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**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

<b>PETITION OF NAVITAS TN NG,</b>	<b>)</b>	
<b>LLC FOR APPROVAL OF AN</b>	<b>)</b>	<b>DOCKET NO. 19-00057</b>
<b>ADJUSTMENT IN THE RATES,</b>	<b>)</b>	
<b>CHARGES, AND TARIFFS</b>	<b>)</b>	

**PRE-FILED DIRECT TESTIMONY OF**

**DAVID N. DITTEMORE**

**ON BEHALF OF THE TENNESSEE ATTORNEY GENERAL  
CONSUMER ADVOCATE**

**January 10, 2020**

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:

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

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DOCKET NO. 19-00057

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I, David Dittmore on behalf of the Consumer Advocate Unit of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.

David Dittmore

David N. Dittmore

Sworn to and subscribed before me  
this 10<sup>th</sup> day of January, 2019.

Tiffany H. Blackburn  
NOTARY PUBLIC

My commission expires: March 22, 2023



1 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION**  
2 **FOR THE RECORD.**

3 **A1.** My name is David N. Dittmore. My business address is Office of the Tennessee  
4 Attorney General, War Memorial Building, 301 6<sup>th</sup> Ave. North, Nashville, TN 37243.  
5 I am a Financial Analyst employed by the Consumer Advocate Unit of the Tennessee  
6 Attorney General's Office (Consumer Advocate).

7 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**  
8 **PROFESSIONAL EXPERIENCE.**

9 **A2.** I received a Bachelor of Science Degree in Business Administration from the University  
10 of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of  
11 Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission  
12 (KCC) in various capacities, including Managing Auditor, Chief Auditor, and Director  
13 of the Utilities Division. For approximately four years, I was self-employed as a Utility  
14 Regulatory Consultant representing primarily the KCC Staff in regulatory issues. I also  
15 participated in proceedings in Georgia and Vermont, evaluating issues involving  
16 electricity and telecommunications regulatory matters. Additionally, I performed a  
17 consulting engagement for Kansas Gas Service (KGS), my subsequent employer during  
18 this time frame. For eleven years I served as Manager and subsequently Director of  
19 Regulatory Affairs for KGS, the largest natural gas utility in Kansas, serving  
20 approximately 625,000 customers. KGS is a division of One Gas, a natural gas utility  
21 serving approximately two million customers in Kansas, Oklahoma, and Texas. I joined  
22 the Tennessee Attorney General's Office in September 2017 as a Financial Analyst.

1 Overall, I have thirty years' experience in the field of public utility regulation. I have  
2 presented testimony as an expert witness on many occasions. Attached as Exhibit  
3 DND-1 is a detailed overview of my background.

4 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**  
5 **TENNESSEE PUBLIC UTILITY COMMISSION (TPUC)?**

6 **A3.** Yes. I have submitted testimony in a number of TPUC Dockets.

7 **Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 **A4.** The purpose of my testimony is to support the overall revenue requirement  
9 recommendation of the Consumer Advocate Office. I also provide some background  
10 information concerning the financial status and size of Navitas TN and its parent and how  
11 this impacted our review, as well as some comments concerning the socioeconomic  
12 conditions within the area in which Navitas TN provides service. I will address the  
13 Company's proposed changes to its tariff and identify concerns I have with the lack of  
14 specific procedures for terminating service in the winter months. I sponsor several Rate  
15 Base, Revenue, and Operating Expense adjustments within the overall proposed revenue  
16 requirement. I also support the proposed Rate Design consistent with the Consumer  
17 Advocate's proposed revenue requirement.

18 **Q5. WHAT IS THE OVERALL REVENUE REQUIREMENT YOU ARE**  
19 **SUPPORTING IN THIS CASE?**

20 **A5.** The overall revenue increase proposed by the Consumer Advocate is \$37,425, as shown  
21 on Schedule 1.

1 **Q6. PROVIDE AN OVERVIEW OF THE SCHEDULES THE CONSUMER**  
2 **ADVOCATE IS SUPPORTING IN THIS CASE.**

3 **A6.** As shown on page one of the Consumer Advocate's Exhibit, there are 15 supporting  
4 Schedules to the Consumer Advocate's position. Overall, these Schedules provide the  
5 support for the Consumer Advocate's proposed revenue deficiency of \$37,425 during the  
6 Attrition Period.

7 Schedule 1 shows the results of the Consumer Advocate's review as compared to the filed  
8 position of the Company. The Company's filed position proposed a revenue deficiency of  
9 \$127,764, while the results of the Consumer Advocate's review show a revenue deficiency  
10 of \$37,425.

11 Schedule 2 shows the Consumer Advocate's proposed adjustments to Rate Base for the  
12 Attrition Period. For a more detailed summary of the Consumer Advocate's specific rate  
13 base adjustments, see Schedule 3.1

14 Schedule 3 shows the Consumer Advocate's and Company's proposed Rate Bases for the  
15 Attrition Period.

16 Schedule 3.1 illustrates in detail the Consumer Advocate's proposed Rate Base adjustments  
17 from the Test Period to the Attrition Period.

18 Schedule 4 shows the Consumer Advocate's calculation for Working Capital required for  
19 determining Rate Base during the Attrition Period.

20 Schedule 5 illustrates in detail the Consumer Advocate's adjustments to Attrition Period  
21 Depreciation and Amortization expense.

1 Schedule 6 provides a pro-forma comparative income statement during the Test Period and  
2 Attrition Period for both the Company and the Consumer Advocate, along with the  
3 proposed adjustments of both parties.

4 Schedule 6.1 provides both the Company's and Consumer Advocate's resulting pro-forma  
5 income statements at current rates during the Attrition period.

6 Schedule 7 provides both the Company's and Consumer Advocate's resulting Taxes other  
7 than Income Taxes for the Attrition Period.

8 Schedule 8 provides the Consumer Advocate's pro-forma income statement for the  
9 Attrition Period using the Consumer Advocate's adjusted expenses from Schedule 6 and  
10 the Revenue Deficiency identified in Exhibit 1.

11 Schedule 9 provides the Consumer Advocate's calculation of Attrition Period Gas Sales  
12 Revenue adjusted for weather and normalized volumes under the Company's current rate  
13 structure.

14 Schedule 9.1 provides a summary of the Consumer Advocate's adjustments to Test Period  
15 gas volumes used to arrive at the Consumer Advocate's Attrition Period Revenues and  
16 used in the Consumer Advocate's calculation of Attrition Period Income at current rates in  
17 Exhibit 6.

18 Schedule 10 provides the Consumer Advocate's calculation of the revenue conversion  
19 factor used in Schedule 1.

20 Schedule 11 provides the Consumer Advocate's proposed Rate of Return.

1 Schedule 12 provides the Consumer Advocate's proposed customer class revenue change  
2 for new rates.

3 Schedule 13 provides the Consumer Advocate's proposal for rate design.

4 Schedule 13.1 provides support for the Consumer Advocate's proposed rate design.

5 **Q6. PROVIDE SOME INFORMATION ON THE SCOPE OF NAVITAS'S BUSINESS**  
6 **OPERATIONS AND HOW THIS IMPACTED THE CONSUMER ADVOCATE'S**  
7 **REVIEW.**

8 **A6.** The Navitas organization is somewhat unique as a natural gas utility. It is very small  
9 compared with other natural gas utilities, both in Tennessee and nationwide. It also serves  
10 rural locales which may be perceived as less desirable for investment by larger investor-  
11 owned utilities from a financial perspective. It is also geographically diverse within the  
12 Company, serving customers in Oklahoma, Texas, Kentucky, and Tennessee. The small  
13 size, coupled with the geographic diversity, results in an inability to capitalize on  
14 economies of scale that other larger utilities enjoy. For example, while there is a  
15 serviceperson serving the Tennessee/Kentucky territory, occasionally an Operations  
16 Manager will travel from east-central Oklahoma to Tennessee to oversee operations. This  
17 is not intended to be critical of Navitas, but rather to point out the unique nature of the  
18 Company's Tennessee operations. The regional service-person responsible for day to day  
19 service in Tennessee likely has extensive knowledge of the system and customer base given  
20 the small geographic scope of the territory.

