

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

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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

**REBUTTAL TESTIMONY OF THOMAS HARTLINE
ON BEHALF OF NAVITAS TN NG, LLC**

1Q. PLEASE STATE YOUR NAME.

A. 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 TNNG, LLC.

3Q. WHERE IS THE PRINCIPAL BUSINESS OFFICE FOR NAVITAS TNNG, LLC

A. The principal place of business is 3186D Airway Avenue, Costa Mesa, CA 92626.

**4Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION AND
HAVE YOUR CREDENTIALS BEEN ACCEPTED?**

A. Yes, I have testified numerous times before the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission, and my credentials have been accepted.

5Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

- A. The purpose of my testimony today is to provide rebuttal to the Tennessee Attorney General Consumer Advocate testimony filed by Christopher Klein, David Dittermore, and Alex Bradley on Friday January 10, 2020.

6Q. PLEASE DESCRIBE THE GENERAL STRUCTURE OF YOUR REBUTTAL TESTIMONY ON BEHALF OF NAVITAS TNNG, LLC.

- A. There are two sections of this rebuttal testimony – first is the discussion of changes to Navitas’s position in the wake of the Consumer Advocate’s testimony, and second is a review of noted issues that are not being pursued from a material standpoint or furthered beyond this point in this particular case.

7Q. PLEASE SUMMARIZE THE ACTIVITIES LEADING TO CHANGES TO NAVITAS’S POSITION AS NOTED ABOVE.

- A. As noted above, the Tennessee Attorney General Consumer Advocate filed testimony on Friday, January 10, 2020. The Parties then conferred in an attempt to discuss resolutions on Wednesday, January 15, 2020. Navitas followed up the conference call with additional information emailed to the Consumer Advocate, and the Parties discussed this Docket again on Thursday, January 23, 2020.

8Q. WHAT POSITIONS HAVE CHANGED OR DOES NAVITAS WISH TO CLARIFY NOW?

- A. Navitas has changed its position on two points – rate design and winter disconnection standard.

9Q. PLEASE DESCRIBE THE RATE DESIGN ISSUE.

- A. Testimony of the Consumer Advocate recommended the entirety of the rate increase be applied to the highest tier of usage in all classes. The company notes this rate design

would have two deleterious effects. First, it would make the annual revenue more volatile and susceptible to weather fluctuations. Second, it would effectively delay revenue deficiency recovery another year.

In view of the Consumer Advocate's position, Navitas TNNG LLC proposes a rate design allowing for an increase in the monthly customer charge of \$2 for residential, \$2 for commercial, and \$4 for industrial with the balance of the change placed on the highest tier as a reasonable balance for spreading the revenue deficiency.

The new proposed rate design is illustrated in the following chart:

Class	Customer charge	Tier 1 (1-9CCF each)	Tier 2
Residential	\$11	1.67	0.84
Commercial	\$11	2.22	0.85
Industrial	\$18	2.89	0.81

10Q. PLEASE DESCRIBE THE WINTER DISCONNECTION STANDARD.

A. Navitas currently follows the Oklahoma winter disconnection policy in all its four jurisdictions. Currently there is not a formal set disconnection policy in Tennessee. The Consumer Advocate recommended Navitas implement the Oklahoma policy in its tariff term and conditions. Navitas believes it is appropriate for this Commission to set a uniform policy and apply the policy to all utilities equally. This proceeding should occur separately from this case. Navitas is in full support of the Commission adopting a winter disconnection standard through a formal process and applying it uniformly to all utilities.

11Q. WHAT IS THE SECOND SECTION OF YOUR TESTIMONY?

- A. The second section of my testimony covers areas of omission, disincentive, disconnection, and/or differences in view point. While these issues are raised for the sake of adding them to the record, it is important to note that Navitas is not advocating that the Commission make any considerations in its Final Order in this Docket regarding these points.

12Q. WHAT IS THIS TESTIMONY BEING OFFERED?

- A. It is being offered for the sake of good order to memorialize certain issues for the record in this jurisdiction and beyond as well as potentially educate and inform on particular unique issues facing small rural utilities.

