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	)	

PETITION FOR CLARIFICATION

B&W Pipeline, LLC ("B&W") requests clarification of the Authority's December 14, 2015 decision[1] in the above-captioned proceeding in order to file a tariff consistent with the agency's findings.

Fixed Customer Charge

The Authority found that B&W has a total revenue requirement of $280,835 for the calendar year 2016 (the attrition period). Recognizing that "it is preferable to design rates where revenues remain relatively constant and shortfalls of revenues due to the volatility of gas usage are minimized" (transcript at 11), the Authority directed the pipeline to recover $210,624 of its revenue requirement (75% of the total) through a fixed, monthly charge which is allocated between the pipeline's two, current customers – Navitas and Rugby Energy – based on each customer's projected, proportional usage for 2016.

As stated in the transcript (at 5), the Authority projected that Navitas' total throughput for 2016 would be 180,411 Mcfs and that the total throughput for Rugby Energy would be 47,450 Mcfs. In order to recover $210,624 in fixed charges from these two customers, the Authority directed B&W to charge Navitas $13,897 per month and to charge Rugby Energy $3,655 per

[1] The decision was orally announced on December 14, 2015. A copy of the transcript is attached. The Authority has not yet issued a written order.

month. The charge is based on each customer's projected usage in proportion to the pipeline's projected total throughput of 227,861 Mcfs for 2016.

The Authority did not address how the fixed customer charges should be calculated if there is a change in the number of customers or in a customer's proportional usage. In the absence of specific guidance from the Authority but consistent with the Authority's purpose of keeping revenues "relatively constant" while allocating the charges "based upon the percentage of Mcfs used by each customer relative to the total throughput of Mcfs transported" (transcript at 12), B&W has filed a proposed tariff in which the company on January 1 of each year will make an annual adjustment to the fixed charge. See attached "Original Sheet No. 2." The purpose of the adjustment is to re-calculate each customer's fixed monthly charge based on the customer's actual usage during the prior calendar year. The total amount recovered through the fixed charged – $210,624 – will not change, but the allocation between (or among) the pipeline's customers will change "based on the percentage of Mcfs used by each customer relative to the total Mcfs transported" during the prior calendar year. Under the company's proposal, the first such adjustment will be made effective January 1, 2017.

<u>Volumetric Charge</u>

B&W also seeks clarification regarding its volumetric charge. The Authority directed B&W to collect $70,211 (25% of its annual revenue requirement) through a volumetric charge on all throughput. Based on the Authority's finding that the pipeline's total throughput for 2016 would be 227,861 Mcfs, the Authority calculated that a volumetric charge of $0.3081 per Mcf would, if the Authority's prediction of total throughput is correct, produce exactly $70,211 in revenue in 2016.

Here again, the Authority's decision did not address whether the volumetric charge should be re-calculated on a going forward basis if there is a change in the total amount of gas carried through the pipeline. In keeping with the Authority's goal to insure that "shortfalls of revenues due to the volatility of gas usage are minimized," B&W has proposed in its tariff to re-calculate the volumetric charge each year, beginning January 1, 2017, based on actual throughput during the prior calendar year. See attached "Original Sheet No. 3." The total amount recovered – $70,211 – will not change, but the volumetric charge per Mcf will be adjusted, upward or downward, based on the prior year's actual throughput. Without such an adjustment, the "volatility of gas usage" could lead to a substantial shortfall in revenue, contrary to the Authority's goal of keeping revenues "relatively constant" and shortfalls "minimized."[2]

<u>Conclusion</u>

B&W respectfully asks that the Authority clarify its intentions by confirming that the company's proposed adjustments to the fixed and volumetric charges are consistent with the Authority's decision in this case.

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

By: ______________________

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[2] The volatility in gas usage is illustrated by the fact that in 2015, B&W's actual, total throughput was only 139,625 Mcfs, substantially less than the TRA's projected throughput of 227,861 Mcfs for 2016.

CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of February, 2016, a copy of the foregoing document was served on the parties of record, via electronic delivery and U.S. Mail, postage prepaid, addressed as follows:

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Henry Walker

In The Matter Of:

Before the Tennessee Regulatory Authority

Excerpt of Transcript of Authority Conference

TRA Docket No. 15-00042

December 14, 2015

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

EXCERPT OF

TRANSCRIPT OF AUTHORITY CONFERENCE

Monday, December 14, 2015

APPEARANCES:

For TRA Staff: Ms. Sharla Dillon

Reported By:
Patricia W. Smith, LCR, RPR, CCR

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(The aforementioned Authority Conference came on to be heard on Monday, December 14, 2015, beginning at 1:00 P.M., before Chairman Herbert Hilliard, Vice Chairman David F. Jones, Director Robin L. Morrison, and Director Kenneth C. Hill. The following is an excerpt of the proceedings which were had, to-wit:)

(The following proceedings began at 1:15 P.M.)

MS. DILLON: Next we have Section 10, Directors Morrison, Hilliard, and Jones.

Docket No. 15-00042, B&W Pipeline, LLC. Petition of B&W Pipeline, LLC, for an increase in rates. Deliberations.

CHAIRMAN HILLIARD: During the hearing in this matter, the issue of jurisdiction arose due to questions about B&W's Hinshaw status, as it is clear that some of the gas that B&W delivers to Navistar [verbatim] is ultimately delivered to and consumed in Kentucky. Based on the TRA's statutory authority, the federal regulatory framework, and the Federal Energy Regulatory Commission's application of its regulations in similar circumstances, I find that the Authority has the jurisdiction to set a rate that shall apply to gas delivered to Navistar that is -- that is consumed

within the borders of Tennessee.

I further find that B&W is required by federal authority to address compliance with Federal Energy Regulatory Commission rules and regulations, specifically with respect to the rates charged for the transportation of gas to Navistar that is ultimately consumed in Kentucky, through a Federal Energy Regulatory Commission Order 63 application. The Final Order in this matter should be provided to the Federal Energy Regulatory Commission as part of the process wherein the Commission may adopt the same rate we establish today.

I so move.

VICE CHAIRMAN JONES: I second and vote yes.

Do -- do we do it here, Kelly? Or --

CHAIRMAN HILLIARD: Yeah.

VICE CHAIRMAN JONES: -- at the end of each motion?

MS. GRAMS: Yeah, we do it after each section.

VICE CHAIRMAN JONES: Because I know --

CHAIRMAN HILLIARD: After each section.

VICE CHAIRMAN JONES: -- we've got multiple motions here.

CHAIRMAN HILLIARD: Yeah, after each section.

VICE CHAIRMAN JONES: Okay.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: All right. I find that the proper throughput for Navistar's current customers should be based on Navistar's test period transportation throughput provided by B&W, rather than the sales volume provided by Navistar.

Further, I find that the best determination of throughput that will occur during the attrition period ending December 31, 2016, for B&W's affiliates is B&W. Likewise, Navistar is the best judge of anticipated throughput for Navistar's two additional customers.

Therefore, I move to adopt transportation throughput for Navistar's current customer base of 60,411 Mcfs, B&W's estimate -- estimated affiliate throughput of 47,450 Mcfs, and Navistar's estimated throughput of 120,000 Mcfs for the two additional customers. This totals 227,861 Mcfs.

I so move.

VICE CHAIRMAN JONES: Second and vote yes.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: As the Company's lawyer pointed out at the hearing, there is no clear evidence of what rate base ought to be -- what the rate base ought to be. He further stated that the rate base at this point is a question of policy and fairness.

Based on the evidence in this proceeding, I find that including the pipeline at original cost is the solution that is most fair to both customers and B&W.

Further, the 2008 tax return of Gasco Distribution Systems, Inc. and subsidiaries provides the best support for the prior owner's original cost and the value of the pipeline at the time of acquisition.

Therefore, I move that B&W's plant in service include $923,364 as the original cost of the pipeline, which includes the prior owner's original cost of plant of $854,826 and land of $68,538. Including $923,364 as the original cost of the pipeline, along with $437,715 of uncontested additions since B&W's acquisition, as well as uncontested land, structures, and intangible property of $119,842, results in total plant in service of $1,480,921.

I further move to adopt accumulated depreciation of $919,975, which includes accumulated

depreciation of $854,826 related to the original pipeline acquired by B&W and $65,149 of accumulated depreciation related to the new additions.

