

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE:)
PETITION OF B&W PIPELINE, LLC) **DOCKET NO. 15-00042**
FOR AN INCREASE IN RATES)

NOTICE OF FILING

COMES NOW Navitas TN NG, LLC ("Navitas"), by and through undersigned counsel,
and hereby submits its Pre-filed Testimony of Thomas Hartline.

Dated this the 11th day of August 2015.

Respectfully submitted,

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CERTIFICATE OF SERVICE


I hereby certify that on the 11th day of August, 2015, a copy of the foregoing was filed in the above-captioned action. A copy will be served by regular U.S. mail and electronic mail to:

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Klint W. Alexander

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

DOCKET NO. 12-00042

**PETITION OF B&W PIPELINE, LLC FOR AN ADJUSTMENT TO ITS NATURAL
GAS RATES AND APPROVAL OF REVISED TARIFFS**

TESTIMONY OF THOMAS HARTLINE

**ON BEHALF OF INTERVENOR
NAVITAS TN NG, 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 Treasurer. I am also Secretary of Navitas TN NG, LLC ("Navitas"), Navitas Assets, LLC, and Fort Cobb Fuel Authority, LLC.

3Q: WHO IS NAVITAS AND WHAT RELATIONSHIP DOES NAVITAS HAVE TO B&W PIPELINE, LLC?

A. Navitas is a natural gas distribution company that serves residential, commercial, and industrial consumers in Jellico, Tennessee, Byrdstown, Tennessee, Pickett and Fentress Counties, Tennessee and Albany, Clinton County, Kentucky (the "Area"). On December 30, 2010, the Authority issued an order granting to Navitas the transfer and control of the gas utility system previously owned by Gasco Distributions System, Inc. ("Gasco"). This transfer of control also conferred upon Navitas the authority to provide utility services deriving from Gasco's Certificate of Convenience and Necessity ("CPCN"). The Fentress-Byrdstown system serves approximately 50 customers and along with the Albany, Kentucky system is supplied by the B& W pipeline owned by B& W Pipeline, LLC ("B& W"). In other words, the B& W Pipeline supplies natural gas to Navitas servicing customers in two states, Tennessee and Kentucky. Accordingly, the B&W Petition for a rate increase in this proceeding is a two-state issue.

4Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of this testimony is to intervene in this action filed by B&W Pipeline, LLC ("B&W") for a rate adjustment to its natural gas rates and approved tariffs to assert Navitas'

interest in this action and to object to the amount of the rate adjustment sought by B&W in its Petition.

5Q: WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARING YOUR TESTIMONY?

A. I have reviewed the original Petition of B&W with accompanying exhibits, B&W's Responses to the data requests submitted by the Authority, the Consumer Advocate and Protection Division ("CAPD"), and Navitas, and the supplemental data requests submitted by the CAPD and Navitas in this proceeding. Further, I have reviewed various financial statements and transaction details from Navitas' accounting system. I also participated in teleconferences with CAPD officials and B&W representatives in this proceeding.

6Q: PLEASE EXPLAIN THE BASIS FOR NAVITAS' INTERVENTION IN THIS PROCEEDING.

A. The interests of Navitas and its customers will be affected by the TRA's decisions in this proceeding. The impact of such a rate increase will unjustly harm Navitas and its customers. The proposed rate increase could ultimately lead to the demise of the gas system by making the rates uncompetitive with alternative energy sources.

7Q: PLEASE IDENTIFY ANY ISSUES YOU HAVE WITH THE PROPOSED RATE INCREASE.

A. There are three areas in the proposed filing where Navitas takes issues. First and foremost is that the proposed rate increase is so great as to make natural gas uncompetitive, potentially costing the system its single largest customer accounting for 75% of the flow. Second, there is concern with the expense charges. The third area at issue is the amount of net plant.

8Q: PLEASE ELABORATE ON THE EXPENSE ISSUE.

- A. The B&W pipeline is only a small part of a much larger group of affiliated companies that are apparently engaged in the exploration and production of hydrocarbons (both oil and natural gas). While Navitas believes that a healthy level of expenses is required to safely and reliably operate the B&W pipeline, it also wants to ensure that expenses being charged are correct and appropriate. Navitas wants to be certain, through a clear, well-thoughtout, and well-defined allocation process that its customers are not subsidizing the affiliated operations of B&W. At present, we believe the proposed fifty-fifty split does not fit this criteria.

9Q: PLEASE DISCUSS THE NET PLANT ISSUE.

- A. The owners of the B&W pipeline and its affiliates purchased the pipeline, along with certain other rights, hydrocarbon wells, mineral rights, extraction operations, and prospective business opportunities from the former B&W pipeline owners for an amount in excess of two million dollars (\$2 million). It appears from the filing that 100% of the purchase price is being allocated to the pipeline. This, despite the fact, that the revenue associated with the pipeline at the time of purchase for the years prior to the time of purchase and foreseeably for the subsequent five-year period post purchase was approximately twenty-thousand dollars (\$20,000) annually. No economically sound financial case can be made for spending \$2 million on that which earns \$20,000. Thus, the only reasonable conclusion is that a substantial portion of the purchase price was and should be attributed to other assets obtained, be they real, intangible, or subsequently unrealized.

10Q: PLEASE ELABORATE ON THE ISSUE OF COMPETITIVENESS.

- A. The single largest customer on the systems supplied by the B&W pipeline is a chicken processing facility outside of Albany, Kentucky. This customer has the ability to switch between propane, natural gas, and digester gas. For 2015, the plant secured a large propane contract at the equivalent of less than approximately \$1.08 per ccf. The Navitas tariff for this customer is \$0.362 per ccf plus a gas cost of approximately \$0.558 per ccf (including the current \$0.06 per ccf B&W transportation charge). Thus, the maximum increase possible, while remaining competitive to propane, is \$0.16 per ccf. An amount substantially less than the approximately \$0.27 per ccf increase requested by B&W. Moreover, the Spectra East Tennessee line, which supplies the B&W pipeline, is currently seeking a tariff increase from the FERC.

11Q: WHAT ABOUT THE ISSUE OF CONSUMER PROTECTION?

- A. Navitas is concerned about the issue of rate shock in this matter. A rate change of this proposed magnitude, with percentage point increases in the hundreds, *is* an unreasonable burden to impose on Navitas' customers. In effect, a significant rate increase could result in the transfer of the costs of exploration, production, and gathering ventures to the customers captive to the transmission line.

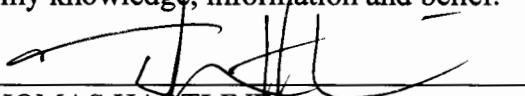
12Q: DOES THIS CONCLUDE YOUR TESTIMONY?

- A. Yes.

VERIFICATION OF NAVITAS TNG, LLC

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss:

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


THOMAS HARTLINE

Subscribed and sworn to (~~or affirmed~~) before me on this 10th day of August, 2015, by Thomas Hartline, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Notary Public Signature



Notary Public Seal

