FILED ELECTRONICALLY IN DOCKET OFFICE ON 07/02/12

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)
	)
PETITION OF NAVITAS TN NG, LLC	) **DOCKET NO.** 12-00068
FOR AN ADJUSTMENT TO ITS NATURAL	)
GAS RATES AND APPROVAL OF REVISED	)
TARIFFS	)

PETITION FOR AN ADJUSTMENT TO ITS NATURAL GAS RATES AND APPROVAL OF REVISED TARIFFS

COMES NOW Petitioner Navitas TN NG, LLC ("Navitas"), by and through undersigned counsel, and hereby respectfully submits this Petition for an adjustment to its natural gas rates and approval of revised tariffs pursuant to T.C.A. Section 65-5-103, the Rules and Regulations of the Tennessee Regulatory Authority (the "Authority"), and the Authority's rate case Minimum Filing Requirements. Navitas respectfully requests that the Authority approve the proposed relief described herein and supported by the testimony of Navitas' president/secretary, Thomas Hartline, which contains the following information: (a) general rate increase and revisions to the rates and charges for customers served by Navitas; (b) changes to its rate design and tariffs; (c) affirmation of the depreciation rates to amortize the cost of facilities and equipment over the estimated useful life; (d) affirmation of its rate base; (e) affirmation of the allocation of certain components of the rate base shared with other jurisdictions; (f) affirmation of the cost allocation method between Navitas and its operator; (g) changes to service regulations and tariffs; and (h) such other relief as it deems to be proper, necessary, fair, reasonable and equitable in the premises, whether or not specifically prayed for in this Petition. In support of its request, Navitas states as follows:

1. Navitas TN NG, LLC is a Tennessee limited liability company. Navitas' principal place of business is 3186 - D Airway Ave., Costa Mesa, California 92626. Navitas Assets, LLC ("NALLC") is the parent company of Navitas and is a Delaware limited liability company.

2. Navitas TN NG, LLC the owner of several natural gas local distribution companies ("LDC") under the jurisdiction of the Tennessee Regulatory Authority. Navitas TN NG, LLC is the wholly owned subsidiary of Navitas Assets, LLC. There are several sister utilities in other jurisdictions in the Navitas family of companies including Navitas KY NG, LLC and Fort Cobb Fuel Authority, LLC.

3. Navitas TN NG, LLC serves the communities of Jellico, Tennessee and Byrdstown, Tennessee and the County of Fentress, Tennessee. The town of Jellico, approximately 500 customers, is located north of Knoxville on the border with Kentucky. Within the community of Jellico there are several customers on the sub-system that are located across the state line in Kentucky. By agreement with the Kentucky Public Service Commission these are included within the Tennessee jurisdiction. The Fentress-Byrdstown system serves approximately 50 customers and along with the Albany, Kentucky system is supplied by the B&W pipeline that is owned by an unrelated third party.

4. Navitas is, in accordance with the Order in Docket 11-00060 and the laws & regulations of the State submitting this matter to the Authority. Since taking over operations from Gasco Distribution Systems, Inc. *("Gasco")*, in January 2011, Navitas has experienced substantial and ongoing losses in the operation of these systems. Certain losses were anticipated and Navitas acted quickly to stem the damage in order to maintain safe and reliable service to these communities. Immediately subsequent to acquiring the pipeline assets at close of business on December 31, 2010, Navitas filed a Petition with the TRA and was granted emergency

temporary rate relief. It was necessary to obtain a year of data in order to file a full and complete rate case. The goal of this cause is to re-establish rates that are fair, just, and reasonable in order to provide and preserve systems to deliver clean, efficient natural gas for the energy needs of the customers served by Navitas in the State of Tennessee

5. Navitas is filing this Petition on or about June 30, 2012 utilizing the test case year January 1, 2011 through December 31, 2011. The attrition period in this case is calendar year 2012. A critical factor in many of the aspects of this rate case is that the last known full rate case occurred in 1992 using the test case year 1991. Navitas proposes to make the initial rate adjustments in this case effective October 1, 2012.