1 **Q7. WHAT IS THE CUSTOMER BASE INCORPORATED INTO THIS RATE**  
2 **PROCEEDING?**

3 **A7.** The overall billing determinants based upon 2018 data indicate 550 total customers. Thus,  
4 the customer base associated with this rate increase proposal is extremely small.<sup>1</sup>

5 **Q8. HOW HAS THIS SMALL CUSTOMER BASE IMPACTED THE CONSUMER**  
6 **ADVOCATE'S REVIEW?**

7 **A8.** In our review, we attempted to strike a balance between not requiring accounting and cost  
8 allocation methods, which would be extremely burdensome for the Company to adhere to  
9 going forward, with the understanding that due to the smaller customer base, materiality  
10 levels for rate case adjustments are necessarily much lower than they would normally be  
11 for those in an investor-owned utility rate proceeding.

12 **Q9. DO YOU HAVE ANY INFORMATION ON THE ECONOMIC MAKEUP OF**  
13 **NAVITAS TN CUSTOMERS?**

14 **A9.** Yes. Information retrieved from the U.S. Census Bureau indicates the following statistics  
15 within Campbell, Fentress, and Pickett counties:

16 Median Household Income: \$35,084 - \$41,004 (range among the three counties)

17 Per Capita Income: \$19,013 - \$23,250

18 Percentage in Poverty: 16% - 21.6%

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<sup>1</sup> Information provided in Navitas Response No. 1-23 indicates a total customer count of 410 in Tennessee and 127 in Kentucky based upon test period averages. Based upon other information provided in this case, I do not have significant confidence in the customer counts and therefore have placed reliance upon bills issued for purposes of computing pro-forma revenues.

1   **Q10.   WHAT CONCLUSIONS CAN BE DRAWN FROM THIS INFORMATION?**

2   **A10.**   The customers of Navitas TN will likely be significantly impacted by material increases in  
3           their natural gas bills. Based upon the data identified above, customers (as a whole) would  
4           have little excess in their household budgets to absorb significant cost increases.

5   **Q11.   WHAT IS THE PROPOSED INCREASE THE APPLICANT IS SEEKING?**

6   **A11.**   The Company is seeking an overall increase of \$127,764, representing an overall increase  
7           in customer rates in excess of 25%.<sup>2</sup> This translates to a requested increase per customer  
8           of \$232 per year. This amount is comprehensive and without distinction to the individual  
9           rate classes. The increase request of nearly \$20/month per customer applicable to the  
10          Navitas TN customer base is extremely impactful.

11   **Q12.   WHAT IS DRIVING THE PROPOSED INCREASE?**

12   **A12.**   The Company is claiming a substantial increase in Rate Base from that included in the  
13          Settlement Agreement from its last rate case proceeding. However, as discussed below, I  
14          believe there is a major miscalculation of the Company's Rate Base and, instead of a  
15          significant increase since the last case, there in fact has been a significant decrease in Rate  
16          Base. In terms of the Consumer Advocate proposal, the revenue deficiency is driven from  
17          the last case exclusively by an increase in Operating Expenses.<sup>3</sup> The Rate Base growth  
18          underlying the Company's proposed 25% increase has simply not materialized.

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<sup>2</sup> Requested Increase of \$127,764 divided by Pro-Forma revenue at existing rates, \$503,026 equals a 25.4% request. Requested Increase of \$127,764 divided by total customers of 550 equals an overall increase per customer of \$232/year.

<sup>3</sup> The non-purchased gas expenses contained in the Settlement Agreement within the last case was \$416,040, compared with the Consumer Advocate Pro-Forma Expense of \$487,073, for a difference of \$71,033, significantly greater than the Consumer Advocate's recommended revenue deficiency.

1 **Q13. DID YOU REVIEW THE TESTIMONY FROM THE LAST NAVITAS TN RATE**  
2 **CASE BEFORE THIS COMMISSION?**

3 **A13.** Yes. While I was not involved in that proceeding, from my review of the earlier case, it  
4 appears there has been significant improvement in the accuracy and specificity of  
5 information presented in this case contrasted with the last rate case.

6 **Q14. WHAT IS THE TEST PERIOD IN THIS CASE?**

7 **A14.** The test period in this case is calendar year 2018.

8 **Q15. WHAT IS THE ATTRITION PERIOD IN THIS CASE?**

9 **A15.** The attrition period is the calendar year 2020.

10 **Q16. BEGIN WITH A DISCUSSION OF THE RATE BASE YOU ARE PROPOSING.**

11 **A16.** I am proposing an overall attrition period Rate Base of \$568,991. This amount is shown  
12 in Schedules 2, 3, and 3.1. This balance incorporates several adjustments to the ending test  
13 period balances.

14 **Q17. BEGIN WITH A DISCUSSION OF THE CONSUMER ADVOCATE'S FIRST**  
15 **ADJUSTMENT TO RATE BASE.**

16 **A17.** Consumer Advocate Adjustment No. 1 reduces Rate Base by \$535,374 by correctly  
17 identifying the Acquisition Adjustment as a reduction to Rate Base. The Company has  
18 incorrectly identified this balance as an increase in Rate Base, when instead it should be  
19 recognized as a reduction. In this instance, the acquisition price paid by Navitas was less  
20 than the net book value of the assets acquired. This negative acquisition adjustment amount  
21 is necessary to reflect the actual investment made by Navitas in the acquired assets. The

1 Company has erroneously added this value to Rate Base rather than including it as a  
2 reduction. Schedule 3.1 Column C sets forth the balances of the Rate Base components as  
3 of December 31, 2018, totaling \$610,681.

4 **Q18. WHAT IS THE CONSUMER ADVOCATE'S SECOND ADJUSTMENT TO RATE**  
5 **BASE?**

6 **A18.** The Consumer Advocate next increases Rate Base by \$26,431 by computing the test period  
7 average Rate Base compared with the end-of-test-period Rate Base. This is indicative of a  
8 declining Rate Base, since the test year end Rate Base is less than the January 1, 2018 Rate  
9 Base. Capital investment during the period was \$4,378, while Accumulated Depreciation  
10 (a reduction to Rate Base) increased by \$32,609 as a result of ongoing depreciation expense  
11 computed on gross plant in service.

12 **Q19. HAVE YOU INCREASED TEST PERIOD NET PLANT IN SERVICE BALANCES**  
13 **IN MOVING TO THE ATTRITION PERIOD?**

14 **A19.** No. As mentioned above, increases in gross plant in service totaled only \$4,378 in 2018.  
15 Further, such increases were \$7,054 and \$4,001 in 2016 and 2017, respectively.<sup>4</sup>  
16 Therefore, net plant, which considers the balance of Accumulated Depreciation, has  
17 consistently declined in the past three years since the accrual of depreciation expense in  
18 excess of \$30,000 annually far outpaces the growth in Net Plant. Had I used historic data  
19 to project an attrition period balance of Rate Base, such balance would be much less than  
20 is currently contained in the Consumer Advocate's proposal.

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<sup>4</sup> Sources: Navitas TN General Ledger (2018), Navitas TN General Ledger (2017) and MFR 51 (2016).

1 **Q20. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENTS 3 AND 4**  
2 **TO RATE BASE.**

3 **A20.** The Consumer Advocate's second and third adjustments to Rate Base should be considered  
4 in combination as they relate to the same asset and accumulated depreciation balances –  
5 Other Long-Term Assets and Accumulated Amortization of Other Long-Term Assets.

6 Rate Base Adjustment No. 3 reduces Rate Base by \$60,276 as it removes the entire balance  
7 of Other Long-Term Assets and associated Accumulated Depreciation based upon the test  
8 period average balances. Within the Other Long-Term Asset category, there are two major  
9 types of deferred asset costs: Organization Costs, which are essentially costs associated  
10 with the Gasco acquisition, and various deferred legal and regulatory costs. With respect  
11 to the Organization costs, it is my understanding that such costs have historically been  
12 denied recovery by this Commission.<sup>5</sup> In any event, the net balance (when considering  
13 Accumulated Amortization) of these acquisition costs will be very close to zero by  
14 December 31, 2020.<sup>6</sup> For these reasons, I do not believe inclusion of Net Organization  
15 Costs in Rate Base is appropriate.

