

TENNESSEE REGULATORY AUTHORITY



502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

May 9, 2014

Henry Walker
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, Tennessee 37203

RE: Docket No. 13-00151, *Petition of B&W Pipeline, LLC for a Certificate of Convenience and Necessity*

Dear Mr. Walker:

In order for the Authority to further evaluate your petition and for this matter move along as quickly as possible, it is requested that you provide complete responses to the attached list of questions. In accordance with Authority rules submit either (1) thirteen written copies of your response or (2) four written copies and an electronic version. Should you have any questions or need clarification of this request, please contact Patsy Fulton at (615) 770-6887.

Sincerely,

David Foster
Chief, Utilities Division

Attachment

C: Docket File
Rafael E. Ramon, Controller

1. The Data Response states that B&W will have access to additional funds from its shareholders. Provide the name, address and phone number of each shareholder.
2. Provide financial reports (balance sheet, income statement and cash flow statement) for FIR Energy for each of the last three years.
3. Describe in detail all business ventures that FIR Energy is currently involved in. Please separate by state jurisdiction.
4. Provide a copy of the license to do business for FIR Energy. Provide the names, phone numbers and addresses of FIR Energy's principal officers.
5. Provide financials (balance sheet, income statement and cash flow statement) for MI Energy for each of the last three years.
6. Provide Federal Income Tax Returns for B&W Pipeline, LLC for 2011, 2012 and 2013.
7. Provide Federal Income Tax Returns for FIR Energy for 2011, 2012 and 2013.
8. Provide a copy of the contract between B&W Pipeline, LLC and Navitas. The contract provided is between the previous President of Gasco (Fred Steele) and Highland Rim Energy (no longer the management company of B&W Pipeline, LLC). In addition, the contract provided was signed and dated by both parties on October 13, 2010 (after the registered sale date). Therefore, provide the TRA with (1) a copy of a *Transportation Agreement* between B&W Pipeline, LLC and the new owners of Gasco (Navitas TN NG, LLC.), (2) a document where Navitas has assumed the contract that was negotiated October 13, 2010, or (3) a tariff.
9. Data Response No. 1 contained a *Bill of Sale between Titan Energy Group, Inc. and B&W Pipeline Systems Interest*. Provide a copy of the Asset Purchase Agreement, originally dated June 11, 2010 (referred to on the first page of the *Bill of Sale*) and provide any amendments to the Agreement.
10. Please explain in detail the process by which B&W Pipeline, owned by Titan Energy Group, Inc., purchased the pipeline out of bankruptcy, as stated in the response to number 5 of the Data Response filed in this Docket on March 5, 2014. Did Titan Energy Group, Inc. file for bankruptcy? If so, provide a copy of any bankruptcy information on Titan Energy Group, Inc.
11. Provide a copy of the *Asset Purchase Agreement* where FIR Energy purchased the assets of B&W Pipeline from the previous owners in bankruptcy court in 2010 (referred to in data response number 11 from the Data Response filed in this Docket March 5, 2014).
12. Provide a detailed explanation of all business ventures that B&W Pipeline LLC is currently involved in, including but not limited to products sold (and to whom) and all services provided (and to whom). Please separate by state jurisdiction.
13. Explain in detail why this pipeline is necessary to meet the public need. Please describe and provide proof of all firm commitments to purchase gas from B&W.
14. Describe all services and products that B&W intends to sell via the pipeline in the future.
15. If Navitas is the only customer of the pipeline, how does B&W Pipeline, LLC intend to use the pipeline going forward if Navitas decides not to use the pipeline in future years.
16. Provide a detailed list of the regulated sales and services that B&W Pipeline, LLC provides to Navitas (B&W's only customer as stated in Data Response #26 in Data Response filed March 5, 2014).

