

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE
July 1, 2019

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IN RE:

PETITION OF NAVITAS TN NG, LLC
FOR APPROVAL OF AN ADJUSTMENT
IN THE RATES, CHARGES, AND
TARIFFS

Docket No. 19- 00057

**PETITION OF NAVITAS TN NG, LLC FOR APPROVAL OF AN ADJUSTMENT
IN THE RATES, CHARGES, AND TARIFFS**

Navitas TN NG, LLC ("Navitas TN" or the "Company"), pursuant to Tennessee Code Annotated Section 65-5-103 and the Rules of the Tennessee Public Utility Commission ("TPUC" or the "Commission"), respectfully requests that the Commission approve this Petition. Navitas TN is seeking approval for an adjustment in rates and charges for natural gas service, along with approval for corresponding tariff revisions. In support of this Petition, Navitas TN submits the following:

I. DESCRIPTION OF NAVITAS TN

Navitas TN is a domestic limited liability company currently active and in good standing and registered to do business in the State of Tennessee. Navitas TN has been engaged in the business of selling natural gas in the Byrdstown and Jellico areas within the Campbell, Fentress, and Pickett Counties since 2010. Navitas TN is a public utility as defined in Tennessee Code Annotated Section 65-4-101(6)(A) and its public utility operations are subject to the jurisdiction of this Commission.

Navitas TN is a wholly owned subsidiary of Navitas Assets LLC ("NALLC"), a natural gas holding company that is the parent company operating regulated gas utilities in Oklahoma, Kentucky, and Texas in addition to Navitas in Tennessee. NALLC provides services to more

1 than 5,000 customers with a unique approach to the business of operating local gas distribution
2 companies and focusing on rural distribution systems. The system in the town of Jellico, located
3 north of Knoxville on the border with Kentucky, serves approximately 500 customers. Within
4 the community of Jellico there are several customers on the sub-system that are located across
5 the state line in Kentucky. By agreement with the Kentucky Public Service Commission these
6 are included within the Tennessee jurisdiction. The Fentress-Byrdstown system serves
7 approximately 50 customers, and along with the Albany, Kentucky system, is supplied by the
8 B&W pipeline that is owned by an unrelated third party.

9 Navitas TN's local office is located at 605 Sunset Trail, Jellico, Tennessee 37762 and its
10 principal office is located at 3186 Airway Avenue, Suite D, Costa Mesa, California 92626. All
11 correspondence and communication regarding this Petition should be sent to the following
12 addresses on behalf of Navitas TN:

13 Howard La Don Baltimore, Esq.
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18 Vanessa Novak, Esq.
19 Navitas Utility Corporation
20 3186 Airway Avenue, Suite D
21 Costa Mesa, California 92626
22 Telephone: (714) 242-4064
Facsimile: (714) 850-0876
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23 **II. NAVITAS RATE CASE REQUEST**

24 This is Navitas TN's first request for an adjustment in rates in seven (7) years. Overall,
25 the rate request is driven by the fact that Navitas TN's existing rates for natural gas services are
26 not adequate to permit it to recover its operating costs and to earn a just and reasonable return on
27 its investments. Navitas TN is also facing increased capital costs associated with meeting new
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1 growth opportunities and securing adequate natural gas supply to meet present and future growth.
2 Rate relief is also justified to meet increasingly stringent state and federal compliance standards.
3 It is also necessary to increase the investment in new employees since during the period of
4 December 31, 2017 through December 31, 2019, six employees have retired and four employees
5 have resigned out of thirty-three full time employees. In addition, costs of health care, labor,
6 gasoline, property taxes and other expenses have risen.

7 Navitas TN's last full rate case was heard in 2012 in Docket No. 12-00068 (the "2012
8 Rate Case") and an emergency relief case was heard in 2011 in Docket No. 11-00060 (the
9 "Emergency Relief Case") due to the insolvency of Gasco Distribution Systems, Inc., the
10 previous company, which Navitas TN acquired and the fact that its system continued to operate
11 at a substantial loss. Since taking over operations from Gasco, Navitas TN has experienced
12 ongoing losses in the operation of these systems and is currently barely breaking even. Certain
13 losses were anticipated and Navitas TN acted quickly to stem the damage in order to maintain
14 safe and reliable service to these communities. Immediately subsequent to acquiring the pipeline
15 assets at close of business on December 31, 2010, Navitas TN filed a Petition with the TRA and
16 was granted emergency temporary rate relief.

