

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

May 22, 2012

IN RE:

**PETITION OF NAVITAS TN NG, LLC FOR
APPROVAL TO BOOK AS A REGULATORY
ASSET ITS COSTS ASSOCIATED WITH ITS
DISTRIBUTION INTEGRITY MANAGEMENT
PROGRAM**

**DOCKET NO.
12-00020**

ORDER GRANTING REQUEST FOR DEFERRED ACCOUNTING

This matter came before Chairman Kenneth C. Hill, Director Sara Kyle, and Director Mary W. Freeman of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on May 7, 2012 for consideration of the Petition filed by Navitas TN NG, LLC ("Navitas") on March 8, 2012. In its Petition, Navitas requests Authority approval to book as a regulatory asset its costs associated with implementation of its Distribution Integrity Management Program ("DIMP").

Background and Petition

Navitas, a Kentucky Limited Liability Company, is in the business of distributing and selling natural gas to residential, commercial and agricultural customers in Jellico, Campbell County, Byrdstown, Pickett County and Fentress County, Tennessee and Whitley County, Kentucky.

On March 8, 2012, Navitas filed its Petition requesting that the Authority make findings that its Gas DIMP is mandatory and necessary for each of Navitas's subsystems and that hiring TriStar Energy Consultants ("TriStar") is a necessary and prudent investment for Navitas to meet

the requirements for the DIMP and other pipeline safety plans. Navitas also requests that it be permitted to book the costs associated with preparing and implementing the DIMP as regulatory assets and to amortize the booked amount over a five year period.

The DIMP was developed pursuant to the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006 in an effort to reduce pipeline accidents, deaths and injuries by requiring operators to identify risks that are specific to their system and put measures in place to keep these risks from happening. Navitas has two sub-systems in Tennessee, the Jellico System and the Byrdstown System, and each must have a separate DIMP plan that must be submitted to and approved by the Authority.

The Company states that because of the complexity of the DIMP plans and the importance of ensuring that the plans comply with federal law, it has retained an experienced consultant, TriStar, to assist in preparing the DIMP plans. Navitas notes that it sought out other consultants but ultimately selected TriStar to implement its DIMP because TriStar, in addition to meeting the long-term contract preferred by the Company, also negotiated other cost savings and demonstrated a clear understanding of the goals of the compliance document effort.

Findings and Conclusions

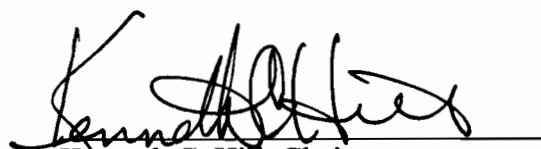
At a regularly scheduled Authority Conference held on May 7, 2012, the panel considered the Petition. The panel found that the proposed treatment of the unusual and infrequent expenses is an accepted regulatory accounting treatment and is consistent with previous Authority rulings with respect to the deferral of certain costs.¹ In approving the request for deferral, the panel also specifically stated that the deferral of these costs does not equate to a

¹ See *In re: Petition of Lynwood Utility Corporation for Approval of a Cost Recovery Mechanism for Deferred Odor Elimination Costs*, Docket No. 08-00060, Order Approving Settlement Agreement (April 17, 2008). See also *In re: Petition of Kingsport Power Company d/b/a AEP Appalachian Power Company to Defer Certain Costs Associated with Winter Storms Occurring in December 2009*, Docket No. 10-00144, Order Granting Request for Deferred Accounting (October 5, 2010).

determination that the Company will be allowed to recover such costs when they are considered by the Authority. Thereafter, based on the record, the panel voted unanimously to allow Navitas to defer costs associated with implementing its DIMP, including the costs associated with hiring a consultant.

IT IS THEREFORE ORDERED THAT:

The Petition filed by Navitas TN NG, LLC is granted, in part, allowing Navitas to book as a regulatory asset the costs associated with preparing and implementing the Distribution Integrity Management Program and to amortize the booked amount over a five year period. All other relief requested in the Petition that is inconsistent with this Order is denied.


Kenneth C. Hill, Chairman
Sara Kyle, Director
Mary W. Freeman, Director