BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 9, 2025

IN RE:	)
	)
NAVITAS TN NG, LLC	**) Docket No. 24-00033**
ACTUAL COST ADJUSTMENT (ACA) AUDIT	)

NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE PUBLIC UTILITY COMMISSION

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Public Utility Commission gives notice of its filing of the Navitas TN NG, LLC.'s ACA Audit Report in this docket and would respectfully state as follows:

1. The present docket was opened by the Commission to hear matters arising out of the audit of Navitas TN NG, LLC.'s (hereafter the "Company") ACA filing covering the period January 1, 2022 to December 31, 2022.

2. The Company's ACA filing was received on May 7, 2024, and the Audit Staff (hereafter the "Staff") completed its audit on June 6, 2025.

3. On May 27, 2025, the Utilities Division submitted its preliminary ACA audit findings to the Company via e-mail. The Company responded on June 6, 2025 via e-mail and this response has been incorporated into the final report.

4. The Utilities Division hereby files its Report attached as Exhibit A with the Tennessee Public Utility Commission for deposit as a public record and approval of the findings and the recommendations contained therein.

Respectfully Submitted:

Grace Marek

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Grace Marek, MBA
Utilities Division of the
Tennessee Public Utility Commission

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of June 2025, a true and exact copy of the foregoing has been E-mailed to the following persons:

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EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

NAVITAS TN NG, LLC.

ACTUAL COST ADJUSTMENT

Docket No. 24-00033

PREPARED BY

TENNESSEE PUBLIC UTILITIES COMMISSION

UTILITIES DIVISION

June 2025

COMPLIANCE AUDIT

NAVITAS TN NG, LLC.

ACTUAL COST ADJUSTMENT

Docket No. 24-00033

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I. INTRODUCTION

The subject of this audit is Navitas TN NG, LLC.'s ("Navitas" or "Company") compliance with the Actual Cost Adjustment ("ACA") and Refund Adjustment ("RA") of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Public Utility Commission ("TPUC" or "Commission").[1] The objective of the audit was to determine whether the purchased gas adjustments, which are encompassed by the ACA, and approved by the TPUC for the twelve (12) months ended December 31, 2022, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

The Audit Staff's ("Staff") audit resulted in **four (4) monetary findings and one (1) non-monetary finding**. Therefore, Staff concludes that the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly and in accordance with the TPUC rules for Navitas TN NG, LLC.

III. SUMMARY OF COMPANY FILING

The Company submitted its ACA filings on May 7, 2024, covering the period January 1, 2022 to December 31, 2022. There were separate filings for the Jellico Division and the Byrdstown/Fentress Division. The Jellico Division filing reflected a net balance in its ACA account at December 31, 2022, of **$39,172.86**, which represents an **under-collection** of gas costs from customers. The Byrdstown/Fentress Division filing reflected a net balance in its ACA account at December 31, 2022, of **$9,401.77**, which represents an **under-collection** of gas costs from its customers. The tables below provide a summary of each ACA account as submitted by the Company.[2]

[1] As of April 5, 2017, the name of the Tennessee Regulatory Authority has changed to Tennessee Public Utility Commission and board members of the agency will be known as Commissioners rather than Directors

[2] The positive ending balance of Navitas's Jellico ACA account indicates that the Company has under-collected this amount from its customers as of December 31, 2022. The positive ending balance of Navitas's Byrdstown/Fentress ACA account indicates that the Company has under-collected this amount from its customers as of December 31, 2022. The ACA factors are derived for each division by dividing Staff's corrected ACA balance amounts by the projected sales volumes for the next twelve (12) months in an attempt to refund these amounts over a twelve-month period. See Attachment 1 and Attachment 2. However, there are timing differences between the close of the audit period and the effective date of a new factor. There is always regulatory lag inherent in the true-up process. Larger companies are capable of calculating ACA factors and implementing them immediately, prior to audit. However, the smaller companies are encouraged to await the results of the Staff's audit before implementing an ACA factor.

