

Before the  
Tennessee Regulatory Authority

Docket No. 12-00020

**PETITION OF NAVITAS TNG, LLC FOR AN ORDER GRANTING APPROVAL TO  
BOOK AS A REGULATORY ASSET ITS COSTS ASSOCIATED WITH ITS  
DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM**

Testimony  
of  
Thomas Hartline

On Behalf Of  
Navitas TNG, LLC

**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"), 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 McDermott, Irvine, California 92614, however we do maintain a local office at 613 Sunset Trail, Jellico, TN and 9825 Hwy 111, Static, TN.

**4Q. PLEASE BRIEFLY EXPLAIN THE OPERATIONS OF NAVITAS.**

A. In Oklahoma, Navitas' sister company, Fort Cobb Fuel Authority furnishes natural gas service to approximately 4500 residential, agricultural and industrial customers located in 17 counties. In Tennessee, since January 1, 2011, Navitas has been engaged in furnishing natural gas service to approximately 551 customers located in: 1) Campbell County, Tennessee and Whitley County, Kentucky (the Jellico System); 2) Pickett County, Tennessee (the Byrdstown System) and; 3) Fentress County, Tennessee (the Fentress Domestic Taps). Navitas also furnishes natural gas service to approximately 145 customers located in Clinton County, Kentucky (the Albany System). Navitas' focus is

serving customers in rural, high cost areas the larger gas utilities do not serve. We own approximately 34 miles of gas distribution and transmission pipe in rural Tennessee in addition to the facilities in Oklahoma and Kentucky. The assets of Navitas consist of the gas distribution facilities, including mains, regulator stations, and metering equipment. Navitas purchases gas from a non-affiliated third party gas supplier, and distributes it to our customers.

**5Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE REGULATORY AUTHORITY AND HAVE YOUR CREDENTIALS BEEN ACCEPTED?**

A. Yes. I have testified twice before the Tennessee Regulatory Authority and numerous times before the Oklahoma Corporation Commission. My credentials have been accepted.

**6Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to present information to the Authority relating to the Petition for an Order Granting Approval to Book as a Regulatory Asset Its Costs Associated with its Distribution Integrity Management Program (DIMP). Due to the complexity of the program and importance of ensuring that the Plans are compliant with federal regulations, Navitas has retained an experienced consultant, Tri-Star Energy Consultants ("Tri-Star"), to assist in preparing the Plans.

**7Q. COULD YOU PLEASE EXPLAIN THE CIRCUMSTANCES THAT CAUSED A NEED FOR THIS PETITION?**

A. Yes. The DIMP program was developed pursuant to the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 ("PIPES Act"). The Pipeline and Hazardous Materials Safety Administration promulgated rules for the program in 2009 which are codified in 49 C.F.R. §192.1001 *et seq* (DIMP RULES). The rules specify how distribution utilities, such as Navitas, must identify, assess, prioritize, evaluate and, repair and validate the integrity of distribution mains. The DIMP RULES mandate minimum requirements for a DIMP that Navitas must follow. The DIMP plan must, at a minimum, address the following elements: 1) Knowledge of its pipeline; 2) Identify threats such as excavation damage; 3) Evaluate and Rank risks to its pipeline; 4) Identify and implement measures to address risks; 5) Measure performance, monitor results, and evaluate effectiveness; and 6) Periodic evaluation and improvement. Navitas has two sub-systems in Tennessee, and Navitas must have a separate DIMP plan that meets the requirements of the Act for each subsystem and other associated pipeline safety plans (collectively called the Plans). The DIMP plans must be submitted to and approved by the Authority. Navitas' affiliated entities - Navitas KY NG, LLC in Kentucky and Fort Cobb Fuel Authority, L.L.C. and its LeAnn Division ("FCFA") in Oklahoma - also are required to submit separate DIMP plans for each sub-system in Kentucky (one sub-system) and Oklahoma (22 sub-systems) and approved by their respective public utility authorities.

**8Q. HOW WERE THE NEGOTIATIONS BETWEEN NAVITAS AND TRI-STAR PURSUED?**

A. The negotiations with Tri-Star were undertaken primarily by me in my capacity as President of Navitas Utility Corporation and Secretary of Navitas. Tri-Star was represented in these negotiations by Bob Parks.

**9Q. WHAT WAS THE RESULT OF THOSE NEGOTIATIONS?**

A. These negotiations were successful as evidenced by the previously filed Notice of Filing of Redacted Proposal for Natural Gas Regulatory Documentation Services in this proceeding.

**10Q. WHAT SPECIFIC SERVICES IS TRI-STAR PROVIDING?**

A. Navitas, through Tri-Star, is conducting an entire review of compliance documentation. Compliance documentation includes the following: an Operations and Maintenance Manual, an Emergency Plan, DIMP, Public Awareness Plan and monitoring, annual review and implementation meetings, legislative-regulatory-inspection generated plan changes, review of Drug & Alcohol plan.

**11Q. WHY IS THERE A NEED FOR A SPECIALIST TO PREPARE THE PLANS?**

A. Due to its small size, Navitas does not have a regulatory staff. Additionally, our various state regulatory attorneys are not familiar with or versed in DIMP. However, it was clear in discussions with counsel that Navitas should not use the SHRIMP as the language contained therein was potentially extremely prejudicial. Moreover, due to the cross-ties

in all the regulatory compliance documentation, the creation of DIMP necessitates the review of all others.

