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March 28, 2016

Sharla Dillon  
Tennessee Regulatory Authority  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

Re: Petition for Reconsideration by B&W Pipeline, LLC  
Docket No. 15-00042

Dear Sharla:

Please accept for filing the attached Petition to Reconsider the Final Order issued March 10, 2016.<sup>1</sup>

Sincerely,

BRADLEY ARANT BOULT CUMMINGS LLP

By:

A handwritten signature in black ink, appearing to read 'H Walker', written over the printed name 'Henry Walker'.

Henry Walker

HW/dbi  
Enclosure  
cc: Vance Broemel  
Klint Alexander

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<sup>1</sup> The Petition would have been due on March 25, 2016 but for the state holiday on that date.

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

<b>IN RE:</b>	)	
<b>PETITION OF B&amp;W PIPELINE, LLC</b>	)	<b>DOCKET NO. 15-00042</b>
<b>FOR AN INCREASE IN RATES</b>	)	

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**PETITION TO RECONSIDER**

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Pursuant to T.C.A. § 4-5-317, B&W Pipeline, LLC (“B&W”) respectfully asks that the Tennessee Regulatory Authority reconsider, in part, the “Final Order Setting Rates” issued March 10, 2016 in the above-captioned docket. Because of the importance to the utility of the issues raised in this Petition, counsel for B&W also requests the opportunity to argue in support of the Petition at the next, monthly Authority conference.

The Pipeline Has Value

1. Six years ago, B&W bought a forty-eight mile natural gas pipeline, along with ninety-six oil and gas wells, for over \$2.6 million, including acquisition expenses. The Authority’s Final Order declares that the original pipeline is fully depreciated and has no value for ratemaking purposes. If left unchanged, the Authority’s decision means that, except for the value of the wells, B&W’s original investment in the gas pipeline has been virtually confiscated.

This finding that the pipeline has no value rests solely on the agency’s interpretation of a 2008 federal tax return filed by Gasco Distribution Systems, Inc. (“Gasco”), parent company of Titan Energy Group, Inc. (“Titan Energy”). Titan Energy owned the forty-eight mile pipeline, the ninety-six wells, and other assets before selling the pipeline and wells to B&W in 2010. The tax return was located by Navitas and attached to the company’s responses to a TRA Staff data request after the testimony from the parties had been filed. No one from Gasco testified at the hearing,

and no witness sponsored the return itself. Nevertheless, the Authority found that the 2008 return “provides to most sound support” for “the value of the pipeline at the time of acquisition” by B&W. Order, at 15.

The returns states that the 2008, year-end value of the “Building and Other Depreciable Assets” of Titan Energy was \$854,826 with “accumulated depreciation” of \$703,017. Schedule L End of Tax Year, Line 10A and Line 10B. Based on that information, the Final Order finds that the “original value of the pipeline” was \$854,826 and that, by 2016, the pipeline would be fully depreciated, having a net book value of zero for ratemaking purposes. Order, at 15.

The 2008 return was signed by Mr. Fred Steele, president of Gasco. At the request of B&W, Mr. Steele has located and provided the depreciation schedules and other tax information for Titan Energy. **Exhibit A**, attached. This information shows that Titan Energy owned both pipelines and wells and that the largest single asset on the books of Titan Energy, identified as “B&W Pipe,” was depreciated for tax purposes at an accelerated rate of only seven years and then sold for \$1,212,892.80 in 2010, a price which more accurately represented the true value of the asset.<sup>1</sup> Like the pipeline, virtually all of the assets of B&W, including the oil and gas wells, were depreciated for tax purposes over periods of five to ten years. In other words, the figures shown on the 2008 return are tax values, not book values. The \$854,826 figure which the agency believed to be the original cost of the forty-eight mile pipeline actually represents the original cost of all of Titan Energy’s depreciable assets, and the \$703,017 in accumulated depreciation, which the agency used to derive the net book value of the pipeline for ratemaking purposes, represents the

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<sup>1</sup> See “Titan Energy Group, Inc. 4797-Sales of Property for Tax Book, FY:06, for Year Ending 06/30/2011” page 1. “Sys No. 000035” is identified as “Pipelines” and as “B&W Pipe,” acquired December 30, 1993 and sold for \$1,212,892.80. That same asset, No. 000035, is also shown on “The Titan Energy Group, Inc. Depreciation Expense Report as of June 30, 2010.” That report shows that the asset was depreciated over seven years.

accumulated depreciation for tax purposes of all of Titan Energy's assets. Neither figure has any relevance to the original cost of the pipeline for ratemaking purposes or the net book value of the pipeline at the time it was sold to B&W.<sup>2</sup>