16 The other portion of the Other Long-Term Asset balance relates to various deferred legal  
17 costs, including prior rate case costs, costs associated with an inquiry into "city/district  
18 utilities" in Tennessee, and intervention costs associated with the B&W Pipeline Company

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<sup>5</sup> Final Order Denying the Petition for Reconsideration, Docket 15-00042, August 4, 2016. In B&W Pipeline's last rate case, 15-00042, the Commission stated that "(b)y rejecting the Company's proposal to establish rates based on the purchase price, the Authority also tacitly rejected the acquisition costs related to the purchase."

<sup>6</sup> Information obtained informally from the Company indicates the net balance of the Acquisition costs were \$37,876 as of December 31, 2018. Further the Unamortized balance at December 31, 2019 was \$19,944, reflecting an annual amortization of \$17,932/yr (\$37,876 - \$19,944), leaving an unamortized balance at December 31, 2020 of \$2,012 (\$19,944 - \$17,932).

Rate Case. With respect to the prior rate case costs, these asset costs have been fully amortized; thus, there is no net Rate Base associated with this activity. This cost (and associated Accumulated Amortization) should be removed from the books of Navitas TN. It is unclear why the costs associated with legal research associated with city/district utilities should be deferred on the books of Navitas TN rather than expensed. This net asset balance at December 31, 2019, was only \$1,728, and in any case, it will be fully amortized in early 2021. The final component of Other Long-Term Assets is deferred legal costs associated with Navitas's intervention in B&W's rate case (a net asset of \$7,111 as of December 31, 2018). I believe this cost component has merit as discussed below in Rate Base Adjustment No. 4. For the sake of simplicity, I have eliminated the entire balance of Long-Term Assets within Rate Base Adjustment No. 3, resulting in a reduction to Rate Base of \$60,276.

The balances of these respective items are shown in the table below:

Summary of Consumer Advocate Recommendation			
Other Long-Term Assets			
Rate Base Adjustments 3			
		Accumulated Dep	Net Asset Balance
	Original Cost	12/31/2018	12/31/18
Gasco Acquisition	\$ 179,327	\$ 141,451	\$ 37,876
Prior Navitas Rate Case	29,538	29,538	-
Inquiry into City/District Utility	11,311	8,338	2,973
B&W Intervention Costs	109,828	102,717	7,111
Total Other Long-Term Assets	\$ 330,004	\$ 282,044	\$ 47,960
Average Rate Base Balance	\$ 330,004	\$ 269,728	\$ 60,276

1 Rate Base Adjustment No. 4 proposes to increase Rate Base by \$36,649 to reflect a) the  
2 December 31, 2018 unamortized balance of intervention costs in B&W's rate case (\$7,111)  
3 and b) estimated rate case costs associated with the pending case (\$29,538).

4 **Q21. WHAT IS THE DISTINCTION BETWEEN YOUR ADJUSTMENT NOS. 3 AND 4**  
5 **AS THEY RELATE TO THE BALANCE OF B&W RATE CASE INTERVENTION**  
6 **COSTS?**

7 **A21.** In Adjustment No. 3, I simply removed the entire balance of Other Long-Term Assets since  
8 I found the vast majority of the two accounts within that category to be properly excluded.  
9 Within Adjustment No. 4, I reinserted the remaining net asset balance of the B&W  
10 intervention costs and added in an estimate for the legal costs associated with this  
11 proceeding. Such legal costs should be trued-up to the actual costs incurred in this case,  
12 subject to reasonableness.

13 **Q22. CONTINUE WITH AN EXPLANATION OF ADJUSTMENT NO. 5 TO RATE**  
14 **BASE.**

15 **A22.** Rate Base Adjustment No. 5 increases Working Capital (and Rate Base) by \$8,369 to  
16 reflect the application of the one-eighth methodology to the Consumer Advocate's  
17 proposed total Operating Expenses. This calculation is shown on Schedule 4. I have found  
18 that the one-eighth application overstates the true level of Working Capital of natural gas  
19 utilities, which is best determined based upon a lead-lag study. However, given the small  
20 size of the utility, conducting a time-intensive lead-lag study was not practical.

**Q23. PLEASE DISCUSS ADJUSTMENT NO. 8 TO OPERATING INCOME.**

**A23.** Consumer Advocate Adjustment No. 8 reduces Amortization Expense by \$16,224 to a) eliminate the test period costs associated with those items excluded from Rate Base in Adjustment No. 3 discussed above and b) increase Amortization Expense by recognizing an annual level of expense associated with the net asset balance of the B&W rate case costs and a five-year amortization of the estimated legal costs associated with this docket. The net of these adjustments results in a total Depreciation/Amortization Expense of \$42,162 as set forth on Consumer Advocate Schedules 5 and 6.

**Q24. PROVIDE AN OVERVIEW AND IDENTIFY THE ADJUSTMENTS YOU ARE SPONSORING TO THE COMPANY'S REVENUE.**

**A24.** Schedule 9.1 sets forth the Revenue adjustments I am supporting in this proceeding. Adjustment No. 1 increases pro-forma revenues by \$12,590 by adjusting the Company's proposed revenue to that level of revenue based upon actual test period billing determinants. The basis for this adjustment was monthly billing information provided by the response to Consumer Advocate Request No. 1-43. The support for this calculation is set forth in Exhibit DND-2. Pricing out the actual bills rendered, and volumes produces total test period revenue of \$537,439 as shown on Schedule 9.1. This adjustment also incorporates a reduction in Terms and Conditions revenue of \$1,193 to reflect the actual level of revenue for Miscellaneous Charges that were generated in the test period.

Revenue Adjustment No. 2 reduces pro-forma revenue by \$34,433 to normalize for abnormal weather. Within MFR No. 21, the Company has indicated it was 7% colder than normal. I normalized test period volumes based upon the average consumption by rate

1 class for the period of 2011 – 2018. A more precise weather normalization determination,  
2 relying upon actual temperature data and incorporating regression analysis, was not  
3 available. However, relying upon the average consumption over a long time period is a  
4 reasonable proxy for the more sophisticated weather normalization calculation. The  
5 reduction in revenue is \$34,433, representing a 6.4%<sup>7</sup> reduction in adjusted revenue, which  
6 is close to the 7% claim by the Company. The 6.4% revenue reduction is further validated  
7 when considering that the significant customer service charge portion of the Company's  
8 revenue is unaffected by weather; thus, one would not expect temperatures that are 7%  
9 colder than normal to have that level of reduction in Company revenue. The application  
10 of these two revenue adjustments results in a Consumer Advocate adjusted revenue balance  
11 of \$503,026.

12 **Q25. CAN YOU PROVIDE AN OVERVIEW OF SCHEDULE 10 RELATED TO THE**  
13 **REVENUE CONVERSION FACTOR?**

14 **A25.** Yes. The Consumer Advocate computes the appropriate revenue conversion factor in this  
15 case to be 1.002855. This factor incorporates a gross-up for uncollectible expense of  
16 0.285%.

17 **Q26. HOW DO YOU PROPOSE TO SPREAD THE RECOMMENDED INCREASE OF**  
18 **\$37,425 ACROSS NAVITAS TN'S CUSTOMER CLASSES?**

19 **A26.** Given the size of the utility, a comprehensive class cost of service study is not warranted.  
20 I simply calculated the overall revenue increase to be 7.67% and applied that level of

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<sup>7</sup> \$34,433 is the amount of the adjustment divided by the Consumer Advocate's adjusted revenue (before weather normalization) of \$537,459 and results in a reduction in adjusted revenue of 6.4%.

1 increase to each customer class' pro-forma revenue levels. The resulting proposed  
2 increases by customer class are as follows:

3 **Residential:** \$16,953

4 **Industrial:** \$10,241

5 **Commercial:** \$10,231

6 **Total:** \$37,245

7 **Q27. HOW DO YOU PROPOSE TO DESIGN RATES TO RECOVER THE**  
8 **RECOMMENDED INCREASE PER CLASS?**

9 **A27.** The rate structure of the Company is unique in that it results in significant ratepayer costs  
10 for minimal usage. For example, a residential customer using just under 1 MCF (10 CCF)  
11 of gas in a given month would incur the \$9 Customer Charge, plus 9 units (CCF) at a rate  
12 of \$1.67 CCF or \$15.03, for a total bill before application of PGA charges of \$24.03. A  
13 customer using 9 CCF of gas in a month is a very minimal amount, and thus it is not  
14 incorrect to view the \$24.03/month as a fixed charge from the customers' perspective for  
15 much of the year. The Industrial and Commercial classes are designed in a similar fashion.  
16 Given this rate structure, I recommend placing the entire rate increase for each customer  
17 class on the volumetric consumption in excess of the first 9 CCF per month. Schedule 13  
18 sets forth the resulting proposed rate using this methodology.