SUMMARY OF THE ACA ACCOUNTS[3]

Jellico Division

Line No.		Company (as filed)
1	Beginning Balance at 1/1/2022	($5,104.75)
	Activity During Current Period:	
2	Plus Purchased Gas Costs	172,223.52
3	Minus Gas Costs Recovered	128,314.19
4	Plus Interest	368.28
5	**Ending Balance Including Interest at 12/31/22**	$39,172.86

Byrdstown/Fentress Division

Line No.		Company (as filed)
1	Beginning Balance at 1/1/22	$9,055.18
	Activity During Current Period:	
2	Plus Purchased Gas Costs	103,411.42
3	Minus Gas Costs Recovered	103,554.18
4	Plus Interest	489.35
5	**Ending Balance Including Interest at 12/31/22**	$9,401.77

IV. BACKGROUND INFORMATION ON COMPANY

Navitas TN NG, LLC (Local Distribution Company), with its local office located at 613 Sunset Trail, Jellico, Tennessee, is a wholly owned subsidiary of Navitas Assets, LLC (parent company), which has its headquarters at 3186-D Airway Ave., Costa Mesa, California. On December 20, 2010, Navitas was awarded its Certificate of Public Convenience and Necessity (CCN) when the Authority voted unanimously to approve the transfer of control and authority from Gasco Distribution Systems ("Gasco") to Navitas.[4]

[3] A negative number represents an over-recovery (or over-collection) of gas costs; a positive number represents an under-recovery (or under-collection) of gas costs.

[4] In Re: *Joint Petition of Navitas TN NG LLC and Gasco Distribution Systems, Inc. for Approval of Transfer of Control and Authority of Gasco Distribution Systems, Inc.,* Docket No. 10-00220, TRA Order (December 30, 2010).

Navitas is a natural gas distributor, which provides service to approximately 589 customers[5] in the City of Jellico (Campbell County), City of Byrdstown (Pickett County) and a few customers in Fentress County, all of which are located in northeast Tennessee. In addition to Tennessee, the parent company also operates in Oklahoma, Kentucky and Ohio. Navitas purchases the natural gas used to serve these areas from Delgasco, Inc, Petrol Energy, LLC, and B&W Pipeline. Navitas uses B&W Pipeline and Spectra Energy, Inc. to transport the gas.

V. JURISDICTION AND POWER OF THE TENNESSEE PUBLIC UTILITY COMMISSION

Tennessee Code Annotated (T.C.A.) §65-4-104 gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission. By virtue of Chapter 305 of the Public Acts of 1995, jurisdiction and control over public utilities was transferred from the Tennessee Public Service Commission to the Tennessee Regulatory Authority (the "TRA" or "Authority") on July 01, 1996. T.C.A. §65-4-104 states that:

> The Authority shall have general supervision and regulation of, jurisdiction, and control over, all public utilities...

T.C.A. states further in §65-4-111 that the public utilities are to maintain a Uniform System of Accounts:

> The Authority shall have the power after hearing, upon notice, by order in writing to require every public utility... to keep its books, records, and accounts so as to afford an intelligent understanding of the conduct of its business, and to that end to require every public utility of the same class to adopt a uniform system of accounting. Such system shall conform, where applicable to any system adopted or approved by the Interstate Commerce Commission of the United States. And to furnish annually, or at other times as the Authority may require, a detailed report of finances and operations as shown by said system of accounts.[6]

The TRA responded to T.C.A. §65-4-111 by establishing its own rule 1220-4-1-.11 regarding the uniform system of accounts which public utilities should maintain. The TRA's rule provides:

> The following uniform system of accounting will be followed by utilities and other companies making periodic reports to the Authority:

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[5] Annual Report period ending December 31, 2022.

> 1. For Classes A and B gas companies - Uniform System of Accounts as adopted by the National Association of Regulatory Utility Commissioners as revised June 30, 1972, and any amendments or revisions pertaining thereto.

The TRA received its authority to examine the books and records of public utilities from T.C.A. §65-4-105 which states that the TRA would possess all the other powers conferred on the TRA. T.C.A. §65-3-108 gives the TRA:

> full power to examine the books and papers of the said companies, and to examine, under oath, the officers, agents, and employees of said companies...to procure the necessary information to intelligently and justly discharge their duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division of the TPUC is responsible for auditing those companies under the Commission's jurisdiction to ensure that each company is abiding by Tennessee statutes as well as the Rules and Regulations of the Commission. Lisa Foust, Michelle Mairs, and Grace Marek of the Utilities Division conducted this audit.