6. With this filing Navitas is submitting the following: (1) this Petition; (2) the Minimum Filing Requirement ("MFR"); and (3) the initial testimony of witness Thomas Hartline, Navitas' president/secretary, as **Exhibit A.** As this is the first full rate case of Navitas in this jurisdiction it is Navitas' expectation to be fully transparent and to work diligently and expeditiously to correct any deficiencies in the conduct of this matter.

7. The previous owner and operator of these systems, Gasco, filed for bankruptcy in the U.S. District Court in Ohio in mid-2009 and was liquidated in 2010. While predominately an up-stream and mid-stream hydrocarbon company, Gasco came to own a number of gas systems over several jurisdictions in the early 1990s. The sudden untimely death of its young owner in the mid-90s led to many problems with the company. After a decade-long decline due to mismanagement and the sale of assets to fund failing operations, Gasco eventually went bankrupt. A manifestation of the company's mismanagement was the failure to file a rate case in 1992. The CPI adjustment over that time period is approximately 170% or about 2.65% per year. Moreover, additional federal safety regulations have considerably increased compliance

requirements. Thus, the anticipated rate increase is substantial. It is the intent of Navitas to work with all interested parties to help customers manage this impact.

8. Navitas is requesting a general rate increase and revisions to the rates and charges for the customers of these systems. The calculated revenue deficiency during the test year 2011 is approximately $390,000. This amount represents an approximate 80 percent increase in total revenue. Within the context of the two decades between the last rate case and this Petition, this figure represents an annualized increase over the period of 3.27 percent.

9. In order to avoid rate shock, Navitas proposes to divide the rate increases into four increments implemented annually beginning October 1, 2012. In addition, Navitas proposes to offset a portion of the rates not collected with the existing 2011 and 2012 ACA balances. The rates and offsets are detailed in the accompanying Notice of Filing. The initial proposed rates leave the monthly customer charge at $6.00. The surcharge on the first nine CCF is increased from $0.25 to $1.00 per unit. The flow charge is increased from $0.40 per CCF residential and commercial and $0.30 per CCF industrial to $0.585/CCF and $0.485/CCF, respectively.

10. Notices and Communications Regarding the Petition should be sent to:

Klint Alexander, Esq. (#20420)
Wyatt, Tarrant & Combs, LLP
2525 West End Avenue
Suite 1500
Nashville, TN 37203
(615) 244-0020
kalexander@wyattfirm.com

-and –

Ron Comingdeer, OBA#1835
Mary Kathryn Kunc, OBA#15907
Ron Comingdeer &Associates
6011 N. Robinson
Oklahoma City, Oklahoma 73118
(405) 848-5534
Facsimile: (405) 843-5688
hunter@comingdeerlaw.com
mkkunc@comingdeerlaw.com

Counsel for Navitas TN NG, LLC

WHEREFORE, Petitioner respectfully requests that the Authority grant a general increase in rates for natural gas services, to approve the rates set forth in the accompanying schedules filed with the Notice of Filing and to approve the changes in rate design, costs, revenue and rate base, cost allocation, rate schedules, service regulations, classifications, and to grant all other relief requested herein and addressed in the testimony of Mr. Hartline filed concurrently herewith, to be effective no later than October 1, 2012. Navitas further requests that the Authority grant a waiver of any of the Authority's Rules and Regulations as may be necessary or appropriate in order to provide it with the relief requested in this Petition.

Respectfully Submitted,

Klint W. Alexander (#20420)
Wyatt, Tarrant & Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203
(615) 244-0020
kalexander@wyattfirm.com

-and-

Ron Comingdeer, OBA#1835
Mary Kathryn Kunc, OBA#15907
Ron Comingdeer & Associates
6011 N. Robinson
Oklahoma City, Oklahoma 73118
(405) 848-5534
hunter@comingdeerlaw.com
mkkunc@comingdeerlaw.com

Counsel for Navitas TN NG, LLC

LIST OF EXHIBITS

Affixed to Notice of Filing filed contemporaneously.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 2nd day of July, 2012, a true and correct copy of the foregoing instrument was deposited in the United States Mail, with postage prepaid, and addressed to the following:

Jean Stone, Esq.
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Vance L. Broemel, Esq.
Ryan McGehee, Esq.
Consumer Advocate and Protection Division
State of Tennessee, Office of Attorney General
John Sevier Building
PO Box 20207
500 Charlotte Avenue
Nashville, Tennessee 37202

Klint Alexander

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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"), 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 3186 - D Airway Ave., Costa Mesa, California 92626, 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,

EXHIBIT
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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.

