**BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE:	)	
PETITION OF B&W PIPELINE, LLC	)	**DOCKET NO. 15-00042**
FOR AN INCREASE IN RATES	)	

CONSUMER ADVOCATE AND PROTECTION DIVISION'S SUPPLEMENTAL RESPONSE TO FIRST DATA REQUESTS OF TENNESSEE REGULATORY AUTHORITY

The Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate") hereby submits its supplemental response to the Data Request of Tennessee Regulatory Authority to the Consumer Advocate filed on August 24, 2015.

1. On page 22 of Ralph C. Smith's Direct Testimony, an allocation percentage of 20% is recommended for the Operator Fee to B&W's pipeline operations. Please provide support for this allocation factor and a detailed calculation of how this allocation factor was derived.

RESPONSE: The following explanation is provided as support for the amount of affiliate Operator Fee to be charged to B&W's pipeline utility operations. The allocation to utility operations of the affiliate Operator fee was derived based on judgment rather than on a specific detailed calculation, although certain quantitative information was considered in our analysis. The total Operator Fee which is charged to B&W by an affiliate, Enrema, is stated by B&W to be $273,000 per year. B&W proposes to allocate 50% of it to utility operations and the other 50% to non-utility operations ($11,375 per month x 12 months is $136,500, which is 50% of the total Operator Fee is $273,000 per year). The information provided by B&W through the discovery process was reviewed, and the Company's proposed allocation of this affiliated charge to utility operations is being challenged. A review of B&W's general ledgers for 2013 and 2014 indicates significant activity for non-regulated activity, such as most of the $486,216 of well improvements since B&W acquired the oil and gas wells form the previous owner. Additionally, since B&W's acquisition of the oil and gas wells and pipeline in September 2010, most of B&W's revenue and net margins have been from oil and gas sales and royalties, and not from pipeline transportation service. The revenues and net margins from oil and gas operations have historically outweighed B&W's historical revenue from Navitas for gas transportation services. For example, B&W's 2012 information shows that its gross profit of $182,582 includes $19,729 for the provision of gas transportation services to Navitas and $162,853 of gross profit from oil and gas sales and royalties. Using those figures, approximately 11% of B&W's gross profit for 2012 was from gas transportation service and 89% was from oil and gas sales and royalties. The revenue from gas transportation services would be expected to increase from the increased throughput that has been estimated for 2016 and from any rate increase that is granted to B&W in the current rate case; however, transporting additional volumes of gas through the pipeline or charging higher rates for the gas transportation service may not entail proportional additional work from the affiliate labor that is providing the services to B&W covered in the Operator Fee. In contrast, the non-regulated operations involving oil and gas exploration and development may continue to require larger proportions of the affiliate labor time. We also note that a significant number of new accounts were created in 2013 related to correcting accounting records relating to oil and gas production wells (see, e.g., B&W's response to CAPD 2-12) and accounting entries were made for subsequent transfers of oil and gas wells from B&W to another affiliate, Rugby Energy (see, e.g., CAPD 1-27 and CAPD 2-14); we view those activities as appropriately being assigned to non-pipeline operations, e.g., to oil and gas wells and related activities. Moreover, Enrema, the affiliate that is charging the Operator Fee, has most of its income from gas sales, see, e.g., CAPD 2-22, which shows $323,493 sales of gas (to Navitas) in 2014, and $221,413 in 2013. The revenue from sales of gas from B&W and Enrema has exceeded the revenue from gas transportation service provided by B&W pipeline. Also see invoices provided in response to TRA Staff Data Request 1-2, which include invoices from B&W Pipeline to Navitas for natural gas produced from Enrema wells. Rugby Energy balance sheets and income statements that were provided in response to TRA Staff Data Request 1-16 were also reviewed. The 2014 information in that response shows Oil and Gas sales of $245,625 (account 41110) and an Operator Fee of $303,500 (account 51810). After reviewing all available information in the case including the available books and records of B&W and its affiliates that were made available, it was concluded that considerably more than half of the revenue relates to oil and gas production and Enrema charges for B&W pipeline operations should be considerably less than the one-half proposed by B&W. Based on considerations such as those described above, a one-fifth allocation (i.e., 20%) for this affiliated charge is being recommended instead of the Company's proposed 50%.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 4 day of Sept, 2015

Rachel A. Newton