13Q. WHAT ARE THE ISSUES TO BE DISCUSSED IN YOUR TESTIMONY?

- A. The issues to be discussed are 1) year over year losses, 2) the purchase of the systems from the bankruptcy court, 3) broader implications of rate case frequency, 4) suppositions of the WACC methodology used by the Consumer Advocate.

14Q. WHAT IS THE ISSUE OF YEAR OVER YEAR LOSSES?

- A. The population of rural communities throughout the country is in steady decline since the end of World War II. Even with static populations, energy utilities experience usage declines due to the continual increase in energy efficiency of appliances. In Tennessee this issue is largely obscured by a combination of the TVA, utility districts, and high urban population growth.
- In neighboring Kentucky, the problem is acute. So much so that rural utilities long ago entered the utility death spiral of it being uneconomic to reinvest in rate base. As a result, many rural utilities have no remaining net plant.

15Q. WHAT ARE YOUR CONCERNS WITH REGARD TO THE PURCHASE OF THE SYSTEMS FROM THE BANKRUPTCY COURT?

A. In April 2010, Navitas began the long and expensive process of rescuing the Jellico and Byrdstown systems from bankruptcy, a process that allowed us to take over the operations at the end of 2011 and then continue to lose money for several more years until a full rate case could be pursued and even then the losses were phased out over time. Navitas incurred over \$179,000 in costs associated with the bankruptcy court purchase and has consistently been denied the ability to recovery these costs. No one else was willing to purchase both these Tennessee utilities. It seems substantially unfair that Navitas was willing to step up, go through this expensive process, save these systems, and never have the opportunity to recover its costs. Then to add insult to injury we were not even allowed to recover on the full recognized original net plant.

16Q. WHAT IS THE ISSUE HIGHLIGHTED BY THE CONSUMER ADVOCATE'S POSITION ON RATE CASE AMORTIZATION?

A. The Consumer Advocate noted that our net plant continues to decline and Navitas would likely be unlikely to afford another rate case in the future. In the current environment, where regulated utilities are at an insurmountable disadvantage to utility districts with regard to the ability to grow and gain critical mass, the State of Tennessee has essentially codified this situation. And maybe small private rural utilities don't matter, but as shown in the winter disconnect issue, sometimes you need the little guy to lead the way.

17Q. WHAT IS YOUR CONCERN WITH REGARD TO THE POSITION PUT FORTH IN THE WACC SECTION OF THE CONSUMER ADVOCATE TESTIMONY?

A. Regarding the WACC calculation undertaken by Dr. Klein, Navitas must note that the precepts of this methodology do not necessarily apply to other methodologies of calculating WACC used in other jurisdictions.

In particular, Dr. Klein stated the personal guarantees provided by the owners of Navitas have no value to the consumer. This position a) ignores the noted bankruptcy of the prior utility, and b) presupposes that a traditional utility debt structure of approximate half debt – half equity is available to a small rural utility without personal guarantees and moreover would be available at the same interest rate offered to Navitas. This is just not the case, no reputable bank would loan 40% to 60% debt on a small rural utility coming out of bankruptcy for any amount of interest, much less the 6% obtained by Navitas.

Again, in the interest of presenting fewer contested issues for litigation in this proceeding to the Commission, Navitas is not asking that the Commission deliberate on any of these items; Navitas simply wants the record to reflect its views on these items.

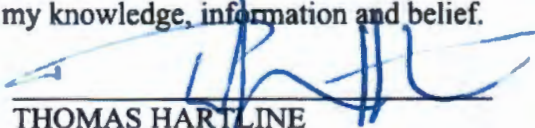
18Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

VERIFICATION OF NAVITAS TENDING, LLC


STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss.

I, Thomas Hartline, Secretary of Navitas TENDING, 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 accurate to the best of my knowledge, information and belief.


THOMAS HARTLINE

Subscribed and sworn to (or affirmed) before me on this 29th day of January, 2020,
by Thomas Elin Hartline, proved to me on the basis of satisfactory evidence to be
the person(s) who appeared before me.

Notary Public Seal


Notary Public Signature