More importantly, Mr. Steele states in his affidavit that during the time Gasco owned the pipeline, the pipeline was never included among Gasco's regulated assets. The pipeline operated as an unregulated business, receiving from ratepayers only \$20,000 a year for transporting gas to its distribution affiliate. Therefore, even if the TRA could establish with reasonable certainty the "original cost" of the pipeline paid by Titan Energy and the net book value of the pipeline on the books of Titan Energy at the time it was sold to B&W, those figures would be irrelevant for rate making purposes because Titan Energy was not a regulated utility and the pipeline had not yet been dedicated to public use. For ratemaking purposes, "original cost" is not necessarily the amount paid to construct and install new plant but the "costs incurred by the person who first devoted the property to utility service." FERC "Uniform System of Accounts for Gas Utilities." See 18 C.F.R. § 101, definition of "original cost." As Charles Phillips, Jr. wrote in his textbook on utility regulation, "Original cost" for rate making purposes is "the amount actually paid for installing the original plant and equipment, plus additions, when first devoted to public service." Phillips, The Regulation of Public Utilities (1984), p. 284. There is a "general consensus among regulators that utility customers should not pay on an amount in excess of cost when property was

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<sup>2</sup> Even in the absence of Mr. Steele's information, there are simply too many unanswered questions about the 2008 tax return to rely upon it as evidence. For example, the Final Order relies upon the tax return to conclude that the pipeline was being depreciated at a rate of \$22,564 per year (Order, at 13) and that the accumulated depreciation as of December 31, 2008 was \$703,017. *Id.* See "Schedule L End of Tax Year," Line 10B. The same return, however, shows that the accumulated depreciation on December 31, 2007 to be \$660,920. See "Schedule L Beginning of Tax Year," Line 10B. In other words, the pipeline depreciated by \$42,097 in one year even though the reported annual depreciation was approximately half that amount. What is the explanation? Similarly the figure used by the Authority to establish "original cost" is \$854,826 on the "End of Tax Year" report and \$863,147 on the "Beginning of Tax Year" page. See Line 10A. How can the Authority assume that either number actually represents "the original cost" of the pipeline?

originally devoted to public service.” Accounting for Public Utilities, Hahne and Aliff (Deloitte and Touche LLP) (2012), Volume I, Chapter 4. Therefore, the “original cost” of the pipeline for ratemaking purposes is not the cost paid by Titan Energy but the cost paid by B&W, the owner “who first devoted the property to utility service.”

Based on Mr. Steele’s affidavit and exhibits, the Authority cannot rely upon Gasco’s 2008 tax return to establish the value of the pipeline for ratemaking purposes. Order, at 15. In light of this new information, the tax return cannot be considered “evidence [of the value of the pipeline] that is both substantial and material in light of the entire record.” T.C.A. § 4-5-322(h)(5)(A). The “entire record” concerning the pipeline’s value includes an engineer’s estimate of the pipeline’s replacement value (\$12.8 million), the engineer’s estimate of the undepreciated, replacement cost (\$6.5 million), an accountant’s estimate of the replacement cost discounted to the date of construction (\$2.9 million) and market value (\$2.6 million).<sup>3</sup> In light of the “entire record,” a finding that the depreciable pipeline assets purchased in 2010 have no current value is clearly erroneous.

Furthermore, in calculating the pipeline’s rate base, the Authority omitted, presumably by accident, acquisition expenses of \$225,585.31, as shown in B&W’s response to CAPD Data Request 1-5. As shown in the attached **Exhibit B**, those expenses were thoroughly documented and not challenged by any party. They are properly included in the rate base and should be addressed upon reconsideration.

As B&W has acknowledged and as the Authority recognized in the Final Order, there is “no clear evidence” of what the rate base of the pipeline should be, and the determination of an appropriate rate base is more “a question of policy and fairness” than trying to make a

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<sup>3</sup> See Rebuttal Testimony of William Novak and Exhibits “WHN Rebuttal 1” and “WHN Rebuttal 2.”

mathematical calculation from information on a tax return that has no relevance to utility rate making. See Final Order, at 15. The Authority’s finding that the pipeline assets bought by B&W have no value today is not “fairness” nor is it sound regulatory policy. To the contrary, such a finding means that the utility will have no choice but to continue to litigate this issue, both in the courts and in the company’s next rate case. Such a finding, as Navitas itself said, would not “induce continued safe and reliable operation” by the pipeline’s owners. See footnote 4, *infra*. In the alternative, the Authority should reconsider its decision and establish a rate base that, if it does not incorporate the full amount paid by B&W in 2010, represents a reasonable allocation of that amount between the pipeline and the wells.