I so move.

VICE CHAIRMAN JONES: Second and vote yes.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: It is reasonable to determine that allocation factors supported by some evidence are more appropriate than relying simply on an individual party's opinions and judgment. The Company provided a schedule listing the components that make up operating fees and the allocation factors for assigning the components to the pipeline. The Company allocated the labor and benefit costs based on estimated time spent on the utility's business. The Consumer Advocate relied on its professional judgment and opinions to arrive at its allocation factors.

While salary and wage rates, time reports, or other documentation could have further supported the amount of labor and benefits allocated to the pipeline, the Company's estimate is the best supportable estimate in the record. For this reason, I move the allocation factor for operating fees should be 50 percent, resulting in operating fees of $136,500

annually.

I would caution the Company that in future cases it should file allocation factors with more supportive documentation, rather than relying solely on employees' judgments. Absent such additional support, future requests for recovery of operator fees may be disallowed.

I so move.

VICE CHAIRMAN JONES: Second and vote yes.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: Since this is the Company's first rate case since its acquisition of the pipeline and since there is no history from which to estimate the frequency of the Company's rate filings, I move to defer rate case expense of $60,000 over a three-year period. This results in an annual amortization of rate case expense of $20,000 and an average deferred balance of $50,000 to be included in rate base.

Regard -- with regard to Certificate of Public Convenience and Necessity costs, which -- such costs are normally deferred upon approval of such request from the Company. Although B&W did not ask for deferral of its CCN costs at the time it obtained its

CCN, no party is opposed to establishing a deferral account at this time with amortization over a specified period of time. I therefore move to remove CCN costs from expenses and allow deferral of $74,383 of CCN costs.

As with rate case expense, I further move to allow a three-year recovery period of the CCN costs. This results in an annual amortization of CCN costs of $24,794 and an average deferred balance of $61,986 to be included in rate base.

I so move.

VICE CHAIRMAN JONES: I second and vote yes.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: Based on the agreement of the parties, I move to adopt an 8.5 percent overall return on rate base as the Company's authorized rate of return.

I so move.

VICE CHAIRMAN JONES: I second and vote yes.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: B&W recommends a test period consisting of the twelve months ended December 31, 2014, and an attrition period consisting

of the twelve months ended December 31, 2016. I find that the proposed test period and attrition period are reasonable and should be adopted.

Also, as I have previously moved, I find that B&W's plant in service should be $1,480,921 and accumulated depreciation should be $919,975. Consistent with my previous motion for rate case expense and CCN costs, I further find that deferred rate case expense should be $50,000 and unamortized CCN costs should be $61,986, resulting in a total rate base of $672,932.

Based upon my previous motions, I find that total revenues at current rates for the attrition period should be $136,717, and total expenses should be $223,635, which are based on the following adjustments:

Bank fees were reduced for the removal of overdraft charges;

Rate Case Expense and CCN costs were amortized over three years;

Taxes Other Than Income was reduced to remove taxes related to unregulated activities;

Professional Services was reduced by the unamortized CCN costs that were placed in rate base, and one year of amortization was included in expenses; and

Depreciation was restated to reflect the above recommendations regarding plant in service.

In summary, based on my previous recommendations concerning rate base, authorized rate of return, revenues at current rates and operating expenses, I find a revenue deficiency of 144 -- $144,118 for the attrition period. And based on the Company's revenues at current rates and revenue deficiency, I find a total revenue requirement of $280,835 for the attrition period.

I so move.

VICE CHAIRMAN JONES: Second and vote yes.

DIRECTOR MORRISON: Vote aye.

CHAIRMAN HILLIARD: With regard to rate design, since B&W supplies a small amount of gas, it is preferable to design rates where revenues remain relatively constant and shortfalls of revenues due to the volatility of gas usage are minimized.

Designing rates whereby the majority of revenues are generated from a fixed charge would best accomplish these two goals. For these reasons, I move to adopt a rate design comprised of recovering 75 percent of the necessary revenue requirement through a fixed monthly charge of $13,897 to Navistar and

$3,655 to B&W Intercompany Transportation, resulting in $210,624 in annual revenues from the fixed charge.

