

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

November 30, 2020

IN RE:

**ACTUAL COST ADJUSTMENT FILING FOR THE
NAVITAS TN NG, LLC JELICO AND BYRDSTOWN
SYSTEMS FOR THE PERIOD JANUARY 1, 2019
THROUGH DECEMBER 31, 2019**

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**DOCKET NO.
20-00036**

**ORDER ADOPTING ACA AUDIT REPORT OF
TENNESSEE PUBLIC UTILITY COMMISSION’S UTILITIES DIVISION**

This matter came before Vice Chairman Herbert H. Hilliard, Commissioner John Hie, and Commissioner David F. Jones of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on October 12, 2020 to consider the report of the Commission’s Utilities Division (the “Staff”) resulting from the Staff’s audit of Navitas TN NG, LLC Jellico and Byrdstown Systems’ (“Navitas” or the “Company”) annual deferred gas cost account filing for the period of January 1, 2019 through December 31, 2019. The Actual Cost Adjustment (“ACA”) Compliance Audit Report (the “Report”) is attached hereto as Exhibit 1 and incorporated by this reference.

The Company filed its ACA filing on March 5, 2020. The Staff completed its audit of the Company’s filing on September 9, 2020 and filed its Report on September 16, 2020. The objective of the audit was to verify that the Company’s calculations of gas costs incurred and recovered were materially correct and that the Company has followed all Commission orders and directives with respect to the ACA account balance. The Report included four findings. First, Navitas used incorrect beginning balances in both ACA Accounts for the audit period. Staff

determined that the beginning balances of the ACA Accounts filed by Navitas were not consistent with the ending balances approved by the Commission in Navitas' previous ACA audit Docket No. 19-00033.¹ This error resulted in a net \$9.63 over-collection of gas costs.²

The second finding was that Navitas incorrectly allocated its purchased gas costs for the Byrdstown/Fentress Division between Tennessee and Kentucky customers. The error resulted in an over-collection (decrease to purchased gas costs) of \$2,307.39 for the Byrdstown/Fentress Division and an under-collection (increase to purchased gas costs) of \$2.10 for the Jellico Division.³

The third finding was that customers in the Byrdstown/Fentress Division were billed incorrect ACA factors for January 2019 through September 2019. The ACA factors used for customers' bills were not in compliance with the Company's approved tariff and were less than the ACA factors Navitas used for this filing. The Purchased Gas Adjustment ("PGA") factors used to generate customer bills for January, November, and December 2019 for the Byrdstown/Fentress Division were also less than the PGA factors the Company used for this filing.

In addition, the sales volumes the Byrdstown/Fentress Division reported in this filing for April 2019 are larger than the volumes billed to customers. For the Jellico Division, customers were billed incorrect ACA factors for January, August, and September 2019, and the volumes billed to customers for January through April 2019 are more than the sales volumes that were reported on the Company's filing. To verify the billing rates and volumes used in calculating billed revenues (recoveries), Staff reviews a sample of customer bills for each month of the filing

¹ See *In re: ACA Filing for Navitas TN NG, LLC Jellico and Byrdstown Systems*, Docket No. 19-00033, *Order Adopting ACA Audit Report of Tennessee Public Utility Commission's Utilities Division* (October 25, 2019).

² *Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission*, Exhibit. A, p. 7 (September 16, 2020) ("*Compliance Audit Report*").

³ *Compliance Audit Report*, p. 8 (September 16, 2020).

period. The errors that Staff corrected resulted in a decrease in purchased gas cost recoveries of \$12, 540.04 and a decrease in ACA recovery of \$2,749.04 for Byrdstown/Fentress customers, and an increase in gas cost recoveries of \$14,033.78 and an increase in ACA refund of \$6,342.31 for Jellico customers. The Staff's bill audits examine all components of a customer's bill. This is done so that the Commission and the customers can have confidence that Companies are following their tariffs in billing their customers.⁴

The fourth audit report finding was that the Company understated the amount of interest due to the Company. Staff recalculated the amount on monthly account balances and the result was a \$92.32 over-collection of gas costs.⁵

Staff found that the corrected ending balances in the ACA Accounts at December 31, 2019 are \$35,001.33 of over-collection for the Jellico Division and \$7,412.09 of under-collection for the Byrdstown/Fentress Division. These amounts will become the beginning balances at January 1, 2020 in Navitas' next ACA filing with the Commission. In addition, Staff calculated the correct ACA adjustment factor to be applied to customers' bills for the Jellico Division is \$0.1120 per CCF and the correct ACA adjustment factor for the Byrdstown/Fentress Division is \$0.0648 per CCF. Navitas should bill the new Staff calculated factors to its customers beginning November 2020, going forward until the results of the Company's next ACA audit.⁶ These new factors will attempt to surcharge from the Company's customers, as closely as possible, the ending balances in the ACA Accounts over the next twelve-month period.

Staff reiterated its continuing concern that Navitas should monitor the ending balances in the ACA Accounts monthly in conjunction with the market fluctuations in gas costs to determine whether the Company should file a tariff to adjust its PGA factor. More frequent adjustments, if needed, would more closely align the recoveries with the Company's gas costs, thereby lessening

⁴ *Compliance Audit Report*, p. 9 (September 16, 2020).

⁵ *Id.* at 10.

⁶ *Id.* at 11.

any potential annual rate shock to customers as a result of the true-up process. Staff, therefore, recommended that the Company continue to monitor its ACA Account balances closely and continue to report the balances quarterly to Commission Staff to determine if a modifying PGA tariff filing is needed.⁷

Except for the reported audit findings, Staff concluded that the PGA mechanism as calculated in the ACA appears to be working properly and in accordance with the TPUC rules for Navitas.⁸ The Company also agreed with Staff's Audit findings.⁹

During the regularly scheduled Commission Conference held on October 12, 2020, the voting panel considered the Company's ACA filing and Staff's Compliance Audit Report. The panel voted unanimously to approve the Compliance Audit Report as filed.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Compliance Audit Report relative to Navitas TN NG, LLC gas costs for the Jellico and Byrdstown Systems for the period of January 1, 2019 through December 31, 2019, a copy of which is attached to this Order as Exhibit 1, is approved and adopted and the conclusions and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

2. Navitas TN NG, LLC shall informally file, on a quarterly basis, its Actual Cost Adjustment Account balances with the Tennessee Public Utility Commission Staff.

3. Navitas TN NG, LLC shall file a tariff within thirty (30) days to begin refunding or surcharging the approved balances in the Actual Cost Adjustment Accounts, effective with its November 2020 customer billing.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

4. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

5. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Vice Chairman Herbert H. Hilliard,
Commissioner John Hie, and
Commissioner David F. Jones concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director