There are several approaches to reaching a reasonable valuation that is greater than zero but less than the value originally proposed by the utility. Navitas itself suggested in response to a TRA Staff Data Request that “B&W Pipeline, in its current state, needs to have a return in the range of \$50,000 to \$100,000 per year to induce continued safe and reliable operation by its owners.”<sup>4</sup> The TRA allowed B&W to earn a return on rate base of 8.50%. Final Order, at 19. To produce a return of \$100,000 – the upper end of the range suggested by Navitas – B&W’s rate base should be valued at \$1,176,471. By coincidence, that is also approximately the same amount recorded on the books of Titan Energy (\$1,212,892.80) as the price of the pipeline when it was sold to B&W.<sup>5</sup> Even if the TRA were to continue to rely on \$854,826 as the original cost of the pipeline, a reliance that B&W believes is unjustified in light of the information provided by Mr. Steele, a recalculation of the depreciation using book depreciation rates instead of tax depreciation

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<sup>4</sup> Navitas Responses to TRA August 24, 2015 Data Request, filed September 5, 215, Response to Request No. 4.

<sup>5</sup> See **Exhibit C**, page 1, a pro forma calculation of the rate base in 2016 if one were to use as B&W’s original cost of the sale price recorded by Titan Energy.

rates produces a similar result (\$1,427,651).<sup>6</sup> All of these results fall within a range of \$1.2 to \$1.6 million. A finding in that range would equitably balance the parties' interests and likely bring to an end this otherwise continuing dispute over the company's rate base.

#### The Projected Estimate of Throughput is Unrealistic

2. B&W asks the Authority to reconsider the agency's estimate that the pipeline will carry 227,861 Mcfs of gas in 2016.

It is now apparent that the original throughput projections of all the parties were overly optimistic. The pipeline's total throughput for 2015 was 134,352 Mcfs, the highest throughput in the pipeline's history, and the total throughput for the first quarter of 2016, through March 26, was only 36,121 Mcfs. The usage for the first quarter of 2016 is approximately 29% less than the usage for the same period in 2015. See **Exhibit D**, attached, affidavit from Rafael Ramon. Based on this information, which was not available at the time of the rate hearing, it now appears highly likely that the actual throughput for 2016 will be substantially less than the Authority's estimate of 227,861 Mcfs. Therefore, the Authority should revise its estimate to a more realistic figure that closely approximates the pipeline's 2015 record throughput and adjust the volumetric rate accordingly. In the alternative, the pipeline should be allowed to make an annual adjustment in the volumetric rate, as discussed below, to reflect actual usage during the prior year. See footnote 7 infra.

#### Rates Should Be Periodically Adjusted Based On Actual Pipeline Usage

3. Finally, B&W asks that the Authority to allow the pipeline to make prospective, annual adjustments of the fixed and volumetric charges set in the Final Order. Based on the

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<sup>6</sup> See **Exhibit C**, page 2, which adjusts the TRA's calculation of rate base by using an estimate of book depreciation instead of tax depreciation and adding the uncontested acquisition costs.

Authority's estimate of pipeline usage in 2016, the agency established a fixed monthly charge of \$13,897 for Navitas and a charge of \$3,655 for Rugby Energy (a pipeline affiliate). Those charges should be periodically adjusted based on actual usage. Customers will come and go, and customer usage will change over time. Without an annual adjustment, customers with declining usage will be unfairly required to pay a disproportionate share of the fixed charge.

The volumetric charge also needs to be adjusted on an annual basis. See **Exhibit D**. These figures clearly demonstrate that the actual throughput for 2015 is only 59% of the estimated throughput used by the Authority to set rates in 2016. Furthermore, the first quarter results for 2016 are even lower than the first quarter for 2015, indicating that the total throughput for 2016 will likely be lower than the annual total for 2015. As argued in the Petition for Clarification, B&W will not be able to earn its revenue requirement unless the Authority permits the pipeline to make prospective, annual adjustments in the volumetric rate.<sup>7</sup>

#### Conclusion

The Authority made its decision based on the information it had before it at the time. It is now clear that some of that information was misleading. The values shown for Titan Energy on the 2008 tax return are tax values, not book values, and cannot be used to determine the net book value of assets for ratemaking purposes.

The determination of a rate base under these circumstances is a judgment call, not an accounting issue. B&W has suggested a variety of approaches, each leading to an end result of a rate base between \$1.2 and \$1.6 million. A result in that range would be just and reasonable. A finding that the utility's original investment in the pipeline is virtually worthless...is not.

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<sup>7</sup> In support of the requests for the right to make prospective, annual adjustments to the volumetric rate and the monthly fixed charge, B&W relies upon the arguments made in the "Petition for Clarification" filed February 24, 2016 and the "Rely of B&W Pipeline, LLC" filed March 9, 2016. Both filings are attached, **Exhibit E**, and incorporated herein by reference.




Similarly, the projections for total pipeline throughput in 2016, as well as the relative throughput of Navitas and Rugby, are unrealistic. The projections need to be adjusted and the volumetric and fixed charges recalculated, either now or next January, and thereafter on an annual basis.

The Petition for Reconsideration should be granted.