Navitas shares certain assets across jurisdictions. The customer service center in Eakly, Oklahoma serves all of our sub-systems with functions such as billing, meter proving and reconditioning, heavy construction, field compliance, and other services. The corporate operations center in Costa Mesa, California serves all of our sub-systems with functions such as information technology, accounting, regulatory compliance, gas control, project management, and other services. Navitas Utility Corporation ("NUC") is the operator of all the sub-systems. Within NUC are all of the employees, rolling stock, tooling, computers, and all other equipment not classified as real property. (The plant on the books of the domestic utility within each jurisdiction contains only the real or intangible property in that jurisdiction but none of the personal property)

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. I am testifying in support of Navitas' Petition in the instant proceeding which requests (a) a general rate increase and revisions to the rates and charges for customers served by Navitas; (b) changes to its rate design and tariffs; (c) affirmation of the depreciation rates to amortize the cost of facilities and equipment over the estimated useful life; (d) affirmation of its rate base; (e) affirmation of the allocation of certain components of rate base shared with other jurisdictions; (f) affirmation of the cost allocation method between Navitas and its operator; (g) changes to service regulations and tariffs; (h) such other relief as the TRA deems to be proper, necessary, fair, reasonable and equitable in the premises, whether or not specifically prayed for in this Petition. I will explain these in greater detail below.

7Q. PLEASE DESCRIBE NAVITAS' REQUESTED INCREASE IN REVENUES IN THIS DOCKET.

A. Navitas' request for a general rate increase and revisions to the rates and charges for the customers is premised on the calculated revenue deficiency during the test year 2011 of approximately $390,000. This amount represents an approximate 80% increase in total revenue. Within the context of the two decades between the last rate case and this Petition for a rate adjustment, this figure represents an annualized increase over the period of 3.27%.

By way of comparison, the equivalent amount of heating energy obtained through the local electrical provider for the average residential customer currently costs $2,244 whereas Navitas receives only $511. Thus, even a 100% increase in gas revenue would still only represent less than half the cost of electricity.

Item 56a defines the rate base including the shared resources. The allocation of these shared resources was performed on the basis of the ratio of customer count in each jurisdiction to total customer count. In Tennessee, the monthly average customer count for the test year is 512 out of a total average monthly customer count of 4,772, which is 10.7%. This percentage was applied to the rate base associated with the shared resources. This calculation yielded $381,000. of net plant included in the total rate base for this case, an amount equal to 26.7% of the total Tennessee rate base of $1,425,000.

8Q. HOW IS NAVITAS DIFFERENT FROM OTHER UTILITY PROVIDERS?

A. Unlike major gas utilities, the Navitas systems are subject to unique competitive pressures. For example, our customers have the ability to site a propane tank on their property; an option not often available in urban areas. Additionally, in many areas, Navitas competes with government-subsidized electrical providers (cooperatives) that often offer below market electricity. Moreover, Navitas is very concerned about losing customers to rate shock.

9Q. HOW DOES NAVITAS PROPOSE TO IMPLEMENT ITS NEW RATE PLAN?

A. In order to avoid rate shock, Navitas proposes to divide the rate increases into four increments implemented annually beginning October 1, 2012. In addition, Navitas proposes to offset a portion of the rates not collected with the existing 2011 and 2012 ACA balances. The rates and offsets are detailed in an Excel file (Item 18) attached to an accompanying Notice of Filing. The initial proposed rates leave the monthly customer charge at $6.00. The surcharge on the first nine CCF is increased from $0.25 to $1.00 per unit. The flow charge is increased from $0.40 per CCF residential & commercial and $0.30 per CCF industrial to $0.585/CCF and $0.485/CCF respectively.

10Q. PLEASE IDENTIFY THE DEPRECIABLE LIVES USED FOR THE ASSETS THAT ARE A PART OF YOUR RATE BASE.

