

September 8, 2011

VIA HAND DELIVERY

Mary W. Freeman, Chairman Tennessee Regulatory Authority
c/o Sharla Dillon Dockets and Records Manager
460 James Robertson Parkway
Nashville, Tennessee 37219

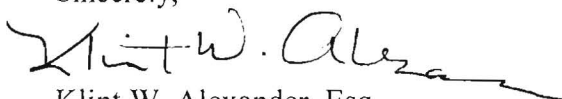
RE: Response to the Notice of Filing by the Utilities Division of the Tennessee Regulatory Authority Filed in Docket No. 11-00121 on August 25, 2011

Dear Chairman Freeman:

Attached for filing in this matter is an original and four (4) copies of a Response to the Notice of Filing by the Utilities Division of the Tennessee Regulatory Authority Filed in Docket No. 11-00121 on August 25, 2011. Also attached is an extra copy of our files. Please stamp the extra copy "filed" and return to me.

Thank you. Please contact me if you have any questions.

Sincerely,


Klint W. Alexander, Esq.

KWA/cl
Enclosures

cc: Richard Collier, Esq.
Vance L. Broemel, Esq.
Ron Comingdeer, Esq. (Via Email)
Mary Kathryn Kunc, Esq. (Via Email)
John Knox Walkup (Via Email)
Klint W. Alexander (Via Email)

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

IN RE:

**GASCO DISTRIBUTION SYSTEMS, INC.
ACTUAL COST ADJUSTMENT (ACA) AUDIT**

Docket No. 11-00121

**RESPONSE TO THE NOTICE OF FILING BY THE UTILITIES DIVISION OF THE
TENNESSEE REGULATORY AUTHORITY FILED IN DOCKET NO. 11-00121 ON
AUGUST 25, 2011**

COMES NOW, Navitas TN NG, LLC ("Navitas"), by and through undersigned counsel, and hereby submits the following Responses to the Tennessee Regulatory Authority Utilities Division's Notice of Filing dated August 25, 2011. Navitas states as follows:

1. On August 25, 2011 the Utilities Division of the Tennessee Regulatory Authority ("Authority") filed its Notice of Filing stating that the present docket was opened by the Authority to hear matters arising out of the audit of Gasco Distribution Systems, Inc.'s ("Gasco") ACA filing covering the period July 1, 2010 to December 31, 2010. The Notice of Filing stated that the Gasco's ACA filing was received by the Utilities Division on July 29, 2011 and further stated that the Audit Staff completed its audit on August 16, 2011. The filing states that the Staff's audit findings resulted in a net balance and the refund due customers ACA account as of December 31, 2010 should be a negative \$51,631.36 for the Jellico Division and a positive \$5,131.94 for the Byrdstown/Fentress Division. Staff states that this means that as of December 31, 2010 the Company over-collected from its Jellico customers and under-collected from its Byrdstown/Fentress customers. The Staff recommended that in order to refund the Jellico balance and collect the Byrdstown/Fentress balance, the correct ACA adjustment factor to be

applied to customers' bills in the Jellico Division is a negative \$1.0491 per Mcf and the correct ACA adjustment factor to be applied to customers in the Byrdstown/Fentress Division is a positive \$0.8063 per Mcf.

2. On November 17, 2010 Navitas TN NG, LLC ("Navitas") and Gasco filed a Joint Petition requesting an Order from the Authority for approval of the transfer of control of certain gas utility systems, the assignment of certain franchise agreements, and the accompanying authority to provide retail natural gas utility services from Gasco to Navitas in Jellico, Campbell County, Byrdstown, Pickett County and Fentress County, Tennessee, and Albany, Clinton County and Whitley County, Kentucky, deriving from the Certificate of Public Convenience and necessity issued by the Authority's predecessor, the Tennessee Public Service Commission and related orders, approvals and actions of the Authority or its predecessor.

3. On December 30, 2010 the Authority issued its Order issued on December 30, 2010 in Docket No. 10-00220 approving the transfer of control and transfer of franchise agreements and financing transactions as requested by the Joint Petition and the Amendment to the Joint Petition filed on December 10, 2010. That Order found that the Agreement dated July 9, 2010 as amended on October 14, 2010, provided that Gasco agreed to sell and Navitas Assets, LLC agreed to purchase the assets in Gasco's gas utility systems subject to the approval of the Authority and to the bankruptcy court's approval. On October 21, 2010 the bankruptcy court entered an Order authorizing and approving Navitas Assets, LLC's bid to acquire the Jellico System, the Byrdstown System, the Fentress System, and the Albany, Kentucky System. A corporate resolution of Navitas Assets, LLC assigned all rights and privileges under the Asset Purchase Agreement to Navitas.

4. The Asset Purchase Agreement between Gasco Distribution Systems and Navitas Assets, LLC provides that Navitas is not liable for liabilities related to the Distribution Systems for the period prior to 5:00 p.m. Eastern Time on the Closing date of the transaction whether known or unknown, contingent or otherwise, excluding Assumed Liabilities. Therefore, the instant discrepancy in the ACA for the time period of the audit is legally Gasco's liability as it was not assumed by Navitas. Notwithstanding this fact, the Agreement contains a provision that provides, "If the parties determine that Seller has over collected gas costs, then the Post-Closing Adjustment Amount shall include a credit in Buyer's favor for the amount of that over collection and Buyer shall assume the obligation of reimbursing to the system customers the over collected gas costs. If the parties determine that there are unrecovered gas costs still due the Seller, then the Post-Closing Adjustment Amount shall be increased by the amount of the unrecovered gas costs. The amount of any overpayment or underpayment hereunder shall be verified by documentation from the appropriate Governmental Authority." Based upon this provision in the contract approved by the Authority, Navitas will not oppose Staff's findings and recommendations set forth in the Audit, specifically Staff's recommended ACA adjustment factors for the Jellico Division and the Byrdstown/Fentress Division, and will make the appropriate modifications to its ACA.

5. Based upon statements contained in the Staff's August 25, 2011 Notice of Filing, all audits and reviews of the operations of the systems purchased by Navitas, including but not limited to the purchase gas adjustment clause and the ACA for periods prior to January 1, 2011, have been completed and either orders have been issued addressing the same or recommendations have been made and presented to the Authority for resolution. Accordingly, Navitas requests a finding by the Authority that after the issuance of an Order in this Cause

adopting the recommendations contained in the Staff's August 25, 2011 Notice of Filing, there will be no further liability assigned or attributed to Navitas for transactions or any other actions affecting the systems purchased by Navitas that covers the periods prior to January 1, 2011.

WHEREFORE, Navitas respectfully requests the Authority to issue its Order adopting the findings and recommendations set forth in the Notice of Filing by the Utilities Division of the TENNESSEE REGULATORY AUTHORITY filed in DOCKET NO. 11-00121 on August 25, 2011 and finding that Navitas is not responsible for any liabilities associated with the systems purchased from Gasco for periods prior to January 1, 2011.

Respectfully Submitted,



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