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

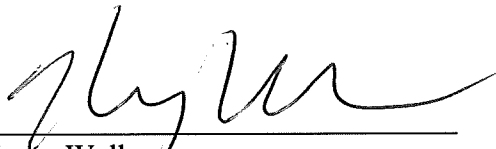
By:   
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Nashville, TN 37203  
615-252-2363  
[hwalker@babbc.com](mailto:hwalker@babbc.com)  
*Attorney for B&W Pipeline, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that on the 28<sup>th</sup> day of March, 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:

Vance Broemel  
Assistant Attorney General  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[rachel.newton@ag.tn.gov](mailto:rachel.newton@ag.tn.gov)

Klint Alexander  
Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.  
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[kalexander@bakerdonelson.com](mailto:kalexander@bakerdonelson.com)

  
\_\_\_\_\_  
Henry Walker

**Exhibit A**

**Affidavit of Fred A. Steele and Attachments**

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

**Affidavit of Fred A. Steele**

My name is Fred A. Steele. I was the president of Gasco Distribution Systems, Inc. and its subsidiaries Gasco, Inc. and The Titan Energy Group, Inc.

At no time were the assets of The Titan Energy Group, Inc which are now owned by B&W Pipeline included among the regulated assets of Gasco Distribution System, Inc. or Gasco, Inc.

The attached documents were provided to me by Mr. Michael A. Sikora, CPA, who prepared the company's consolidated tax returns and used these documents in the preparation of those returns. These documents show that the B&W pipeline was depreciated for tax purposes over seven years and that when the pipeline was sold in 2010, Titan Energy Group, Inc recorded on its books a sale price of \$1,212,892.80.

FURTHER AFFIANT SAYETH NOT.

Fred A Steele  
FRED A. STEELE

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I, the undersigned, a notary public in and for said county in said state, hereby certify that Fred A. Steele, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Notary Public

[NOTARIAL SEAL]

