

TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

TO: Vice Chairman Herbert H. Hilliard

Director Sara Kyle

FROM: James M. Allison, Chairman *JMA / JMS/pjm*

RE: Docket No. 12-00068, Petition of Navitas TN NG, LLC for a General Rate Increase

DATE: February 12, 2013

Please find attached the motion that I plan to make at the Hearing scheduled for February 13, 2013, in the above-referenced docket. For your convenience, I am filing this today in order that you may have sufficient time to review the motion before its consideration.

Attachment

c: Original in Docket No. 12-00068

Chairman Allison's Motion

Docket No. 12-00068

I move that the revised Stipulation and Settlement Agreement be accepted with a few minor modifications and a request to the parties regarding rate design. The motion is specific to (1) the additional revenue requirement for Navitas; (2) rate design; and (3) the Settlement terms.

First, I move that the revenue requirement of \$231,703 agreed to by Navitas and the Consumer Advocate be adopted. I understand that this amount includes recovery of Distribution Integrity Management Program Costs (DIMP) which the Authority previously ruled that it would like to review. Accordingly, even though recovery of DIMP costs is being allowed at this time, Navitas is directed to submit a signed contract with the consultant (Tri-Star Energy) when executed along with all documentation to support the recovery amount. The Authority will then review the information and make a final ruling on these costs.

Second, I move that the Authority accept the Phase I and Phase II rate design contained in the Settlement Agreement. Prior to implementing the Phase II rate design, however, I would encourage the parties to meet with the TRA Staff to discuss alternative rate designs that more fully address the directives set forth in Tenn. Code Ann. § 65-4-126, (State policy on using energy more efficiently) and also to look at recent rate designs ordered by the Authority for Piedmont, Atmos and Chattanooga Gas. If there is a modification to the Phase II rate design, I move that it be filed no later than July 1, 2013.

Third, there is one Settlement provision that, in my opinion, should not be approved and one that needs more clarification before final approval is granted. I move that the provisions contained in Paragraph 21 of the Settlement, which would allow for similarly situated customers within a specific class to pay different monthly rates for natural gas, be removed. The parties provided no satisfactory rational basis to justify different rates for similarly situated customers and this provision could lead to undue discriminatory treatment of consumers potentially in violation of state and federal law.

I also have some concerns regarding Paragraph 25 C. This provision provides Navitas with the ability to waive fees in special circumstances such as financial distress, military deployment or for disabled customers or customers in unique situations. I applaud the effort to help consumers in distress, but I am concerned about approving such a broad provision without knowing the exact details such as the qualification process and which fees that can be waived. I am not recommending that this provision be removed; rather, I move that if the parties want to implement this provision, tariff language be filed explaining in detail the qualification process and the specifics of the program. In this

manner, the Panel will have the opportunity to review the details of the program and make a ruling prior to implementation. I believe the remaining settlement provisions, especially those related to transitioning to the NARUC Uniform System of accounting method and direct cost accounting for expenses related to Tennessee operations, are necessary in order to properly evaluate the Company on a going-forward basis.

Finally, I direct Navitas to file a revised tariff to conform with the Settlement Agreement with deference to the above Paragraph being removed. I would invite you to meet with my Staff to come up with a compliant tariff. I so move.