units
Flow				50,052	(Quantity reflects that not all customers will use nine units each month)
Metro > 49					
City 35-49					
Town 20-34					
Community 1-19		0.370			Flow tariff unchanged
Byrdstown	3,505	0.370	1,297	15,562	(0.37 is the average over all use,
Fentress	371	0.370	137	1,645	actual tariff is either 0.30 or 0.40)
Jellico	40,333	0.370	14,923	179,080	
				196,287	
				246,339	
Commodity charge				371,355	
Proposed pro forma income statement					
Revenue				\$ 617,694	
Commodity cost				371,355	
Non commodity revenue				246,339	
Direct costs				315,542	
Depreciation				18,427	Book net plant w/a 40 year life
Total operating costs				333,969	
Operating income				(87,629)	
Income taxes					
Net income				\$ (87,629)	

Proposed emergency rates

6/22/2011

EXHIBIT

B