My commission expires: \_\_\_\_\_

The Titan Energy Group, Inc.  
Depreciation Expense Report  
As of June 30, 2010

Book = Tax

FYE Month = June

Sys No	In Svc Ext Date	Acquired Value	P T	Depr Meth	Est Life	Salv/168 Allow Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000001	000 07/01/93	8,321.54	Z	NoDep	05 00	0.00	8,321.54	06/30/09	0.00	0.00	0.00	0.00	
000002	000 07/01/93	31,500.00	R	SLMM	26 08	0.00	31,500.00	06/30/09	18,900.00	1,181.25	1,181.25	20,081.25	
000003	000 07/01/93	3,500.00	R	NoDep	30 00	0.00	3,500.00	06/30/09	0.00	0.00	0.00	0.00	
000004	000 07/01/93	23,000.43	R	SLMM	21 06	0.00	23,000.43	06/30/09	17,116.64	1,069.79	1,069.79	18,186.43	
000005	000 07/01/93	13,473.85	R	ADS	31 06	0.00	13,473.85	06/30/09	6,826.02	427.74	427.74	7,253.76	
000006	000 07/01/93	151.56	R	ADS	31 06	0.00	151.56	06/30/09	76.76	4.81	4.81	81.57	
000007	000 07/01/93	4,185.00	R	MF150	10 00	0.00	4,185.00	06/30/09	4,185.00	0.00	0.00	4,185.00	s
000008	000 09/26/91	1,550.00	R	ADS	31 06	0.00	1,550.00	06/30/09	875.53	49.21	49.21	924.74	
000009	000 12/31/93	3,000.00	R	NoDep	30 00	0.00	3,000.00	06/30/09	0.00	0.00	0.00	0.00	
000010	000 12/31/93	15,432.00	R	ADS	31 06	0.00	15,432.00	06/30/09	7,614.02	489.91	489.91	8,103.93	
000012	000 07/01/93	3,140.96	P	MF200	05 00	0.00	3,140.96	06/30/09	3,140.96	0.00	0.00	3,140.96	s
000014	000 07/01/93	2,135.30	P	MF200	05 00	0.00	2,135.30	06/30/09	2,135.30	0.00	0.00	2,135.30	s
000021	000 03/31/99	165,000.00	P	ADS	15 00	0.00	165,000.00	06/30/09	115,500.00	11,000.00	11,000.00	126,500.00	
000022	000 03/31/99	1,025.00	P	ADS	15 00	0.00	1,025.00	06/30/09	717.47	68.33	68.33	785.80	
000023	000 12/31/93	13,824.00	P	MF200	05 00	0.00	13,824.00	06/30/09	13,824.00	0.00	0.00	13,824.00	s
000024	000 12/31/93	6,912.00	P	MF200	05 00	0.00	6,912.00	06/30/09	6,912.00	0.00	0.00	6,912.00	s
000025	000 12/31/93	1,843.00	P	MF200	05 00	0.00	1,843.00	06/30/09	1,843.00	0.00	0.00	1,843.00	s
000026	000 12/31/93	2,305.00	P	MF200	05 00	0.00	2,305.00	06/30/09	2,305.00	0.00	0.00	2,305.00	s
000027	000 12/31/93	2,765.00	P	MF200	05 00	0.00	2,765.00	06/30/09	2,765.00	0.00	0.00	2,765.00	s
000028	000 12/31/93	2,765.00	P	MF200	05 00	0.00	2,765.00	06/30/09	2,765.00	0.00	0.00	2,765.00	s
000029	000 12/31/93	230.00	P	MF200	05 00	0.00	230.00	06/30/09	230.00	0.00	0.00	230.00	s
000030	000 12/31/93	2,765.00	P	MF200	05 00	0.00	2,765.00	06/30/09	2,765.00	0.00	0.00	2,765.00	s
000031	000 08/11/94	4,188.11	P	MF200	05 00	0.00	4,188.11	06/30/09	4,188.11	0.00	0.00	4,188.11	s
000032	000 06/30/95	16,730.18	P	MF200	05 00	0.00	16,730.18	06/30/09	16,730.18	0.00	0.00	16,730.18	s