1 **Q28. DO YOU WISH TO DISCUSS ANY TARIFF MATTERS THAT HAVE COME TO**  
2 **YOUR ATTENTION AS A RESULT OF YOUR REVIEW?**

3 **A28.** Yes. I would like to address two tariff matters related to reconnection fees and cold-weather  
4 disconnections.

5 **Reconnection Fees:**

6 The Company's current Tariff permits it to charge 6 months' worth of meter charges for  
7 any customer who disconnects service for two or more months. This provision applies to  
8 all customers.

9 Customers, especially residential customers whose gas consumption is limited to space  
10 heating, may terminate service in the spring and reconnect in the late fall when the customer  
11 desires space heating. From the customers' perspective, they may consider this to be a  
12 wise move to avoid the meter (customer) charge during those months in which they believe  
13 it unlikely they will use natural gas, especially if they find themselves in a challenging  
14 financial situation. If this approach were widely used by customers, it would result in cost  
15 shifting from those customers disconnecting in the spring to those customers electing to  
16 stay connected year-round. I certainly understand and do not disagree with a provision  
17 designed to charge customers for those months they elect to be disconnected. My concern  
18 is that if a customer were disconnected for two months, the Tariff permits the application  
19 of six months' worth of meter charges. I recommend that the Commission require a change  
20 in the Company's Tariff to apply the meter charge for the exact number of months  
21 (including partial months) that the customer was disconnected.

1        **Cold Weather Disconnections**

2        During the course of our review, I became aware that Navitas TN did not have a formal  
3        policy or Commission requirement regarding customer disconnections in the winter  
4        months due to temperature conditions. Navitas indicated in an informal discussion that it  
5        applies the cold-weather disconnect rules adopted by the Oklahoma Corporation  
6        Commission to its Tennessee properties.<sup>8</sup> It further indicates that it follows the Tennessee  
7        disconnect rules applicable year round, but during cold-weather period, it adheres to the  
8        additional cold-weather requirements applicable in Oklahoma to its Tennessee operations.

9        **Q29. WHAT IS THE LIMITATION FOR DISCONNECTING NAVITAS'S**  
10       **OKLAHOMA CUSTOMERS DURING WINTER PERIODS?**

11       **A29.** The Oklahoma Commission rules prohibit disconnections if temperatures are 32 degrees  
12       or less, or if the forecasted temperatures are 20 degrees or below at night. The Oklahoma  
13       rules are attached to my testimony identified as Exhibit DND-3.

14       **Q30. ARE YOU AWARE OF SIMILAR RULES APPLICABLE TO TENNESSEE**  
15       **NATURAL GAS UTILITIES?**

16       **A30.** No, I am not. To my knowledge, similar rules have not been adopted by the Commission.

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<sup>8</sup> For a related information see the Company's response to Consumer Advocate Request No. 2-9.

1 **Q31. DO YOU BELIEVE NATURAL GAS UTILITIES SHOULD OPERATE UNDER**  
2 **DISCONNECT RULES THAT LIMIT DISCONNECTIONS BASED UPON**  
3 **ACTUAL AND SHORT-TERM TEMPERATURE FORECAST?**

4 **A31.** Yes. I commend Navitas TN for adopting a practice of not disconnecting customers during  
5 cold-weather periods; however, this would appear to be a voluntary action on behalf of the  
6 Company. To my knowledge, there is nothing that would prohibit Navitas TN from  
7 disconnecting customers during a period of extreme cold.

8 **Q32. WHAT IS YOUR RECOMMENDATION IN THIS REGARD?**

9 **A32.** My recommendation is two-fold. First, I recommend the Commission require modification  
10 of the Company's Tariff to prohibit disconnections if the current temperature is 32 degrees  
11 or less, or the forecasted temperature within the next 48 hours following disconnection are  
12 expected to reach 20 degrees or less. This 48-hour window would allow a non-paying  
13 customer to make other arrangements for either making an appropriate payment or seeking  
14 other accommodations. Second, I recommend that the Commission open a docket to  
15 identify cold weather disconnect policies of jurisdictional gas utilities, which would then  
16 lead to a determination by the Commission of the appropriate policies that should be  
17 adopted state-wide.

18 **Q33. ARE YOU AWARE OF A COMPLAINT FILED ON JANUARY 8, 2020 BY B&W**  
19 **PIPELINE COMPANY AGAINST NAVITAS TN?**

20 **A33.** Yes, I am aware of the filing.

1   **Q34. SHOULD THIS COMPLAINT HAVE ANY IMPACT ON THE CURRENT**  
2       **REQUEST OF NAVITAS TN?**

3   **A34.** While I am not well-versed at this writing of all the circumstances surrounding this  
4       Complaint, to my knowledge, this Complaint should not impact the revenue requirement  
5       determination in this proceeding. Further, I do not believe any legal costs incurred by  
6       Navitas TN in addressing the Complaint should be built into the costs underlying the rates  
7       adopted in this rate case.

8   **Q35. DOES THIS CONCLUDE YOUR TESTIMONY?**

9   **A35.** Yes. I reserve the right, however, to update my testimony if new information becomes  
10      available.

David Dittmore

Experience

**Areas of Specialization**

Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – Current**

Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014**

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis. I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

**Principal;** Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

**Manager Regulatory Affairs;** Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

**Manager, Wholesale Billing Resolution;** Manage a group of professionals responsible

for resolving Wholesale Billing Disputes greater than \$50K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984- 1999

**Utilities Division Director** - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

**Asst. Division Director** - 1996 - 1997; Perform duties as assigned by Division Director.

**Chief of Accounting** 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

**Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor** 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

**Accountant** Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

### Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

**Navitas TN NG, LLC.**  
**INDEX TO SCHEDULES**  
**For the 12 Months Ending 12/31/2020**

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**Navitas TN NG, LLC.**  
**Results of Operations**  
**For the 12 Months Ending 12/31/2020**

<u>Line No.</u>		<u>CAPD</u>	<u>Company</u>	<u>Difference</u>
1	Rate Base	\$ 568,991 A/	\$ 1,093,192 E/	\$ -524,201
2	Operating Income At Current Rates	15,955 B/	-7,840	23,795
3	Earned Rate Of Return	2.80%	-0.72%	0
4	Fair Rate Of Return	9.36% C/	10.97%	0
5	Required Operating Income	53,273	119,924 F/	-66,651
6	Operating Income Deficiency	37,318	127,764 G/	-90,446
7	Gross Revenue Conversion Factor	<u>1.002855 D/</u>	<u>1.000000</u>	0
8	<b>Revenue Deficiency</b>	<b>\$ <u>37,425</u></b>	<b>\$ <u>127,764</u></b>	<b>\$ <u>-90,339</u></b>

- A/ CAPD Exhibit, Schedule 3  
B/ CAPD Exhibit, Schedule 6  
C/ CAPD Exhibit, Schedule 11  
D/ CAPD Exhibit, Schedule 12  
E/ Company Filing, Item 12 Support for Tariff Charge, Item 12 Rate Base (56)  
F/ Company Filing, Item 12 Support for Tariff Charge, Item 12 Rev Req  
G/ Company Filing, Item 12 Support for Tariff Charge, Item 12 Rev Def

