



**Electronically Filed in TPUC Docket Room on September 26, 2019 at 7:11 p.m.**

September 25, 2019

ATTN: Ectory Lawless  
Monica Smith-Ashford, Deputy General Counsel  
Tennessee Public Utilities Commission  
Commission Docket Room  
Andrew Jackson State Office Bld.  
502 Deaderick St., 4th Fl.  
Nashville, TN 37243

**RE: Docket No.: 19-00084**  
**Pre-Filed Testimony of Thomas Hartline on Behalf of Navitas TN NG, LLC**

Dear Ms. Lawless:

Following the Status Conference held on September 17, 2019 and pursuant to Commission Hearing Officer Ashford's Order in the above referenced docket, please find enclosed for filing the signed original and copies of the Pre-Filed Testimony of Thomas Hartline on Behalf of Navitas TN NG, LLC.

Should you have any questions, please do not hesitate to contact Thomas Hartline at (714) 242-4064 or via email at [thartline@navitasutility.com](mailto:thartline@navitasutility.com). Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Vanessa Novak", written in dark ink.

Vanessa Novak, Esq.  
Navitas Utility Corporation

Encl.

Cc (via email): Monica Smith-Ashford  
David Foster  
Daniel Whitaker  
Vance Broemel  
Henry Walker  
Don Baltimore  
Klint Alexander

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

**IN RE:**

<b>INVESTIGATION INTO NAVITAS</b>	<b>)</b>	
<b>UTILITY COMPANY'S NOTICE OF</b>	<b>)</b>	
<b>PROBABLE SHUT DOWN AND</b>	<b>)</b>	<b>DOCKET NO. 19-00084</b>
<b>DISCONTINUATION OF TENNESSEE</b>	<b>)</b>	
<b>SERVICES</b>	<b>)</b>	

**PRE-FILED TESTIMONY OF THOMAS HARTLINE  
ON BEHALF OF NAVITAS TN NG, LLC**

**I. WITNESS INTRODUCTION**

**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 am Treasurer. I am also the Secretary of Navitas TN NG, LLC and Navitas KY NG, LLC ("Navitas").

**3Q. WHERE IS THE PRINCIPLE BUSINSS OFFICE FOR NAVITAS TN NG, LLC?**

A. Navitas' principle place of business is 3186 Airway Avenue, Suite D, Costa Mesa, California 92626. However, we maintain a local office at 605 Sunset Trail, Jellico, Tennessee.

**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. PLEASE BRIEFLY EXPLAIN THE TENNESSEE OPERATIONS OF NAVITAS.**

A. Since January 1, 2011, Navitas has furnished natural gas service to approximately 548 customers located in: (1) Campbell County, Tennessee and Whitley County, Kentucky (the

Jellico System); (2) Pickett County, Tennessee (the Byrdstown System) and; (3) Fentress County, Tennessee (the Fentress System Domestic Taps). Navitas also furnishes natural gas service to approximately 154 customers located in Clinton County, Kentucky.

## **II. PURPOSE OF TESTIMONY**

### **6Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to provide the Commission with background information on the following: (1) the commodity transported by Navitas through the B&W Pipeline; (2) the commodity Navitas has purchased from a B&W affiliate transported through the B&W Pipeline; (3) other transportation scenarios; (4) the invoices received by Navitas from B&W; (5) Navitas' past dealings with B&W; (6) the charges allocated to the Tennessee and Kentucky Navitas systems; (7) the practical implications of the FERC Order on Tennessee customers; (8) suggestions in regard to resolving this issue; (9) my opinion on the proposals made by the parties; and (10) to provide any information that the Commission may find useful at the time of the hearing. My testimony supports of the Consumer Advocate's Emergency Motion to Revise Fixed Monthly Charge in Tariff.

### **7Q. PLEASE DISCUSS THE COMMODITY TRANSPORTED BY NAVITAS THROUGH THE B&W PIPELINE.**

A. Navitas, through a third party, acquires natural gas from producers which it inputs into the Spectra East Tennessee Pipeline. This natural gas is transported to the B&W Pipeline receipt point near Dear Lodge, Tennessee. The gas, which is owned by Navitas, is then transported through the B&W Pipeline to the Navitas KYNG Pipeline near the Tennessee-Kentucky boarder between Byrdstown, TN and Albany, KY.