000033	000 08/19/97	6,100.00	P	MF200	05 00	0.00	6,100.00	06/30/09	6,100.00	0.00	0.00	6,100.00	s
000034	000 07/01/93	864.28	P	ADS	07 00	0.00	864.28	06/30/09	864.28	0.00	0.00	864.28	
000035	000 12/30/93	187,825.00	P	ADS	07 00	0.00	187,825.00	06/30/09	187,825.00	0.00	0.00	187,825.00	
000036	000 10/31/96	5,785.26	P	ADS	07 00	0.00	5,785.26	06/30/09	5,785.26	0.00	0.00	5,785.26	
000037	000 10/31/96	159.00	P	ADS	07 00	0.00	159.00	06/30/09	159.00	0.00	0.00	159.00	
000038	000 10/31/96	2,352.57	P	ADS	07 00	0.00	2,352.57	06/30/09	2,352.57	0.00	0.00	2,352.57	
000039	000 10/31/96	1,439.73	P	ADS	07 00	0.00	1,439.73	06/30/09	1,439.73	0.00	0.00	1,439.73	
000040	000 10/31/96	1,435.00	P	ADS	07 00	0.00	1,435.00	06/30/09	1,435.00	0.00	0.00	1,435.00	
000041	000 10/31/96	55.96	P	ADS	07 00	0.00	55.96	06/30/09	55.96	0.00	0.00	55.96	
000042	000 10/31/96	6,509.25	P	ADS	07 00	0.00	6,509.25	06/30/09	6,509.25	0.00	0.00	6,509.25	
000043	000 10/31/96	17.62	P	ADS	07 00	0.00	17.62	06/30/09	17.62	0.00	0.00	17.62	
000044	000 11/30/96	123.63	P	ADS	07 00	0.00	123.63	06/30/09	123.63	0.00	0.00	123.63	
000045	000 11/30/96	478.87	P	ADS	07 00	0.00	478.87	06/30/09	478.87	0.00	0.00	478.87	
000046	000 11/30/96	1,004.25	P	ADS	07 00	0.00	1,004.25	06/30/09	1,004.25	0.00	0.00	1,004.25	
000047	000 11/30/96	1,540.00	P	ADS	07 00	0.00	1,540.00	06/30/09	1,540.00	0.00	0.00	1,540.00	
000048	000 12/31/96	736.01	P	ADS	07 00	0.00	736.01	06/30/09	736.01	0.00	0.00	736.01	
000049	000 12/31/96	1,127.85	P	ADS	07 00	0.00	1,127.85	06/30/09	1,127.85	0.00	0.00	1,127.85	
000050	000 12/31/96	250.00	P	ADS	07 00	0.00	250.00	06/30/09	250.00	0.00	0.00	250.00	
000051	000 12/31/96	1,120.36	P	ADS	07 00	0.00	1,120.36	06/30/09	1,120.36	0.00	0.00	1,120.36	
000052	000 12/31/96	1,937.50	P	ADS	07 00	0.00	1,937.50	06/30/09	1,937.50	0.00	0.00	1,937.50	
000053	000 01/31/97	3,687.00	P	ADS	07 00	0.00	3,687.00	06/30/09	3,687.00	0.00	0.00	3,687.00	
000054	000 01/31/97	526.87	P	ADS	07 00	0.00	526.87	06/30/09	526.87	0.00	0.00	526.87	
000055	000 01/31/97	245.24	P	ADS	07 00	0.00	245.24	06/30/09	245.24	0.00	0.00	245.24	
000056	000 01/31/97	1,485.00	P	ADS	07 00	0.00	1,485.00	06/30/09	1,485.00	0.00	0.00	1,485.00	
000057	000 02/28/97	1,455.00	P	ADS	07 00	0.00	1,455.00	06/30/09	1,455.00	0.00	0.00	1,455.00	
000058	000 03/31/97	1,497.48	P	ADS	07 00	0.00	1,497.48	06/30/09	1,497.48	0.00	0.00	1,497.48	
000059	000 03/31/97	202.50	P	ADS	07 00	0.00	202.50	06/30/09	202.50	0.00	0.00	202.50	
000060	000 03/31/97	159.95	P	ADS	07 00	0.00	159.95	06/30/09	159.95	0.00	0.00	159.95	
000061	000 04/30/97	1,631.50	P	ADS	07 00	0.00	1,631.50	06/30/09	1,631.50	0.00	0.00	1,631.50	