**Navitas TN NG, LLC.**  
**Average Rate Base**  
**For the 12 Months Ending 12/31/2020**

Line No.		A/		
		<u>Test Period</u>	<u>Adjustments</u>	<u>Attrition Period</u>
	<b>Additions:</b>			
1	Utility Plant in Service	\$ 1,840,684	\$ 0	\$ 1,840,684
2	Other Long-Term Assets	330,004	-293,355	36,649
3	Working Capital	<u>52,515</u>	8,369	<u>60,884</u>
4	<b>Total Additions</b>	<u><u>\$ 2,223,203</u></u>	<u><u>\$ -284,986</u></u>	<u><u>\$ 1,938,217</u></u>
	<b>Deductions:</b>			
5	Accumulated Depreciation	\$ 1,101,539	\$ 0	\$ 1,101,539
6	Accumulated Amortization of Other Long-Term Assets	269,728	-269,728	0
7	Acquisition Adjustment	<u>267,687</u>	0	<u>267,687</u>
8	<b>Total Deductions</b>	<u><u>\$ 1,638,954</u></u>	<u><u>\$ -269,728</u></u>	<u><u>\$ 1,369,226</u></u>
9	<b>Rate Base</b>	<u><u>\$ 584,249</u></u>	<u><u>\$ -15,258</u></u>	<u><u>\$ 568,991</u></u>

A/ CAPD Exhibit, Schedule 3.1

**Navitas TN NG, LLC.**  
**Comparative Rate Base**  
**For the 12 Months Ending 12/31/2020**

<u>Line No.</u>		<u>CAPD A/</u>	<u>Company B/</u>	<u>Difference</u>
	<b>Additions:</b>			
1	Utility Plant in Service	\$ 1,840,684	\$ 1,842,872	\$ -2,188
2	Other Long-Term Assets	36,649	330,004	-293,355
3	Working Capital	<u>60,884</u>	<u>52,515</u>	<u>8,369</u>
4	<b>Total Additions</b>	<u>\$ 1,938,217</u>	<u>\$ 2,225,391</u>	<u>\$ -287,174</u>
	<b>Deductions:</b>			
5	Accumulated Depreciation	\$ 1,101,539	\$ 1,117,842	\$ -16,303
6	Accumulated Amortizations	0	282,044	-282,044
7	Acquisition Adjustment	<u>267,687</u>	<u>-267,687</u>	<u>535,374</u>
8	<b>Total Deductions</b>	<u>\$ 1,369,226</u>	<u>\$ 1,132,199</u>	<u>\$ 237,027</u>
9	<b>Rate Base</b>	<u>\$ 568,991</u>	<u>\$ 1,093,192</u>	<u>\$ -524,201</u>

A/ CAPD Exhibit, Schedule 3

B/ Item 12 support for tariff change.xlsx

Navitas TN NG, LLC.  
Adjustments to Rate Base  
For the 12 Months Ending 12/31/2020

A	B	C	D	E	F	G	H	I	J	K	
Company Reported Rate Base - Per Company Item 12	Adjustment No. 1 to Move to December 31, 2018 Balances (Col C - Col A)	January 1, 2018 Balance	Net Activity (Col E - Col. C)	December 31, 2018 Test Period Per Book Balances	Adjustment No. 2 - To Adjust Rate Base to Average Test Period Balances (Col D/2)	Average Rate Base (Col E + Col F)	Less: Adjustment No. 3 to Remove Organization Costs	Plus: Adjustment No. 4 Deferred 2019 Rate Case Costs/Net B&W Rate Case Costs	Plus Adjustment No. 5: To Adjust Working Capital	CA Adjusted Rate Base (Sum Col G through J)	
1720 - Land		\$ 260	0	\$ 260	\$ -	\$ 260				\$ 260	
1721 - Mains - Built systems		21,532	-	21,532	\$ -	\$ 21,532				\$ 21,532	
1722 - Services - Built systems		79,389	4,378	83,767	\$ (2,189)	\$ 81,578				\$ 81,578	
1724 - Mains - Acq systems		1,737,313	-	1,737,313	\$ -	\$ 1,737,313				\$ 1,737,313	
Utility Plant in Service	\$1,842,872	0	1,838,495	4,378	1,842,873	\$ (2,189)	\$ 1,840,684			1,840,684	
1831 - Organizational costs		179,327	-	179,327	\$ -	\$ 179,327	\$ (179,327)			\$ -	
1832 - Legal Costs		150,677	-	150,677	\$ -	\$ 150,677	\$ (150,677)			\$ -	
Deferred Rate Case Costs					\$ -			\$ 36,649		\$ 36,649	
Other Long-Term Assets	330,004	0	330,004	-	330,004		(330,004)	36,649		36,649	
Working Capital	52,515	0	52,515		52,515	\$ -	\$ 52,515		\$ 8,369	\$ 60,884	
1771 - A/D - Mains B/S		(5,646)	(942)	(6,588)	\$ 471	\$ (6,117)				\$ (6,117)	
1772 - A/D - Services B/S		(8,264)	(2,089)	(10,352)	\$ 1,044	\$ (9,308)				\$ (9,308)	
1774 - A/D - Mains A/S		(1,166,883)	(43,433)	(1,210,316)	\$ 21,717	\$ (1,188,599)				\$ (1,188,599)	
1777 - A/D - Mains A/A		92,386	13,198	105,584	\$ (6,599)	\$ 98,985				\$ 98,985	
1778 - A/D - Services A/A-		3,172	656	3,828	\$ (328)	\$ 3,500				\$ 3,500	
Accumulated Depreciation	(1,117,842)	0	(1,085,234)	(32,609)	(1,117,843)	16,305	\$ (1,101,539)			(1,101,539)	
1881 - A/A - Organizational costs		(123,518)	(17,933)	(141,451)	\$ 8,967	\$ (132,485)	\$ 132,485			\$ -	
1882 - A/A - Legal Costs		(133,894)	(6,699)	(140,593)	\$ 3,349	\$ (137,244)	\$ 137,244			\$ -	
Accumulated Amortization of Other Long Term Assets	(282,044)	0	(257,413)	(24,632)	(282,044)	12,316	\$ (269,728)	\$ 269,728		-	
1727 - Mains - Acq adjustment		(263,960)	-	(263,960)	\$ -	\$ (263,960)				\$ (263,960)	
1728 - Services - Acq adjustment		(3,727)	-	(3,727)	\$ -	\$ (3,727)				\$ (3,727)	
Acquisition Adjustment	267,687	(535,374)	(267,687)		(267,687)	-	(267,687)			(267,687)	
Total Rate Base	\$1,093,192	(535,374)	\$ 610,681	\$ (52,863)	\$ 557,818	\$ 26,431	\$ 584,249	\$ (60,276)	\$ 36,649	\$ 8,369	\$ 568,991

**Navitas TN NG, LLC.**  
**Calculation of Working Capital Allowance**

**Method:**

**/8th Method - applied to Pro-Forma Operating Expenses**

This method is not reliable for larger utilities. In those situations a lead/lag study should be required for recognition of any Working Capital Allowance. However, due to the small size of the utility, we are adopting this simple methodology in this case.

Consumer Advocate Pro-Forma Operating Expenses	487,071 A/
Divided by 8	/ <u>8</u>
One-Eighth Working Capital Methodology	<u><u>\$ 60,884</u></u>

A/ CAPD Exhibit, Schedule 6

**Navitas TN NG, LLC.**  
Calculation of Pro-Forma Depreciation and Amortization Expense  
For the 12 Months Ending 12/31/2020

		No Adjustment Proposed by CA for Depreciation Expense
Test Period Depreciation Expense	\$ 32,617	

Deferred Asset Balances at 12/31/18	Acquisition of Gasco	Prior TN Rate Case	Inquiry in City/District Utilities	Intervene in B&W Rate Case	2019/2020 Navitas Rate Case	Total
Asset	\$ 179,327	\$ 29,538	\$ 11,310	\$ 109,828	\$ -	
Less: Accumulated Amortization	141,451	29,538	8,337	102,717	0	
Net Regulatory Asset Balance @ 12/31/18	\$ 37,876	\$ -	\$ 2,973	\$ 7,111	0	
Regulatory Asset Included in Rate Base	\$ -	\$ -	\$ -	\$ 7,111	\$ 29,538	\$ 36,649
Reason for Exclusion	Costs of Acquisitions should be excluded	Zero Balance	Uncertain Benefit to Ratepayers; nearly fully amortized by date new rates are effective.	Included	Included - Estimate	
Annual Amortization for Ratemaking Purposes						
Balance @ 12/31/18				7,111		
Less: Balance @ 12/31/19				3,474	5 yr Amortization	
Annual Amortization Expense				\$ 3,637	\$ 5,908	