VI. DESCRIPTION OF PURCHASED GAS ADJUSTMENT (PGA) RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Public Utility Commission. The PGA Rule permits the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect gas costs from its customers.

The PGA consists of three major components:

1) **The Actual Cost Adjustment (ACA)**
2) **The Gas Charge Adjustment (GCA)**
3) **The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed to customers by means of the GCA and the cost of gas invoiced to the Company by suppliers plus margin loss (if allowed by order of the TPUC in another docket) as reflected in the Deferred Gas Cost account. The ACA then "trues-up" the difference between the actual gas costs and the gas costs recovered from the customer through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

> Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

VII. SCOPE OF AUDIT

To accomplish the audit objective, the Staff conducted in-house audit work, during which the Company's calculations of gas costs incurred and gas costs recovered were examined. The Staff also audited a sample of customer bills to determine if the proper PGA rates and ACA rates were being applied in the Company's calculation of the customers' bills. These bills were selected to be representative of the residential, commercial and industrial customers in each of the Company's service areas. The sample was selected from all twelve months of the audit period. Where appropriate, Staff requested additional information to clarify the filing.

VIII. ACA FINDINGS

Staff's audit findings totaled a net over-collection of $34,902.47. This is the result of four (4) monetary findings that represent an over-recovered amount, and one (1) non-monetary finding. When added to the Company's calculated balance, the result is a net ending balance in the ACA Account of $13,672.17.[7] A summary of the ACA Account as filed by the Company and as adjusted by the Staff is shown below, followed by a description of the findings.

SUMMARY OF THE ACA ACCOUNT**

		Navitas Combined Filing	Staff Audit Results	Difference (Findings)
1	Beginning Balance at 1/1/2022	$3,950.44	$3,119.27	($831.17)
2	Plus Purchased Gas Costs	275,634.94	280,230.31	4,595.36
3	Minus Gas Costs Recovered	231,868.37	269,442.66	37,574.29
5	Plus Interest	857.63	(234.75)	(1,092.38)
6	Ending Balance on 12/31/2022	**$48,574.63**	**$13,672.17**	**($34,902.47)**

**A number in ( ) is a negative or credit balance, which represents an over-collection of gas costs. A negative or credit balance for Gas Costs Recovered is the opposite or an under-collection of gas costs.

SUMMARY OF FINDINGS:

FINDING #1	Beginning Balance – Jellico & Byrdstown/Fentress	($831.17)	Over-Recovery
FINDING #2	Purchased Gas Cost – Jellico & Byrdstown/Fentress	4,595.36	Under-Recovery
FINDING #3	Gas Cost Recovery – Jellico & Byrdstown/Fentress	($37,574.29)	Over-Recovery
FINDING #4	Interest – Jellico & Byrdstown/Fentress	($1,092.38)	Over-Recovery
	Net Result:	($34,902.47)	Over-recovery
FINDING #5	Incorrect PGA/ACA Billing Rates		Non-monetary

[7] The ending balance is made up of $21,770.78 under-collection for the Jellico Division and $8,098.61 over-collection for the Byrdstown/Fentress Division.

FINDING #1:

Exception

The Company overstated its beginning balance for the ACA Account by $831.17 across both its Jellico and Byrdstown/Fentress divisions.

Discussion

The Company reported its beginning balance as of January 1, 2022, in the Jellico Division as ($5,104.74), but the ending balance at December 31, 2021 from the previous ACA Audit (Docket No. 21-00108) for the Jellico Division was $1,687.04. The difference in the reported beginning balance resulted in an increase of $6,791.78.

The Company reported its beginning balance as of January 1, 2022, in the Byrdstown/Fentress Division as $9,055, but the ending balance at December 31, 2021 from the previous ACA Audit (Docket No. 21-00108) for the Byrdstown/Fentress Division was $1,432.23. The difference in the reported beginning balance resulted in a decrease of $7,622.95.

Staff recalculated the Company's beginning balance as of January 1, 2022 based on the audited ending balance of Docket 21-00108. The finding represents a decrease **in the Company's beginning balance of a net $831.17.**

Company Response

The Company agrees with staff finding.

FINDING #2:

Exception:

The Company's purchased gas cost was understated for its Jellico Division and overstated for its Byrdstown/Fentress Division.