## The Titan Energy Group, Inc.

## Depreciation Expense Report

As of June 30, 2010

Book = Tax

FYE Month = June

Sys No	In Svc Ext Date	Acquired Value	P Depr T Meth	Est Life	Salv/168 Allow Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000062	000 07/31/97	6,488.87	P ADS	07 00	0.00	6,488.87	06/30/09	6,488.87	0.00	0.00	6,488.87	
000063	000 07/31/97	305.86	P ADS	07 00	0.00	305.86	06/30/09	305.86	0.00	0.00	305.86	
000064	000 07/31/97	1,660.00	P ADS	07 00	0.00	1,660.00	06/30/09	1,660.00	0.00	0.00	1,660.00	
000065	000 08/31/97	1,136.25	P ADS	07 00	0.00	1,136.25	06/30/09	1,136.25	0.00	0.00	1,136.25	
000066	000 09/30/97	141.13	P ADS	07 00	0.00	141.13	06/30/09	141.13	0.00	0.00	141.13	
000067	000 01/31/99	8,844.00	P ADS	07 00	0.00	8,844.00	06/30/09	8,844.00	0.00	0.00	8,844.00	
000069	000 12/31/94	1,382.00	P ADS	05 00	0.00	1,382.00	06/30/09	1,382.00	0.00	0.00	1,382.00	
000070	000 07/01/93	25,445.31	P ADS	05 00	0.00	25,445.31	06/30/09	25,445.31	0.00	0.00	25,445.31	
000071	000 07/01/92	8,097.19	P ADS	10 00	0.00	8,097.19	06/30/09	8,097.19	0.00	0.00	8,097.19	
000072	000 12/31/93	200.00	P ADS	10 00	0.00	200.00	06/30/09	200.00	0.00	0.00	200.00	
000073	000 01/13/94	10,000.00	P ADS	10 00	0.00	10,000.00	06/30/09	10,000.00	0.00	0.00	10,000.00	
000074	000 02/17/94	671.49	P ADS	10 00	0.00	671.49	06/30/09	671.49	0.00	0.00	671.49	
000075	000 03/18/94	1,250.00	P ADS	10 00	0.00	1,250.00	06/30/09	1,250.00	0.00	0.00	1,250.00	
000076	000 04/04/94	1,000.00	P ADS	10 00	0.00	1,000.00	06/30/09	1,000.00	0.00	0.00	1,000.00	
000077	000 05/28/94	143.62	P ADS	10 00	0.00	143.62	06/30/09	143.62	0.00	0.00	143.62	
000078	000 06/28/94	100.00	P ADS	10 00	0.00	100.00	06/30/09	100.00	0.00	0.00	100.00	
000079	000 06/28/94	2,504.23	P ADS	10 00	0.00	2,504.23	06/30/09	2,504.23	0.00	0.00	2,504.23	
000080	000 09/09/94	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000081	000 09/09/94	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000082	000 09/09/94	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000083	000 10/17/94	390.63	P ADS	10 00	0.00	390.63	06/30/09	390.63	0.00	0.00	390.63	
000084	000 10/24/94	329.65	P ADS	10 00	0.00	329.65	06/30/09	329.65	0.00	0.00	329.65	
000085	000 06/30/95	(1,892.19)	P ADS	10 00	0.00	(1,892.19)	06/30/09	(1,892.19)	0.00	0.00	(1,892.19)	
000086	000 09/30/95	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000087	000 09/30/95	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000088	000 09/30/95	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000089	000 09/30/95	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000090	000 12/31/95	19,999.28	P ADS	10 00	0.00	19,999.28	06/30/09	19,999.28	0.00	0.00	19,999.28	
000091	000 12/31/95	329.65	P ADS	10 00	0.00	329.65	06/30/09	329.65	0.00	0.00	329.65	
000092	000 12/31/95	605.85	P ADS	10 00	0.00	605.85	06/30/09	605.85	0.00	0.00	605.85	
000093	000 12/31/95	143.62	P ADS	10 00	0.00	143.62	06/30/09	143.62	0.00	0.00	143.62	
000094	000 05/17/96	2,711.78	P ADS	10 00	0.00	2,711.78	06/30/09	2,711.78	0.00	0.00	2,711.78	
000095	000 07/31/96	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000096	000 09/30/96	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000097	000 09/30/96	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000098	000 09/30/96	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000099	000 09/30/96	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000100	000 10/21/96	250.00	P ADS	10 00	0.00	250.00	06/30/09	250.00	0.00	0.00	250.00	
000101	000 09/30/97	(6,205.00)	P ADS	10 00	0.00	(6,205.00)	06/30/09	(6,205.00)	0.00	0.00	(6,205.00)	
000102	000 02/28/98	2,853.30	P ADS	10 00	0.00	2,853.30	06/30/09	2,853.30	0.00	0.00	2,853.30	
000103	000 09/30/98	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000104	000 09/30/98	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000105	000 09/30/98	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000106	000 09/30/98	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000107	000 04/30/99	2,895.16	P ADS	10 00	0.00	2,895.16	06/30/09	2,895.16	0.00	0.00	2,895.16	
000108	000 04/30/99	(2,853.30)	P ADS	10 00	0.00	(2,853.30)	06/30/09	(2,853.30)	0.00	0.00	(2,853.30)	
000109	000 07/24/99	361.84	P ADS	10 00	0.00	361.84	06/30/09	343.71	18.13	18.13	361.84	
000110	000 09/30/99	4,200.00	P ADS	10 00	0.00	4,200.00	06/30/09	3,990.00	210.00	210.00	4,200.00	
000111	000 10/31/99	4,200.00	P ADS	10 00	0.00	4,200.00	06/30/09	3,990.00	210.00	210.00	4,200.00	
000114	000 07/17/01	12,489.40	P NoDep	00 00	0.00	12,489.40	06/30/09	0.00	0.00	0.00	0.00	
000115	000 01/31/05	5,808.28	R SLMM	40 00	0.00	5,808.28	06/30/09	641.34	145.21	145.21	786.55	
000116	000 02/28/05	3,179.80	R SLMM	40 00	0.00	3,179.80	06/30/09	344.50	79.50	79.50	424.00	
000117	000 01/31/05	1,500.00	R SLMM	40 00	0.00	1,500.00	06/30/09	165.63	37.50	37.50	203.13	