**12Q. DID NAVITAS CONSIDER ANY OTHER CONSULTANTS BESIDES TRI-STAR? IF YES, PROVIDE THE NAMES OF THE OTHER CONSULTANTS. EXPLAIN THE COMPANY'S REASONS FOR CHOOSING TRI-STAR.**

- A. Navitas did seek out other consultants in other states. In particular, Navitas has a long-time relationship with Pipeline Regulatory Consultants ("PRC") of Oklahoma City, Oklahoma. However, PRC was unwilling to enter into a contract that spread the very large cost over an extended time frame. Were Navitas to undertake the significant capital expenditure required at one-time, it would place a significant strain on the operational resources of Navitas. In addition to meeting the long-term contract requirements preferred by Navitas, Tri-Star also negotiated other cost savings in the overall contract. Tri-Star also demonstrated a clear understanding of the overall goals of the compliance documentation effort.

**13Q. HAS NAVITAS INCURRED ANY EXPENSE TO DATE FOR THE DIMP PLANS?**

- A. Any DIMP-related expenses to date have been incurred as part of our regular course of business by company personnel.

**14Q. DOES NAVITAS ANTICIPATE ANY ADDITIONAL EXPENSES OR COSTS BEYOND THE TRIS-STAR CONTRACT AND THOSE INCURRED IN THE REGULAR COURSE OF BUSINESS BY COMPANY PERSONNEL.**

A. Unless DIMP necessitates large capital improvement projects, which would be accounted for as part of our rate base, Navitas does not anticipate additional expenses beyond the Tri-Star contract and those incurred in the regular course of business by company personnel.

**15Q. WHEN DOES NAVITAS ANTICIPATE THAT THE DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM PLANS WILL BE COMPLETE AND IN PLACE FOR BOTH NATURAL GAS DISTRIBUTION SYSTEMS OWNED AND OPERATED BY NAVITAS IN TENNESSEE?**

A. The current plan for the implementation of DIMP throughout all 25 sub-systems in three-states is one-year from approval of the contract. Since Kentucky has only one system it will serve as the initial platform. Then Tennessee with its two sub-systems will be complete. I anticipate that the entire Tennessee compliance documentation revamp will be completed by year-end.

**16Q. WHAT ARE YOU ASKING THE AUTHORITY TO DO IN THIS PROCEEDING?**

A. Navitas respectfully requests an Order permitting it to book the costs associated with retaining Tri-Star to perform this work as a regulatory asset and to amortize the booked amount over a five year period. The costs will be allocated based on a one dollar per customer/per month charge applied to each of Navitas' customers in Oklahoma, Kentucky and Tennessee over the five year period. Navitas intends to include the costs as a known

and reasonable expense in its forthcoming rate case due to be filed on or before June 30, 2012.

**17Q. IN YOUR OPINION, ARE THE TERMS SET FORTH IN THE AGREEMENT BETWEEN NAVITAS AND TRI-STAR NECESSARY AND PROPER FOR THE PUBLIC CONVENIENCE AND IN THE PUBLIC INTEREST?**

- A. Yes. As discussed above, the new DIMP rules specify how distribution utilities must identify, assess, prioritize, evaluate and, repair and validate the integrity of distribution mains. The DIMP plan must, at a minimum, address the following elements: 1) Knowledge of its pipeline; 2) Identify threats such as excavation damage; 3) Evaluate and Rank risks to its pipeline; 4) Identify and implement measures to address risks; 5) Measure performance, monitor results, and evaluate effectiveness; and 6) Periodic evaluation and improvement. Due to the complexity of the DIMP program and importance of ensuring that the Plans are compliant with federal regulations, Navitas has retained an experienced consultant - Tri-Star - to assist in preparing the Plans. Tri-Star's expertise and experience in preparing such Plans will ensure that Navitas is in compliance with the DIMP Rules and the expectations of the public and the Authority. Further, because the costs will be allocated based on a one dollar per customer/per month charge applied to each of Navitas' customers in Oklahoma, Kentucky and Tennessee over the five year period, most of that cost will be allocated to customers in Oklahoma, where 22 of the 25 substations are located. Navitas intends to include the costs as a known and reasonable expense in its forthcoming rate case due to be filed on or before June 30, 2012.



**18Q. COULD YOU PLEASE SUMMARIZE YOUR THOUGHTS ON THE PUBLIC CONVENIENCE ISSUE?**

A. Yes. Approval of the Agreement between Navitas and Tri-Star will ensure that the residents, businesses and governmental entities residing and operating within Tennessee will continue to receive high quality, safe, and economic natural gas service from a provider with a long and successful history of providing that service to these areas.

**19Q. DO YOU KNOW OF ANY FACTS THAT WOULD INDICATE THAT THE AGREEMENT BETWEEN NAVITAS AND TRI-STAR IS NOT IN THE PUBLIC INTEREST?**

A. No.

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

A. Yes.


VERIFICATION OF NAVITAS TN NG, LLC

STATE OF TENNESSEE            )  
  )  
COUNTY OF DAVIDSON        )       ss.

I Thomas Hartline, Secretary of Navitas TN NG, LLC, being duly sworn according to law, makes oath and affirm that I have read the foregoing supplemental documentation, know the contents thereof, and that the same is true and correct to the best of my knowledge, information and belief.

  
THOMAS HARTLINE

Subscribed and sworn to me, a Notary Public in and for the above County and State, on this 7<sup>th</sup> day of May, 2012.

  
NOTARY PUBLIC

My Commission Expires: 3-8-16