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**8Q. PLEASE DISCUSS THE COMMODITY NAVITAS HAS PURCHASED FROM A B&W AFFILIATE THAT IS TRANSPORTED BY THAT AFFILIATE THROUGH THE B&W PIPELINE.**

A. B&W affiliated producer(s), currently Sparta owns and/or operates natural gas and oil fields proximate to the B&W Pipeline. This gas is then transported by Sparta to the Navitas KYNG Pipeline where Navitas takes custody of the gas.

**9Q. ARE THERE ANY OTHER TRANSPORTATION SCENARIOS?**

A. Yes, there are two other transportation scenarios. First, from time to time, and particularly several years ago, B&W's oil exploration affiliate would use the Navitas gas from the East Tennessee line in a field flooding operation. They would they replace this gas obtained from Navitas with gas produced in their other fields. Second, ARNCO, an independent producer in Tennessee, used to supply gas to the Tennessee and Kentucky customers. However, since 2016, B&W has denied ARNCO access to their pipeline to transport gas to Navitas. Navitas believes the reintroduction of the ARNCO gas would increase the volume and pressure delivered to our system allowing Navitas to sell more gas and provide more competitive supply options.

**10Q. PLEASE DISCUSS THE INVOICES RECEIVED BY NAVITAS FROM B&W AND ANY OUTSTANDING INVOICES.**

A. Shortly after the initial Tennessee Regulatory Authority Order in 2016, B&W sent three invoices: (1) \$13,897.67 flat customer charge; (2) \$0.30813 per MCF flow charge for deliveries to Navitas Tennessee customers; and (3) \$0.30813 per MCF flow charge for deliveries to Navitas Kentucky customers. Navitas advised B&W that it could not pass through the flow charge for Navitas Kentucky customers until B&W received the FERC Order as directed by the TRA. For the balance of 2016, 2017, 2018, and the first half of 2019, B&W provided monthly invoices for

(1) and (2) described above but refrained from subsequent invoicing of the flow charge for deliveries to Navitas Kentucky customers. In June 2019, B&W sent an invoice in the amount of \$593,675.47 for arrearages due from Tennessee and Kentucky customers based on its new retroactive FERC Order. Beginning with the final FERC clarification in September 2019, Navitas began paying \$2.7271 per MCF on gas delivered to the Navitas KY NG system from the East Tennessee Pipeline.

**11Q. DESCRIBE NAVITAS' PAST DEALINGS WITH B&W?**

A. Initially, Navitas and B&W had a terrific business relationship. The two companies shared an employee, Frank Cash, who is a long-time operator of both the B&W Pipeline and the Tennessee and Kentucky systems now owned by Navitas. The companies worked closely together to improve and expand service as well as clean up past compliance issues of the prior operator, GASCO, which went into bankruptcy.

In 2015, the companies met in Miami, Florida at which time B&W advised Navitas of its intent to increase rates from an annual revenue of approximately \$20,000 to in excess of \$600,000. Navitas believed this would make gas uncompetitive for its single largest customer and attempted to dissuade B&W from pursuing such a large increase (Navitas did support a substantial increase so long as it was competitive with wholesale propane). Through the balance of the Tennessee case and thereafter, the relationship deteriorated, management stopped communicating, and the employee sharing operation was canceled.

Flow in 2016 and 2017 was not great as wholesale propane was historically inexpensive and Navitas could not get sufficient gas from B&W due in part to their field flooding operations. However, in 2018 fortunes changed as wholesale propane increased in price and B&W Pipeline throughput improved. Gas purchases from Sparta increased, sales increased, and payments began

moving so fast Navitas would have to call B&W for invoices. In the field and in the back office the relationship between the companies was great. Apparently, that did not carry forward to the front office.