Discussion

The Company understated its purchased gas cost in the Jellico Division due to reporting incorrect monthly invoiced gas costs in April and June 2022. Staff re-calculated purchased gas cost based on the actual Delgasco monthly invoices and adjusted for the difference. The adjustment increased the purchased gas cost by $11,840.17 for the Jellico Division.

The Company overstated its purchased gas cost in the Byrdstown/Fentress Division due to three (3) factors: 1) incorrect sales volumes and allocation percentages, 2) including interest charged on past due Enbridge/Spectra late payments, and 3) duplicate B&W transportation costs. Staff re-calculated gas cost based on the correct sales volume and allocation percentages, removed the interest on late payments to Enbridge/Spectra, and removed duplicate B&W transportation costs. The adjustments decreased the purchased gas cost by $7,244.81 for the Byrdstown/Fentress Division.

The finding represents an increase **in the Company-reported purchased gas cost of a net $4,595.36.**

Company Response

The Company agrees with staff finding.

FINDING #3

Exception

The Company understated its total recovered gas cost by $37,574.29 across its Jellico and Byrdstown/Fentress Divisions.

Discussion

The Company understated its gas cost recovered in the Jellico Division due to using incorrect sales volumes and billing PGA and ACA rates that differed from those reported. The difference in the reported sales volumes and PGA/ACA rates increased the recovered gas cost by $35,344.52.

The Company understated its gas cost recovered in the Byrdstown/Fentress Division due to using incorrect sales volumes and billing PGA and ACA rates that differed from those reported. The difference in the reported sales volumes and PGA/ACA rates increased the recovered gas cost by $2,229.77.

Staff recalculated gas cost recovery based on the Company's sales volume reports and the actual PGA/ACA rates billed to customers. The finding represents a **net increase of $37,574.29 in the Company-reported gas cost recovered from customers.**

Company Response:

The Company agrees with staff finding.

FINDING #4:

Exception

The Company understated the total interest due to customers by $1,092.38.

Discussion

Staff was required to recalculate total interest based on the revised ACA monthly balances identified in the findings above. In addition, the Company used an incorrect interest rate for its Jellico Division in October 2022, which Staff needed to correct in the ACA calculation. The net impact of this finding is **an increase in interest costs due to customers of $1,092.38.**

Company Response:
The Company agrees with staff finding.

Finding #5

<u>Exception</u>

The Company billed incorrect PGA/ACA rates during the audit period for its Jellico and Byrdstown/Fentress Divisions. The discovery of the incorrect billing rates does not lead to a monetary adjustment of the ACA Account balance.

<u>Discussion</u>

For the period January 2022 through July 2022, the Company implemented a PGA rate different than approved by the Commission for the Company's Jellico Division. In January 2022 and February 2022, the Company billed a PGA rate of 0.82220, but the approved PGA rate was 0.27900. In March 2022, the Company billed a PGA rate of 0.71020, but the approved PGA rate was 0.59821. During the period April 2022 through July 2022, the Company billed a PGA rate of 0.71020, but the approved PGA rate was 0.44771. The Company also billed an incorrect ACA rate in one month of the audit period for the Company's Jellico Division. In March 2022, the Company billed an ACA refund rate of -0.26250, but the approved ACA refund rate for March 2022 was -0.11200.

For the period January through November 2022, the Company implemented a PGA rate different from that approved by the Commission for the Company's Byrdstown/Fentress Division. In January and February 2022, the Company billed a PGA rate of 0.93489, but the approved PGA rate was 0.93510. In March 2022 through July 2022, the Company billed a PGA rate of 0.99219, but the approved PGA rate was 0.99969. In August and September 2022, the Company billed a PGA rate of 1.00067, but the approved PGA rate was 0.99969. In October and November 2022, the Company billed a PGA rate of 1.69238, but the approved PGA rate was 1.00067. The Company also billed an incorrect ACA rate in one month of the audit period for the Company's Byrdstown/Fentress Division. In March 2022, the Company billed an ACA rate of 0.00750, but the approved ACA rate for March 2022 was 0.06480.

The calculation of the Ending Balance in the Actual Cost Adjustment Account is based on *actual* gas costs *paid* versus *actual* gas cost *recovered*. Therefore, **this is a non-monetary finding.**

<u>Company Response:</u>
The Company agrees with staff finding.