17. Provide a detailed list of the non-regulated sales and services that B&W Pipeline, LLC provides to Navitas (B&W's only customer as stated in Data Response #26 in Data Response filed March 5, 2014).
18. Schedule 2.1H of the *Bill of Sale* between Titan Energy Group and B&W Pipeline (provided in Data Response 1) referred to Gas Purchase Agreements between (1) Gasco, Inc. and Dan Page, (2) Gasco, Inc. and Young Oil Company, and (3) Gasco, Inc. and Irvin Arnco (Arnco Oil Company). These contracts were stated to be related to, or affected the sale. Please provide copies of these contracts.
19. Provide a list of the seven (7) customers (name and address) that are currently receiving free gas from B&W Pipeline, LLC. The response to number 7 in the Data Response filed March 5, 2014 stated that "each customer's situation is different".
 - a. Explain each situation and state the progress that has been made in moving each customer, by customer name.
 - b. If the Petitioner finds that some customers do in fact have a right to free gas and neither Navitas or B&W plan to provide free gas to the customers, please explain how B&W will fulfill its legal obligation to pay for the easement.
20. What is the net book value of the pipeline (specifically) as of this date? Provide calculations of how you arrived at the net book value.
21. Is Charles Hercher connected to, partner of, or employed by B & W Pipeline, LLC or any of the affiliate companies, such as Enrema, Fir Energy, FWM Energy, Rugby energy, etc.? If so. Please describe his associations and responsibilities with each company.
22. Data Response No. 12, filed on March 5, 2014, contained a study titled "Immediate and Future" Things to correct in the event this system is purchased. Please confirm by individual item whether they have been corrected. If they have not been corrected, please explain why. (The pages are not numbered in this study; however, these items can be found on the third page of the report).
23. Provide the names, addresses, positions and expertise of each of the new current owners/principals/officers/members of B&W Pipeline, LLC. The Organization Chart was provided in response to Data Response # 2; however, the answer to this question should include specific individuals within the organization along with their current expertise to ensure the TRA that B&W Pipeline, LLC is financially, technologically and managerially capable of operating a pipeline.
24. If B&W Pipeline, LLC has no employees with an operator qualification plan in place, explain how B&W Pipeline, LLC can be compliant with being technically able to operate a gas pipeline in Tennessee. (Added)
25. Three of the "Key Personnel" provided in their resumes that they are Enrema employees. Describe in detail the individual responsibilities and duties that each of the following three "Key Personnel" perform in the operation of the B&W Pipeline: Rafael E. Ramon, Marcello M. Recchia and Nelson Bastidas.
26. The resume of Frank Cash provided that he is an employee of B&W Pipeline, LLC as Pipeline Manager. Is he a direct employee of B&W Pipeline, LLC? However, since it was stated that B& not, who is he employed by and how much time is devoted to B&W Pipeline, LLC?

27. Does Enrema provide all management and administrative expertise and, therefore are all expenses billed by Enrema, such as legal, accounting, billing, collections to B&W?
28. When asked what functions Enrema performed for B&W Pipeline, LLC in Data Response #3 filed on March 5, 2014, B&W replied that it "functions as a service company to provide management and operational expertise for B&W Pipeline, LLC." Please explain the specific functions it performs to provide management and operational expertise. Does Enrema outsource the functions or does it have employees that perform the functions?
29. When MI Energy changed the management company from Highland Rim Energy, LLC to Enrema, did HRP GP, LLC's (Highland Rim Energy, LLC's parent) ownership in FIR Energy, LLC change?
30. Please list all companies managed by Enrema, LLC?
31. How many employees does Enrema, LLC have?
32. Provide a detailed explanation of why B&W Pipeline, LLC is operating at a \$1,165,926.15 loss. In addition to the explanation, provide a detailed explanation to the following:
 - a. Data response No. 18 (requesting an expense summary by account by month for 2012 and 2013 for B&W Pipeline) states that some of the expenses are associated with the production of oil. Does B&W Pipeline, LLC currently produce oil in Tennessee or other states? Do the financial statements submitted in this docket for B&W Pipeline LLC include any non-regulated amounts? If so, please identify and explain.
 - b. If the financials provided include both regulated and non-regulated amounts, please separate the regulated amounts (according to the Uniform System of Accounts) from the non-regulated amounts and provide a set of financials for each, inclusive of balance sheet, income statement and statement of cash flows.
 - c. Explain what caused the operator fee to increase from \$662,952 in 2012 to \$883,771 in 2013 without any additional customers.
 - d. Provide a detail list of services included in the \$883,771 in 2013, including hours charged, hourly wages and any benefits. Please separate by direct and allocated expenses and include any assumptions used for allocations. Please do not point us to the transaction list in data response 18, where approximately \$81,000 was charged on a monthly basis (March to October) from Enrema, but list the expenses (as outlined above) that total to the approximately \$81,000 monthly from Enrema.
 - i. Please provide this for all months, by month, in 2013 January thru December.
 - ii. Please provide why there was a reduction in expense from October to November.
 - iii. Explain the increase from \$62,000 to \$81,000 from February to March.
 - e. Provide the allocation method and percentages used by Enrema to charge approximately \$81,000 monthly to B&W in 2013.
 - i. Provide the total amount of expenses that were incurred by Enrema monthly for all Enrema Companies.
 - ii. Provide the percentages charged to all other Enrema companies in 2013.
 - f. Provide a detail list of services included in the \$ 662,952 in 2012, including hours charged, hourly wages and any benefits. Please separate by direct and allocated

expenses and include any assumptions used for allocations. Please provide this for all months, by month, in 2012 January thru December.