**12Q. PLEASE EXPLAIN HOW THE CHARGES ARE ALLOCATED TO THE TENNESSEE AND KENTUCKY NAVITAS SYSTEMS.**

A. Prior to the FERC Order, the customer charge of \$13,897.67 was allocated on a pro rata of sales basis between Tennessee and Kentucky customers. The Tennessee flow charge was applied to Tennessee customers. Charges from the B&W affiliate Sparta were also split on a pro rata basis. As counsel for B&W acknowledged during the Status Conference on September 17, 2019, the 84 customers in Tennessee cannot absorb this charge.

**13Q. WHAT ARE THE PRACTICAL IMPLICATIONS OF THE FERC ORDER ON TENNESSEE CUSTOMERS?**

A. The FERC Order states that the charge to Kentucky customers shall be \$2.7271 per MCF for natural gas flowed by Navitas to Kentucky customers through the B&W Pipeline. The implication being that the customer charge ordered by the TRA can no longer be shared. Thus, the entire \$13,897.67 monthly charge will fall to the approximately 84 Tennessee customers whose usage from July 1, 2018 to June 30, 2019 was approximately 11,147 MCF. This will nearly triple the commodity cost on customers' bills from an average of \$7.66 per MCF to \$22.18 per MCF. Coupled with the delivery charges, the average Byrdstown residential customer bill will increase to \$36.88 per MCF from \$20.10. As a practical matter, it is likely that all Tennessee customers served by the B&W Pipeline will switch to alternative sources of energy.

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**14Q. WHAT SUGGESTIONS DOES NAVITAS HAVE IN REGARD TO RESOLVING THIS ISSUE?**

A. A total revenue requirement of \$280,834 was established in Tennessee Regulatory Authority's Order in Docket 15-00042. Given the FERC Order changes a portion of the rate structure, it is appropriate to adjust the overall rate structure to realign rates to produce the appropriate revenue. Figures from July 1, 2018 to June 30, 2019 are as follows:

79,362 MCF natural gas purchases from Petrol

69,214 MCF natural gas purchases from Sparta (B&W affiliated field production)

11,147 MCF Tennessee customer sales

118,158 MCF Kentucky customer sales

12,808 MCF pro rata gas deliveries to Tennessee

135,768 MCF pro rata gas deliveries to Kentucky

72,521 MCF pro rata Navitas deliveries to Kentucky

63,247 MCF pro rata Sparta deliveries to Kentucky

If, as B&W initially invoiced in June 2019, all deliveries to Kentucky are tariffed to Navitas at \$2.7172, then B&W's revenue in Kentucky is \$368,909 which exceeds the \$280,834 established in Docket 15-00042. Thus, the appropriate tariff is a customer charge of \$1.00 per month.

If, as Navitas contends, the FERC clarification is that only gas deliveries from the East Tennessee Pipeline are tariffed to Navitas at \$2.7172, then B&W's revenue in Kentucky is \$197,054. Thus, the appropriate tariff is  $(\$280,834 - \$197,054) / 12,808 \text{ MCF} = \$6.54$ .

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**15Q. WHAT IS YOUR OPINION ON THE PROPOSALS MADE BY THE PARTIES?**

A. The proposed \$2.06 per MCF rate for Tennessee applied to the usage of 11,147 described above yields an annual revenue of \$22,962.82. This is somewhat greater than the \$17,811.65 that is earned under current rates, adding about \$0.46 per MCF. However, for the certainty provided to the customers and in a spirit of cooperation Navitas supports the Consumer Advocate's proposal.



**VERIFICATION**

STATE OF CALIFORNIA           )  
  )  
COUNTY OF ORANGE           )       ss.

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

Executed this 25<sup>th</sup> day of September 2019.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct.

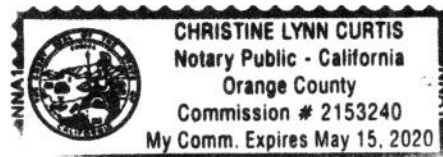


THOMAS HARTLINE

Subscribed and sworn to before me on this 25 day of September 2019, by Thomas Hartline, proved to me on the basis of satisfactory evidence to be the person who appeared before me.



Notary Public



## CERTIFICATE OF SERVICE

The undersigned, Vanessa Novak, does hereby certify on this 26th day of September, 2019, a copy of the foregoing was transmitted via electronic mail or United States Mail, first class, postage prepaid to the following:

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Vanessa Novak, Esq.