These charges are based upon the percentage of Mcfs used by each customer relative to the total amount of Mcfs transported. The total throughput of 227,861 Mcfs is comprised of Navistar's Mcfs of 180,411 and B&W Intercompany Mcfs of 47,450. Collection of the remaining revenue requirements of $70,211 should be collected from a volumetric charge of $0.3081 per Mcfs from all customers. Adoption of this recommend -- recommended rate design results in an effective rate per Mcfs -- Mcf of one point -- $1.23248.

For the record, let me state that I believe B&W is eligible to apply for a Federal Energy Regulatory Commission No. 63 Certificate and should immediately begin the process of obtaining one, if the Company has not already begun doing so.

The rate design I am proposing is based upon the entire throughput of volumes transported to Navistar, which includes the volumes sold to Kentucky customers. Through the rate design -- though the rate design is based on total throughput volumes for Tennessee and Kentucky, our jurisdiction applies only to the gas that is delivered to Navistar that is consumed within the borders of Tennessee. Therefore, the rates I am recommending will apply only to the gas transported by B&W that is consumed in Tennessee.

I so move.

VICE CHAIRMAN JONES: I second and vote yes.

DIRECTOR MORRISON: Vote aye.

(Conclusion of excerpt at 1:26 P.M.)

REPORTER'S CERTIFICATE

I, Patricia W. Smith, Licensed Court Reporter, Registered Professional Reporter, Certified Court Reporter, and Notary Public for the State of Tennessee, hereby certify that I reported the foregoing proceedings at the time and place set forth in the caption thereof; that the proceedings were stenographically reported by me; and that the foregoing proceedings constitute a true and correct transcript of said proceedings to the best of my ability.

I FURTHER CERTIFY that I am not related to any of the parties named herein, nor their counsel, and have no interest, financial or otherwise, in the outcome or events of this action.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and seal of office this 16th day of December, 2015.

PATRICIA W. SMITH, LCR, RPR, CCR
AND NOTARY PUBLIC FOR THE STATE
OF TENNESSEE

LCR No. 164 Expires 6/30/2016

Notary Commission Expires 5/3/2016

B&W PIPELINE
GAS TARIFF
TRA NO. 1

RATE SCHEDULE T-2

Annual Adjustment to Customer Base Use Charge

DESCRIPTION

The Company's Customer Base Use Charge is designed to annually recover $210,624 from all customers in order to partially cover the cost of providing utility service. The Customer Base Use Charge rate is based upon the volumetric usage for each customer for the preceding calendar year in proportion to the volumetric usage for all customers for the preceding calendar year. A new annual adjustment to the Customer Base Use Charge shall be effective January 1st of each year.

RATE CALCULATION

The monthly rate for the Customer Base Use Charge is listed below. The initial rate for 2016 was determined by the TRA in Docket 15-00042. Subsequent monthly rates are based upon the actual customer usage for the previous calendar year.

Year	Total Fixed Charge	Navitas Mcf Volumes/%	Rugby Mcf Volumes/%	Total Mcf Volumes/%	Navitas Charge Yr/Mo	Rugby Charge Yr/Mo
2016	$210,624	180,411 Mcf 79.18%	47,450 Mcf 20.82%	227,861 Mcf 100.00%	$166,772 $13,897	$43,852 $3,655

B&W PIPELINE
GAS TARIFF
TRA NO. 1

RATE SCHEDULE T-3
Annual Adjustment to Volumetric Charge

DESCRIPTION
The Company's Volumetric Charge is designed to annually recover $70,211 from all customers in order to partially cover the cost of providing utility service. The Volumetric Charge rate is based upon the volumetric usage for all customers for the preceding calendar year. A new annual adjustment to the Volumetric Charge shall be effective January 1st of each year.

RATE CALCULATION
The rate for the Volumetric Charge is listed below. The initial rate for 2016 was determined by the TRA in Docket 15-00042. Subsequent volumetric rates are based upon the actual customer usage for the previous calendar year.

Year	Total Volumetric Charge	Total Mcf Volumes	Volumetric Rate per Mcf
2016	$70,211	227,861 Mcf	$0.3081 per Mcf