A. For Tennessee as well as its systems in other jurisdictions, Navitas utilizes the following depreciable lives: pipeline 40 years, acquisition adjustment 20 years, leasehold improvements 15 years, organizational costs 10 years, meters 10 years, pick-ups 5 years, tooling 3 years, and used equipment at estimated remaining life. Based on the information provided, the previous owner was utilizing similar life for the pipeline assets.

11Q. PLEASE BRIEFLY EXPLAIN HOW YOU DEVELOPED THE RATE BASE UTILIZED IN THIS FILING.

A. The U.S. Bankruptcy Court Trustee provided Navitas with Rate Base information current to June 30, 2009. Utilizing this and other data, Navitas was able to establish the initial rate base as of the date of the acquisition of assets. This amount consisted of $1,752,313 of acquired original cost and $862,853.00 of acquired accumulated depreciation for a net plant of $889,460.00 for the pipeline assets as of close of business on December 31, 2010.

12Q. PLEASE EXPLAIN THE BILLING METHODOLOGY FOR NAVITAS CUSTOMERS.

A. Navitas Utility Corporation bills Navitas TN NG monthly for the operations of the utility. Similar in concept to decoupling, NUC charges a fee per active customer that is not flow dependent. The principle billing driver is a density charge based on customers per mile of pipe. Additional monthly charges include pass through of the natural gas commodity charges, charge per meter (placed in the field regardless of customer activity that month), pass through of postage charges, and currently a fuel (gasoline & diesel) surcharge. In 2012 NUC further separated the charges to delineate the non-density customer charges (customer service and administration) from the density dependent field service. The greatest density charge is for 1-5 customers per mile of pipe with the charge decreasing in increments of 5 customers (e.g.: 6-10, 11-15, etc.) capping out at 61 and greater customer per mile of pipe being the lowest density charge.

The density and other charges are established such that NUC breaks even on the operations of the sub-systems. This is done to avoid the issue of an entity earning a profit from the operations of a related utility. Additionally, the density based system fairly accounts for the cost differences in operating the various sub-systems. This is best illustrated by a comparison of our Rimrock sub-system with two customers per mile of pipe and our Ochelata sub-system with forty-five customers per mile of pipe. Rimrock and Ochelata are billed out at $45 and $17, respectively; both are also charged $7.50 for administration and $10 for customer service. With twenty-five micro utilities spread over three jurisdictions, the density-based system is more manageable to administer given our relatively small size.

During the test period, NUC billed the Tennessee systems $302,927 in operating costs out of its total operating expenses of $3,206,170 or 9.4% of its operating costs for all sub-systems. Note that due to the density based system, Tennessee was bill approximately $42,000.00 less than it otherwise would have been using a customer count basis.

In addition to the normal monthly charges, NUC will bill out certain costs, especially extraordinary third-party expenses incurred on behalf of a particular utility such as legal fees for a rate case or other irregularly-recurring proceeding. This is illustrated by the charges incurred in association with Docket 11-00060 and presented in the accounting report provided in Item 45.

13Q. PLEASE DESCRIBE ANY FURTHER ISSUES ASSOCIATED WITH NAVITAS TENNESSEE'S SUBSYSTEM, IF ANY.

A. Navitas has encountered certain customers disconnecting service in the spring and reconnecting in the fall to avoid the $6 per month customer charge. A disconnect fee of $36 needs to be implemented to eliminate this type of gaming of the tariffs. This and other changes may be required to effectively implement the results of this proceeding.

14Q. IS THERE ANY OTHER TESTIMONY YOU WOULD LIKE TO ADD AT THIS TIME?

A. At this time, there is no further testimony, however I would like to reserve the right to supplement this testimony at a later time, if necessary.

VERIFICATION OF NAVITAS TN NG, LLC

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

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 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 before me on this 2nd day of July, 2012, by Thomas Hartline, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

NOTARY PUBLIC

My Commission Expires:

ROSS J. MODGLIN
COMM. # 1825384
NOTARY PUBLIC - CALIFORNIA
ORANGE COUNTY
MY COMM. EXP. NOV. 29, 2012

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