<b>Total Depreciation/Amortization Expense</b>	
Test Period Depreciation Expense	\$ 32,617
Amortization of B&W Intervention Costs	\$ 3,637
Estimated Amortization of 2019/2020 Rate Case Costs	\$ 5,908
<b>Total Depreciation/Amortization Expense</b>	<b>\$ 42,162</b>

**Navitas TN NG, LLC.**  
Income Statement at Current Rates  
For the 12 Months Ending 12/31/2020

Line No.		Test Period Actual Per G/L	Company Adjustments	Company Pro-Forma Attrition Period	CAPD Adjustments	CAPD Adjusted Attrition Period	
	<b>Operating Revenues:</b>						
1	Gas Sales & Transportation Revenues	508,333	A/ 0	508,333	A/ (20,650)	487,683	E/
2	Other Revenues	15,343	B/ 1,193	16,536	B/ (1,193)	15,343	E/
3	<b>Total Revenue</b>	<b>523,676</b>	<b>1,193</b>	<b>524,869</b>	<b>(21,843)</b>	<b>503,026</b>	
	<b>Operating &amp; Maintenance Expenses:</b>						
4	Depreciation and Amortization Expense	57,241	C/ 1,145	58,386	D/ (16,224)	42,162	F/
5	Ad Valorem	12,847	C/ 257	13,104	D/ 488	13,592	G/
6	State Excise Taxes	0	C/ 0	0	D/ 0	0	
7	Federal Income Taxes	0	C/ 0	0	D/ 0	0	
8	Distribution Expenses - Operation	74,719	C/ 1,494	76,213	D/ 732	76,945	G/
9	Distribution Expenses - Maintenance Mains	3,727	C/ 75	3,802	D/ 65	3,867	G/
10	Distribution Expenses - Maintenance Meters	17,560	C/ 351	17,911	D/ 650	18,561	G/
11	Customer Accounts Expense	12,980	C/ 260	13,240	D/ 493	13,733	G/
12	Customer Accounts - Bad Debt	1,410	C/ 28	1,438	D/ 54	1,491	G/
13	Customer Accounts - Other	12,526	C/ 251	12,777	D/ 475	13,252	G/
14	Admin & General -Other	96,178	C/ 1,924	98,102	D/ 3,590	101,692	G/
15	Admin & General - Office Supplies	32,269	C/ 645	32,914	D/ 344	33,258	G/
16	Admin & General - Outside Services	38,985	C/ 780	39,765	D/ 2,189	41,953	G/
17	Admin & General - Insurance	23,282	C/ 466	23,748	D/ 947	24,695	G/
18	Admin & General - Safety / Security	6,940	C/ 139	7,079	D/ (3,071)	4,008	G/
19	Admin & General - Employee Benefits	46,110	C/ 922	47,032	D/ 1,606	48,638	G/
20	Admin & General - Regulatory Commission	1,343	C/ 27	1,370	D/ 51	1,421	G/
21	Admin & General - Rents	43,948	C/ 879	44,827	D/ 1,759	46,586	G/
22	Admin & General - Maintenance of Plant	1,127	C/ 23	1,150	D/ 69	1,219	G/
23	<b>Total Operating Expenses</b>	<b>483,192</b>	<b>9,664</b>	<b>492,856</b>	<b>(5,784)</b>	<b>487,071</b>	
24	<b>Utility Operating Income</b>	<b>40,484</b>		<b>32,013</b>		<b>15,955</b>	

A/ Item 12 support for tariff change.xlsx, Item 12 Rev Def, Item #11

B/ Item 12 support for tariff change.xlsx, Item 12 Rev Def, Item #27

C/ Navitas TN General Ledger 2018.xlsx

D/ As shown on Item 12 support for tariff change.xlsx, item 12 Op Expns, Test Period Operating Expenses are increased by 2%

E/ CAPD Exhibit, Schedule 9.1

F/ CAPD Exhibit, Schedule 5

G/ Direct Testimony of Alex Bradley, Exhibit AB-1

**Navitas TN NG, LLC.**  
Comparative Income Statement at Current Rates  
For the 12 Months Ending 12/31/2020

Line No.		<u>CAPD</u> A/	<u>Company</u> B/	<u>Difference</u>
	<b>Operating Revenues:</b>			
1	Gas Sales & Transportation Revenues	\$ 487,683	\$ 508,333	\$ -20,650
2	Other Revenues	15,343	16,536	-1,193
3	<b>Total Revenue</b>	<b>\$ 503,026</b>	<b>\$ 524,869</b>	<b>\$ -21,843</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
4	Depreciation and Amortization Expense	42,162	58,386	-16,224
5	Ad Valorem	13,592	13,104	488
6	State Excise Taxes	0	0	0
7	Federal Income Taxes	0	0	0
8	Distribution Expenses - Operation	76,945	76,213	732
9	Distribution Expenses - Maintenance Mains	3,867	3,802	65
10	Distribution Expenses - Maintenance Meters	18,561	17,911	650
11	Customer Accounts Expense	13,733	13,240	493
12	Customer Accounts - Bad Debt	1,491	1,438	54
13	Customer Accounts - Other	13,252	12,777	475
14	Admin & General -Other	101,692	98,102	3,590
15	Admin & General - Office Supplies	33,258	32,914	344
16	Admin & General - Outside Services	41,953	39,765	2,189
17	Admin & General - Insurance	24,695	23,748	947
18	Admin & General - Safety / Security	4,008	7,079	-3,071
19	Admin & General - Employee Benefits	48,638	47,032	1,606
20	Admin & General - Regulatory Commission	1,421	1,370	51
21	Admin & General - Rents	46,586	44,827	1,759
22	Admin & General - Maintenance of Plant	1,219	1,150	69
23	<b>Total Operating Expenses</b>	<b>\$ 487,071</b>	<b>\$ 492,856</b>	<b>\$ -15,736</b>
24	<b>Utility Operating Income</b>	<b>\$ 15,955</b>	<b>\$ 32,013</b>	<b>\$ -6,107</b>

A/ CAPD Exhibit, Schedule 6  
B/ Item 12 support for tariff change.xlsx

**Navitas TN NG, LLC.**  
**Taxes Other than Income Taxes**  
**For the 12 Months Ending 12/31/2020**

<u>Line No.</u>		<u>CAPD</u> <u>A/</u>	<u>Company</u> <u>A/</u>	<u>Difference</u>
1	Property Taxes	\$ 13,592	\$ 13,104	\$ 488
2	TRA Inspection Fee	0	0	0
3	Payroll Taxes	0	0	0
4	Franchise Tax	0	0	0
5	Gross Receipts Tax	0	0	0
6	Allocated & Other Taxes	0	0	0
7	<b>Total</b>	<b>\$ 13,592</b>	<b>\$ 13,104</b>	<b>\$ 488</b>

A/ CAPD Exhibit, Schedule 6

**Navitas TN NG, LLC.**  
Income Statement at Proposed Rates  
For the 12 Months Ending 12/31/2020

Line No.		Current Rates	A/	Rate Increase	Proposed Rates
	<b>Operating Revenues:</b>				
1	Gas Sales & Transportation Revenues	\$ 487,683		\$ 37,425	\$ 525,108
2	Other Revenues	15,343		0	15,343
3	<b>Total Revenue</b>	<u>\$ 503,026</u>		<u>\$ 37,425</u>	<u>\$ 540,451</u>
	<b>Operating &amp; Maintenance Expenses:</b>				
4	Purchased Gas Expense	\$ 0		\$ 0	\$ 0
5	Operations & Maintenance	431,318		107	431,424
6	<b>Total Operating &amp; Maintenance Expenses</b>	<u>\$ 431,318</u>		<u>\$ 107</u>	<u>\$ 431,424</u>
	<b>Other Expenses:</b>				
7	Depreciation Expense	\$ 42,162		\$ 0	\$ 42,162
8	General Taxes	13,592		0	13,592
9	State Excise Taxes	0		0	0
10	Federal Income Taxes	0		0	0
11	<b>Total Other Expenses</b>	<u>\$ 55,754</u>		<u>\$ 0</u>	<u>\$ 55,754</u>
12	<b>Total Operating Expenses</b>	<u>\$ 487,071</u>		<u>\$ 107</u>	<u>\$ 487,178</u>
13	<b>Utility Operating Income</b>	<u>\$ 15,955</u>		<u>\$ 37,318</u>	<u>\$ 53,273</u>