IX. CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed the gas costs and recoveries of Navitas TN NG, LLC for the twelve (12) month period ended December 31, 2022. Based on the filing as shown in Section VIII, the **net balance** in the ACA Account as of December 31, 2022, should be **$21,770.78 (under-collection) for the Jellico Division and negative $8,098.61 (over-collection) for the Byrdstown/Fentress Division.** The net ending balance in the combined Navitas filing, as summarized in Section VIII of the Report is $13,672.17 under-collection.

In order to adjust the Jellico and the Byrdstown/Fentress ACA balances, the correct ACA adjustment factor to be applied to customer bills in the **Jellico Division** is **$0.0821 per CCF** (see Attachment 1), and the correct ACA adjustment factor to be applied to customer bills in the **Byrdstown/Fentress Division** is (**$0.0944) per CCF** (see Attachment 2).

Staff recommends that these factors be implemented beginning with the Company's July 2025 billing and should stay in effect until new factors are calculated and approved in Navitas' next ACA filing covering the period January 1, 2023 through December 31, 2023.

It is important for Navitas to closely monitor its ACA balance on a monthly basis. As actual data is gathered at the end of each month, the ACA schedule can be updated to the latest balance. This balance, along with gas cost increases and decreases in the market, should be a factor in the Company's decision whether a tariff filing to adjust the PGA adjustment factor is needed. If the Company filed more frequent PGA adjustments, customers would see smaller increases or decreases throughout the year, instead of a drastic rate change at the end of the audit. **Staff, therefore, recommends that the Company monitor its ACA balances more closely and report these balances quarterly to TPUC Staff to determine if a PGA filing is warranted.**[8]

[8] TPUC Rule 1220-04-07 (PGA Rule) does not require the Company to quarterly file its ACA balance with TPUC Staff nor does it prevent the Commission from ordering it. These reports could ensure that the gas costs are more evenly spread to customers over the year.

Attachment 1

Navitas TN NG, LLC
Calculation of the ACA Factor
(for Jellico customers)

Line No.	Factor to be applied to residential, commercial and industrial customers:			
1	Beginning Balance at 1/1/22	$	1,687.04	
2	Plus Purchased Gas Costs		184,063.69	
3	Minus Gas Costs Recovered		(163,658.71)	
4	Plus Interest		(321.24)	
5	Ending Balance Including Interest at 12/31/22	$	**21,770.78**	
6	Sales Volumes **		265,199	CCF
7	**ACA Factor - surcharge/(refund)** (Line 5 divided by Line 6)	$	**0.0821**	**Per CCF**

** Historical sales volumes for 12 months ending 12/31/22

Attachment 2

Navitas TN NG, LLC
Calculation of the ACA Factor
(for Byrdstown/Fentress customers)

Line No.	Factor to be applied to residential, commercial and industrial customers:			
1	Beginning Balance at 1/1/22	$	1,432.23	
2	Purchased Gas Costs		96,166.62	
3	Gas Costs Recovered		(105,783.95)	
4	Plus Interest		86.49	
5	Ending Balance Including Interest at 12/31/22		**(8,098.61)**	
6	Sales Volumes **		85,767	CCF
7	**ACA Factor - surcharge/(refund)** (Line 5 divided by Line 6)	$	**(0.0944)**	**Per CCF**

** Historical sales volumes for 12 months ending 12/31/22

APPENDIX A

PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + DACA}{SF} - DB + \frac{P + T + SR + CACA}{ST} - CB$$

$$\text{Non-Firm GCA} = \frac{P + T + SR\ \ CACA}{ST} - CB$$

where

GCA	=	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
D	=	The sum of all fixed Gas Costs.
DACA	=	The demand portion of the ACA.
P	=	The sum of all commodity/gas charges.
T	=	The sum of all transportation charges.
SR	=	The sum of all FERC approved surcharges.
CACA	=	The commodity portion of the ACA.
DB	=	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
CB	=	The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
SF	=	Firm Sales.
ST	=	Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{DR1 - DR2}{SFR} + \frac{CR1 - CR2 + CR3 + i}{STR}$$

$$\text{Non-Firm RA} = \frac{CR1 - CR2 + CR3 + i}{STR}$$

where

RA	=	The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
DR1	=	Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
DR2	=	A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
CR1	=	Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
CR2	=	A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
CR3	=	The residual balance of an expired Refund Adjustment.
i	=	Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.

SFR = Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.