17 By order dated April 18, 2013, the TRA approved the Stipulation and Settlement
18 Agreement between Navitas TN and the Consumer Advocate, with modifications, and granted
19 new rates which were implemented incrementally in three (3) phases beginning October 1, 2012.
20 The settlement amount of \$272,601 was phased in for existing customers as follows:

21 (1) The first step of the rate increase in the amount of \$113,471 went into effect the first
22 day of the first full billing period after approval by TRA (March 1, 2013).

23 (2) The second step of the rate increase in the amount of \$88,652 went into effect the
24 first day of the first 2014 billing cycle.

25 (3) The third step of the rate increase in the amount of \$70,480 went into effect the first
26 day of the final 2014 billing period.

27 The rates approved in the April 2013 Order were expected to produce a net operating
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1 income of \$72,047 based on a rate base of \$827,560 and an equity return of 8.71%. Using the
2 proposed rates during the attrition period (2019 to 2020), Navitas TN is projected to earn a net
3 operating income of \$119,923 on a rate base of \$1,093,192 which will result in an overall rate of
4 return of 10.97%. Without rate relief, Navitas TN will continue to incur a revenue deficiency
5 into the attrition period in the amount of \$128,957 at the rate of return of -0.83%. In this case
6 being presented to the Commission, Navitas TN's existing rates for natural gas services are not
7 adequate to permit it to recover its operating costs and to earn a just and reasonable return on its
8 investments. The goal of this cause is to establish rates that are fair, just, and reasonable in order
9 to enable Navitas TN to provide and preserve systems to deliver clean, efficient natural gas for
10 the energy needs of the customers served by Navitas TN in the states of Tennessee and Kentucky.

11 As shown in the testimony, exhibits, and other supporting schedules and documentation,
12 the major elements of Navitas TN's request for an increase in rates are as follows:

13 1. **2018 Test Case Year.** Navitas TN is utilizing the test case year January 1, 2018
14 through December 31, 2018.

15 2. **2019-2020 Attrition Year.** The proposed rates are based on a 2019 to 2020
16 attrition year. The forecasted data is reflective of Navitas TN's actual cost experience and of
17 projects and activities that Navitas TN will be performing throughout the test year, including the
18 new corporate tax rate.

19 3. **Rate Base.** Navitas TN's rate base in the attrition year is projected to be
20 \$1,093,192.

21 4. **Operations and Maintenance ("O&M") Expenses.** The operating expenses for
22 Navitas TN are forecasted to increase from \$483,192 allowed in the 2012 rate case to \$492,856
23 in the attrition year with the proposed rate adjustment.

24 5. **Capital Structure.** The proposed test year capital structure includes 33%
25 common equity and 67% total debt. Navitas TN believes that this capital structure is appropriate
26 to allow it to maintain strong credit ratings.

27 6. **Rate of Return.** The methodology used to calculate Navitas TN's proposed
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1 Return on Equity ("ROE") is consistent with the Commission's methodology. Navitas TN
2 proposes to make the rate adjustments in this case effective January 1, 2020.

3 **III. RATE CASE SUPPORTING DOCUMENTATION**

4 In further support of its Petition, Navitas TN is submitting the following:

- 5 1. This Petition along with a proposed Protective Order;
- 6 2. The documents associated with Minimum Filing Requirements (MFR's)
7 including some under protective seal pending the entry of a Protective Order;
- 8 3. The prepared Direct Testimony of Thomas Hartline, Navitas' secretary; and
- 9 4. The revised rate schedules to reflect the proposals included in this Petition.

10 **IV. CONCLUSION**

11 WHEREFORE, Navitas TN prays that based upon the pleadings and documents
12 submitted by Navitas TN:

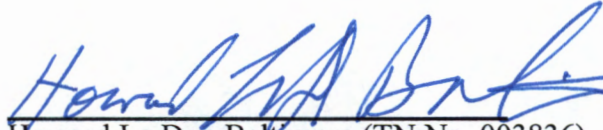
- 13 1. Notice be issued and a hearing be set regarding this Petition;
- 14 2. The Commission find that Navitas TN's expenses and capital investments are
15 prudent, that the existing rates of Navitas are inadequate, and that the rates proposed by the
16 Company are fair, just, and reasonable and in the public interest;
- 17 3. The Commission approve Navitas TN' revised rates, charges, and tariffs
18 implementing the proposed modifications to become effective January 1, 2020;
- 19 4. The Hearing Officer approve the proposed protective order simultaneously being
20 submitted; and
- 21 5. Navitas TN be granted such other and/or further relief as may be warranted.

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23 Dated: July 1, 2019

Respectfully Submitted,

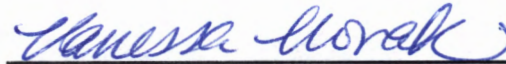
24 **NAVITAS TN NG, LLC**
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