A/ CAPD Exhibit, Schedule 6

**Navitas TN NG, LLC.**  
**Margin & Revenue Summary at Current Rates**  
**For the 12 Months Ending 12/31/2020**

<u>Line No.</u>	<u>Customer Class</u>	<u>Pro-Forma Billing Determinants</u>	<u>Current Rate</u>	<u>C/</u>	<u>Revenue</u>
<b>Residential "R" Service:</b>					
1	Meter Charge	5,248 A/	\$ 9.00		\$ 47,232
2	First 9 Ccf per Month	31,958 B/	1.665		53,210
3	Greater than 9 Ccf per month	151,541 B/	0.795		120,475
4	<b>Total Residential Margin</b>				<b>\$ 220,917</b>
<b>Public, Industrial, &amp; Institutional "PII" Service:</b>					
5	Meter Charge	199 A/	\$ 14.00		\$ 2,786
6	First 9 Ccf per Month	1,372 B/	2.885		3,959
7	Greater than 9 Ccf per month	167,641 B/	0.755		126,569
8	<b>Total Industrial Margin</b>				<b>\$ 133,314</b>
<b>Commerical "C" Service12/12/2019</b>					
9	Meter Charge	1,163 A/	\$ 9.00		\$ 10,467
10	First 9 Ccf per Month	6,551 B/	2.22		14,542
11	Greater than 9 Ccf per month	136,406 B/	0.7950		108,443
12	<b>Total Commercial Margin</b>				<b>\$ 133,452</b>
13	<b>Total Sales Margin</b>				<b>\$ 487,683</b>
14	<b>Gas Cost</b>				<b>\$ 0</b>
15	<b>Total Sales Revenue</b>				<b>\$ 487,683</b>

A/ Direct Testimony of David Dittmore, Exhibit DD-2

B/ CAPD Exhibit, Schedule 9.2

C/ TPUC Docket No. 12-00068, Amended Revisions to Tariff, August 22nd, 2013.

Navitas TN NG, LLC.  
Adjusted Margin & Revenue Summary  
For the 12 Months Ending 12/31/2020

	Test Period Revenue per Books	Navitas Unidentified Adjustment	Navitas Adjusted Attrition Revenues (1)	CA Adj No. 1 To reflect test period volumes	Subtotal	CA Adj No. 2 To normalize volumes	Subtotal
NC Revenue TCY							
Residential	\$ 229,506	\$ (9,303)	\$ 220,203	\$ 12,627	\$ 232,830	\$ (11,913)	\$ 220,917
Commercial	147,626		147,626	1,061	148,687	(15,235)	133,452
Industrial/Govt	140,504		140,504	95	140,599	(7,285)	133,314
Subtotal	517,636	(9,303)	508,333	13,783	522,116	(34,433)	487,683
Terms and Conditions Revenue	15,343	1,193	16,536	(1,193)	\$ 15,343	\$ -	\$ 15,343
Reconnection Revenue	-	-	-	0	\$ -	\$ -	\$ -
Total	\$ 532,979	\$ (8,110)	\$ 524,869	\$ 12,590	\$ 537,459	\$ (34,433)	\$ 503,026

Source: Navitas P&L  
Statement  
2018

(1) Navitas discusses the Impacts of weather in MFR response 1-21 and Indicates it intends to use normalization during the rate design portion of the case. However, it did not quantify a weather normalization adjustment for purposes of computing its revenue requirement.

Summary of Adjustments

Navitas Unidentified Adjustment	(9,303)	Necessary to match Navitas Pro-Forma Revenue
To Reflect Test Period Revenues	13,783	
To Adjust to Historic Average Volumes	(34,433)	
Total Adjustments	(29,953)	

**Navitas TN NG, LLC.**  
Revenue Conversion Factor  
For the 12 Months Ending 12/31/2020

<u>Line No.</u>		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		540,344
2	Uncollectible Ratio	0.00285	0.00285
3	Revenue Conversion Factor		<u>1.002855</u>

**Navitas TN NG, LLC.**  
Rate of Return Summary  
For the 12 Months Ending 12/31/2020

Line No.	Class of Capital	CAPD		
		Percent of Total	Cost Rate A/	Weighted Cost Rate A/
1	Long and Short-Term Debt	67.00%	6.99%	4.68%
2	Common Equity	33.00%	14.18%	4.68%
3	<b>Total</b>	<b>100.00%</b>		<b>9.36%</b>
<b>Interest Expense Long and Short-Term Debt:</b>				
4	Rate Base			\$ 568,991 B/
5	Short-Term Weighted Debt Cost			4.68%
6	<b>Short-Term Debt Interest Expense</b>			<b>\$ 26,648</b>
7	<b>Total Interest Expense</b>			<b>\$ 26,648</b>

A/ Direct Testimony of Dr. Christopher C. Klein, Exhibit

B/ CAPD Exhibit, Schedule 2

A/ Klein Exhibit, Page 2 of 16.

B/ CA Exhibit, Schedule 2.

**Navitas TN NG, LLC.**  
CAPD Proposed Margin Change  
For the 12 Months Ending 12/31/2020

Line No.	Customer Class	Current Rates A/	Proposed Rates	Revenue Change	Percent Change
1	Residential	\$ 220,917	\$ 237,870	\$ 16,953	7.67%
2	Commercial	133,314	143,545	10,231	7.67%
3	Industrial	<u>133,452</u>	<u>143,693</u>	<u>10,241</u>	<u>7.67%</u>
4	<b>Total Sales &amp; Transportation Revenue</b>	<b>\$ 487,683</b>	<b>\$ 525,108</b>	<b>\$ 37,425</b>	<b>7.67%</b>
5	Other Revenues	<u>15,343</u>	<u>15,343</u>	<u>0</u>	
6	<b>Total Revenues</b>	<b>\$ <u>503,026</u></b>	<b>\$ <u>540,451</u></b>	<b>\$ <u>37,425</u></b>	

A/ CAPD Exhibit, Schedule 9

Navitas TN NG, LLC.  
Rate Design  
For the 12 Months Ending 12/31/2020

Line No.	Customer Class	Billing Determinant A/	Current Rate A/	ProForma Revenue A/	Revenue Increase B/	Proposed Revenues	Proposed Rates	Pro-Forma Revenue
<b>Residential:</b>								
1	Customer Charge	5,248	\$ 9.00	\$ 47,232	\$ 0	\$ 47,232	\$ 9.00	\$47,232
2	First 9 Ccf per Month	31,958	1.67	53,210	0	53,210	1.665	53,210
3	Commodity Charge (All Consumption)	151,541	0.80	120,475	16,953	137,428	0.907	137,428
4	<b>Total Residential Margin</b>			<b>\$ 220,917</b>	<b>\$ 16,953</b>	<b>\$ 237,870</b>		<b>\$237,870</b>
<b>Industrial:</b>								
5	Customer Charge	199	\$ 14.00	\$ 2,786	\$ 0	\$ 2,786	\$ 14.00	\$2,786
6	First 9 Ccf per Month	1,372	2.885	3,959	0	3,959	2.885	3,959
7	Commodity Charge (All Consumption)	167,641	0.76	126,569	10,241	136,810	0.816	136,810
8	<b>Total Commercial Margin</b>			<b>\$ 133,314</b>	<b>\$ 10,241</b>	<b>\$ 143,555</b>		<b>\$143,555</b>
<b>Commercial</b>								
9	Customer Charge	1,163	\$ 9.00	\$ 10,467	\$ 0	\$ 10,467	\$ 9.00	\$10,467
10	First 9 Ccf per Month	6,551	2.220	14,542	0	14,542	2.220	14,542
11	Commodity Charge (All Consumption)	136,406	0.80	108,443	10,231	118,674	0.870	118,674
12	<b>Total Industrial Margin</b>			<b>\$ 133,452</b>	<b>\$ 10,231</b>	<b>\$ 143,683</b>		<b>\$143,683</b>
13	<b>Total Sales Margin</b>			<b>\$ 487,683</b>	<b>\$ 37,425</b>	<b>\$ 525,108</b>		<b>\$525,108</b>