- g. Provide the allocation method and percentages used by Enrema to charge the monthly amount to B&W for 2012.
 - i. Provide the total amount of expenses that were incurred by Enrema monthly for all Enrema Companies.
 - ii. Provide the percentages charged to all other Enrema companies in 2012.
- h. Provide the detailed breakdown at the subaccount level (ex. 52111) of the Overhead Fee of: 1) \$213,413.55 for 2011, 2) \$309,786 for 2012 and 3) \$254,874 for 2013. State whether these expenses are direct or allocated. If allocated, provide the allocation percentage of each subaccount (ex. 52111) that makes up Overhead Fees charged to B&W, the allocation method used to arrive at each expense and how the Company chose the allocation method(s) used. (Ex). Legal Fees (52111) provide allocation percent charged to the pipeline plus an explanation of how the legal fees were incurred. Provide same for Dues and Subscriptions, etc.
- i. If Navitas is the only customer of B&W, (as stated in the Petition and the response to No. 26 in the Data Response filed March 5, 2014) what makes up the additional revenue on the Income Statements provided, specifically the Profit and Loss statement of December 2013? The transport revenue based on the December, 2013 Profit & Loss statement for Navitas is \$27,711.79.
- j. What is Compression Service and why is it used?
- k. Why are fees paid to the U.S. Department of Transportation?
- l. Expenses are listed under a heading of Jan 2012-Dec 2013; however, only expenses for 2013 are listed within the detail. Please explain.
- m. Please describe in detail the services that Childers Blackburn performs for B&W?
- n. Please describe in detail all services that Manuel Quirarte performed for the \$54,050.00 spent in 2013?
- o. How is it determined that an expense will go on the financial statement as a paid vendor expense or as part of the Enrema Management Fee or Overhead Fee?
- p. Provide the method used to determine the useful life of each of the seven (7) sections of the pipeline used in the calculations for Depreciation Expense filed as Exhibit 4 to the Petition.
- q. Data Response No. 11 filed on March 5, 2014 stated that the net book value of the pipeline that B&W Pipeline, LLC purchased from Titan Energy was unknown due to lack of information of the net book value of the previous owners. Please state the net book value of the pipeline to date and how B&W Pipeline, LLC arrived (calculations) at the net book value of the pipeline to date.
- r. Referencing p and q above, provide an itemization and explain how B&W Pipeline, LLC determined the cost basis of the pipeline on the Depreciation Expense schedule provided in Exhibit 4 to the Petition.
- s. How much did B&W Pipeline, LLC pay for the pipeline purchased from Titan Energy Group, Inc.?

- t. Please provide any documents used in arriving at the determined depreciated value of the pipeline such as appraisals, etc.
 - u. Has B&W Pipeline, LLC made any improvements or additions to the pipeline since the 2010 purchase? If so, provide an itemization and explain the improvements.
 - v. Has B&W Pipeline, LLC made any retirements to the pipeline since the 2010 purchase? If so, provide an itemization and explain.
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- 33. Since there is no contract in place between Navitas and B&W to transfer the seven (7) customers, who will the seven customers will be receiving their gas from and at what rate? Please provide a copy of the notification to those customers of the proposed transfer, date of transfer, and the rate the transferee will be billed.
 - 34. Provide a copy of any emergency plan procedures that the pipeline has in place and a phone number that is answered 24 hours a day, 365/366 days a year.
 - 35. Provide Pre-Filed Testimony from an owner/officer/member of B&W Pipeline, LLC attesting to the financial, technical and managerial ability of B&W Pipeline, LLC.
 - 36. Provide the individual(s) at B&W Pipeline, LLC who is/are managerially responsible to hire the accountants, lawyers, technical experts and regulatory experts as needed through an "engagement letter" and explain how all needed tasks can be performed on a continual basis.
 - 37. If "B&W Pipeline, LLC has no employees of its own" (as stated in Data Response #4 of the March 5, 2014 filing), who will decide on selection (hiring and firing) of a management company?
 - 38. Provide a copy of the contract between Enrema, LLC and B&W Pipeline, LLC that is inclusive of the terms, conditions, products and/or services provided and negotiated rates.
 - 39. Since B&W Pipeline, LLC is located and does business in Tennessee by servicing customers in Tennessee, provide a copy of the license to do business in the State of Tennessee.
 - 40. Provide a cost allocation manual that B&W will use to allocate any expenses between its regulated business and unregulated business.
 - 41. Provide the cost allocation manual that Enrema uses to allocate expenses to each of the companies it manages.