Navitas TN NG, LLC.  
Weather Normalized Margin and Revenue  
For the 12 Months Ending 12/31/2020

Line No.	Customer Class	Billing Determinants A/	Revenue A/	1st 9/ > 9 CCF Split	Meters & Average Volumes B/	Current Rate	Pro Forma Revenue
<b>Residential "R" Service:</b>							
1	Meter Charge	5,248	\$ 47,232		5,248	9.00	\$ 47,232
2	First 9 Ccf per Month	34,160	56,860	17.42%	31,958	1.665	53,210
3	Greater than 9 Ccf per month	161,935	128,738	82.58%	151,541	0.795	120,475
4	Total Residential Billing Determinants	196,085			183,499		\$ 220,917
	<b>Total Residential Margin</b>		<b>\$ 232,830</b>				
<b>Public, Industrial, &amp; Institutional "PII" Service:</b>							
5	Meter Charge	199	\$ 2,786		199	14.00	\$ 2,786
6	First 9 Ccf per Month	1,449	4,180	0.81%	1,372	2.885	3,959
7	Greater than 9 Ccf per month	176,997	133,633	99.19%	167,641	0.755	126,569
8	Total Industrial Billing Determinants	178,446			169,013		\$ 133,314
	<b>Total Industrial Margin</b>		<b>140,599</b>				
<b>Commercial "C" Service 12/12/2019</b>							
9	Meter Charge	1,163	\$ 10,467		1,163	9.00	\$ 10,467
10	First 9 Ccf per Month	7,362	16,344	4.58%	6,551	2.22	14,542
11	Greater than 9 Ccf per month	153,303	121,876	95.42%	136,406	0.7950	108,443
12	Total Commercial Billing Determinants	160,665			142,956		\$ 133,462
	<b>Total Commercial Margin</b>		<b>148,687</b>				
13	<b>Total Sales Margin</b>		<b>\$ 522,116</b>				<b>\$ 487,683</b>
14	<b>Gas Cost</b>		\$	\$ 0			
15	<b>Total Sales Revenue</b>			<b>\$ 522,116</b>			

A/ Direct Testimony of David Dittmore, Exhibit DD-2

B/ Customer charge numbers are not included in total volume calculations, but are shown to price out customer charge revenue

Office of the Tennessee Attorney General - Consumer Advocate Unit  
Navitas Tennessee LLC  
Calculation of Billing Determinants/Flow

Exhibit DND-2

For Reconciliation of Revenues

Service Class	R	PII	C
Meter Charge	9	14	9
First 9 Ccf per Month	1.665	2.885	2.22
Greater than 9 Ccf per month	0.795	0.755	0.795

Billing Determinants and Flows

		Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Totals
Residential	Customers	435	433	430	426	397	180	144	134	129	378	418	439	
	Meters	446	444	443	442	438	436	437	422	427	427	436	450	5,248
	Flow	56,081	28,240	25,465	16,149	4,020	1,032	957	1,052	905	5,568	23,928	32,688	
	First 9 CCF	3,915	3,897	3,870	3,834	3,573	1,032	957	1,052	905	3,402	3,762	3,951	34,150
	Remainder	52,166	24,343	21,595	12,315	447	-	-	-	-	2,166	20,166	28,737	161,935
Commercial	Customers	92	95	93	90	70	33	28	29	30	74	90	94	
	Meters	96	97	97	98	97	97	97	96	96	97	97	98	1,163
	Flow	43,816	20,512	20,925	10,653	6,027	5,295	4,740	4,902	4,372	7,107	12,155	20,161	
	First 9 CCF	828	855	837	810	630	297	252	261	270	666	810	846	7,362
	Remainder	42,988	19,657	20,088	9,843	5,397	4,998	4,488	4,641	4,102	6,441	11,345	19,315	153,303
Industrial	Customers	15	15	15	15	14	12	11	9	10	15	15	15	
	Meters	17	17	17	17	17	17	17	16	16	16	16	16	199
	Flow	37,281	22,735	21,056	16,713	8,101	6,076	5,502	5,600	4,604	7,123	19,093	24,562	
	First 9 CCF	135	135	135	135	126	108	99	81	90	135	135	135	1,449
	Remainder	37,146	22,600	20,921	16,578	7,975	5,968	5,403	5,519	4,514	6,988	18,958	24,427	176,997

Revenues

		Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Totals
Residential	Meter Charge	4,014	3,996	3,987	3,978	3,942	3,924	3,933	3,798	3,843	3,843	3,924	4,050	47,232
	First 9 Ccf	6,518	6,489	6,444	6,384	5,949	1,718	1,593	1,752	1,507	5,664	6,264	6,578	56,860
	> 9 Ccf	41,472	19,353	17,168	9,790	355	-	-	-	-	1,722	16,032	22,846	128,738
														232,830
Commercial	Meter Charge	864	873	873	882	873	873	873	864	864	873	873	882	10,467
	First 9 Ccf	1,838	1,898	1,858	1,798	1,399	659	559	579	599	1,479	1,798	1,878	16,344
	> 9 Ccf	34,175	15,627	15,970	7,825	4,291	3,973	3,568	3,690	3,261	5,121	9,019	15,355	121,876
														148,687
Industrial	Meter Charge	238	238	238	238	238	238	238	224	224	224	224	224	2,786
	First 9 Ccf	389	389	389	389	364	312	286	234	260	389	389	389	4,180
	> 9 Ccf	28,045	17,063	15,795	12,516	6,021	4,506	4,079	4,167	3,408	5,276	14,313	18,442	133,633
														140,599

Total 522,116

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF NAVITAS TN NG, LLC</b>	)	
<b>FOR APPROVAL OF AN ADJUSTMENT</b>	)	<b>Docket No. 19-00057</b>
<b>IN THE RATES, CHARGES, AND</b>	)	
<b>TARIFFS</b>	)	

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**RESPONSE OF NAVITAS TO CONSUMER ADVOCATE'S SECOND DISCOVERY  
REQUEST TO NAVITAS TN NG, LLC**

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**ATTACHMENT**

**Q. 2-9**

**Oklahoma**

<b>Date-based</b>	no
<b>Temperature-based</b>	yes
<b>Temperature</b>	32° F or below (daytime), 20° F or below (night), or heat index 101° F or higher
<b>Seasonal Policy</b>	No disconnect if temperatures are 32° F or below during the day, 20° F or below at night or if the predicted heat index is 101° F or greater. 30 day delay and 30 day extension possible in case of life threatening condition. Commission may order a ban on all disconnections if severe weather or if dangerous to health of the customer.
<b>Other</b>	Disconnection may be delayed for 30 days with medical doctor or osteopath certification of a life-threatening condition or for life support equipment, certificate may be renewed once. Customer is required to negotiate a payment plan. Disconnection may be delayed for 20 days if the customer has applied for financial assistance including SSI.
<b>Deferred Payments</b>	No disconnection if a customer enters into a deferred payment plan.
<b>PUC/PSC Contacts</b>	405-521-2331 (OKC Metro), 800-522-8154
<b>Complaint form</b>	<a href="http://www.occeweb.com/Complaints/pucomplaints2.html">www.occeweb.com/Complaints/pucomplaints2.html</a>

**Tennessee**

<b>Date-based</b>	no
<b>Temperature-based</b>	no
<b>Seasonal Policy</b>	30 day disconnect delay if physician, public health official or social service official certifies that a household member's health would be adversely affected.
<b>Deferred Payments</b>	Utilities are required to offer a payment plan.
<b>PUC/PSC Contacts</b>	Consumer line: 800-342-8359 TTY: 888-276-0677
<b>Consumer FAQ/Bill of Rights</b>	<a href="https://www.tn.gov/tra/topic/csd-utility-complaint-resources">https://www.tn.gov/tra/topic/csd-utility-complaint-resources</a>
<b>Complaint form</b>	<a href="https://www.tn.gov/tpuc/utility-complaint-resources/csd-online-utility-complaint-form.html">https://www.tn.gov/tpuc/utility-complaint-resources/csd-online-utility-complaint-form.html</a>