## The Titan Energy Group, Inc.

## Depreciation Expense Report

As of June 30, 2010

Book = Tax

FYE Month = June

Sys No	Ext	In Svc Date	Acquired Value	P T Meth	Est Life	Salv/168 Allow Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000062	000	07/31/97	6,488.87	P ADS	07 00	0.00	6,488.87	06/30/09	6,488.87	0.00	0.00	6,488.87	
000063	000	07/31/97	305.86	P ADS	07 00	0.00	305.86	06/30/09	305.86	0.00	0.00	305.86	
000064	000	07/31/97	1,660.00	P ADS	07 00	0.00	1,660.00	06/30/09	1,660.00	0.00	0.00	1,660.00	
000065	000	08/31/97	1,136.25	P ADS	07 00	0.00	1,136.25	06/30/09	1,136.25	0.00	0.00	1,136.25	
000066	000	09/30/97	141.13	P ADS	07 00	0.00	141.13	06/30/09	141.13	0.00	0.00	141.13	
000067	000	01/31/99	8,844.00	P ADS	07 00	0.00	8,844.00	06/30/09	8,844.00	0.00	0.00	8,844.00	
000069	000	12/31/94	1,382.00	P ADS	05 00	0.00	1,382.00	06/30/09	1,382.00	0.00	0.00	1,382.00	
000070	000	07/01/93	25,445.31	P ADS	05 00	0.00	25,445.31	06/30/09	25,445.31	0.00	0.00	25,445.31	
000071	000	07/01/92	8,097.19	P ADS	10 00	0.00	8,097.19	06/30/09	8,097.19	0.00	0.00	8,097.19	
000072	000	12/31/93	200.00	P ADS	10 00	0.00	200.00	06/30/09	200.00	0.00	0.00	200.00	
000073	000	01/13/94	10,000.00	P ADS	10 00	0.00	10,000.00	06/30/09	10,000.00	0.00	0.00	10,000.00	
000074	000	02/17/94	671.49	P ADS	10 00	0.00	671.49	06/30/09	671.49	0.00	0.00	671.49	
000075	000	03/18/94	1,250.00	P ADS	10 00	0.00	1,250.00	06/30/09	1,250.00	0.00	0.00	1,250.00	
000076	000	04/04/94	1,000.00	P ADS	10 00	0.00	1,000.00	06/30/09	1,000.00	0.00	0.00	1,000.00	
000077	000	05/28/94	143.62	P ADS	10 00	0.00	143.62	06/30/09	143.62	0.00	0.00	143.62	
000078	000	06/28/94	100.00	P ADS	10 00	0.00	100.00	06/30/09	100.00	0.00	0.00	100.00	
000079	000	06/28/94	2,504.23	P ADS	10 00	0.00	2,504.23	06/30/09	2,504.23	0.00	0.00	2,504.23	
000080	000	09/09/94	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000081	000	09/09/94	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000082	000	09/09/94	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000083	000	10/17/94	390.63	P ADS	10 00	0.00	390.63	06/30/09	390.63	0.00	0.00	390.63	
000084	000	10/24/94	329.65	P ADS	10 00	0.00	329.65	06/30/09	329.65	0.00	0.00	329.65	
000085	000	06/30/95	(1,892.19)	P ADS	10 00	0.00	(1,892.19)	06/30/09	(1,892.19)	0.00	0.00	(1,892.19)	
000086	000	09/30/95	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000087	000	09/30/95	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000088	000	09/30/95	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000089	000	09/30/95	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000090	000	12/31/95	19,999.28	P ADS	10 00	0.00	19,999.28	06/30/09	19,999.28	0.00	0.00	19,999.28	
000091	000	12/31/95	329.65	P ADS	10 00	0.00	329.65	06/30/09	329.65	0.00	0.00	329.65	
000092	000	12/31/95	605.85	P ADS	10 00	0.00	605.85	06/30/09	605.85	0.00	0.00	605.85	
000093	000	12/31/95	143.62	P ADS	10 00	0.00	143.62	06/30/09	143.62	0.00	0.00	143.62	
000094	000	05/17/96	2,711.78	P ADS	10 00	0.00	2,711.78	06/30/09	2,711.78	0.00	0.00	2,711.78	
000095	000	07/31/96	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000096	000	09/30/96	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000097	000	09/30/96	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000098	000	09/30/96	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000099	000	09/30/96	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000100	000	10/21/96	250.00	P ADS	10 00	0.00	250.00	06/30/09	250.00	0.00	0.00	250.00	
000101	000	09/30/97	(6,205.00)	P ADS	10 00	0.00	(6,205.00)	06/30/09	(6,205.00)	0.00	0.00	(6,205.00)	
000102	000	02/28/98	2,853.30	P ADS	10 00	0.00	2,853.30	06/30/09	2,853.30	0.00	0.00	2,853.30	
000103	000	09/30/98	375.00	P ADS	10 00	0.00	375.00	06/30/09	375.00	0.00	0.00	375.00	
000104	000	09/30/98	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000105	000	09/30/98	190.49	P ADS	10 00	0.00	190.49	06/30/09	190.49	0.00	0.00	190.49	
000106	000	09/30/98	187.50	P ADS	10 00	0.00	187.50	06/30/09	187.50	0.00	0.00	187.50	
000107	000	04/30/99	2,895.16	P ADS	10 00	0.00	2,895.16	06/30/09	2,895.16	0.00	0.00	2,895.16	
000108	000	04/30/99	(2,853.30)	P ADS	10 00	0.00	(2,853.30)	06/30/09	(2,853.30)	0.00	0.00	(2,853.30)	
000109	000	07/24/99	361.84	P ADS	10 00	0.00	361.84	06/30/09	343.71	18.13	18.13	361.84	
000110	000	09/30/99	4,200.00	P ADS	10 00	0.00	4,200.00	06/30/09	3,990.00	210.00	210.00	4,200.00	
000111	000	10/31/99	4,200.00	P ADS	10 00	0.00	4,200.00	06/30/09	3,990.00	210.00	210.00	4,200.00	
000114	000	07/17/01	12,489.40	P NoDep	00 00	0.00	12,489.40	06/30/09	0.00	0.00	0.00	0.00	
000115	000	01/31/05	5,808.28	R SLMM	40 00	0.00	5,808.28	06/30/09	641.34	145.21	145.21	785.55	
000116	000	02/28/05	3,179.80	R SLMM	40 00	0.00	3,179.80	06/30/09	344.50	79.50	79.50	424.00	
000117	000	01/31/05	1,500.00	R SLMM	40 00	0.00	1,500.00	06/30/09	165.63	37.50	37.50	203.13	



## The Titan Energy Group, Inc.

## Depreciation Expense Report

As of June 30, 2010

Book = Tax

FYE Month = June

Sys No	Ext	In Svc Date	Acquired Value	P T	Depr Meth	Est Life	Salv/168 Allow Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000118	000	12/31/05	649.52	P	MF200	05 00	0.00	849.52	06/30/09	702.72	97.87	97.87	800.59	s
000119	000	05/14/07	17,174.63	P	ADS	07 00	0.00	17,174.63	06/30/09	5,133.80	2,453.52	2,453.52	8,587.32	
000120	000	07/10/07	6,031.40	P	MF200	05 00	0.00	6,031.40	06/30/09	3,136.33	1,158.03	1,158.03	4,294.36	
000121	000	04/13/07	6,300.00	P	MF200	05 00	0.00	6,300.00	06/30/09	4,485.60	725.76	725.76	5,211.36	
000122	000	12/01/06	3,501.18	P	ADS	05 00	0.00	3,501.18	06/30/09	1,760.60	700.24	700.24	2,450.84	
000123	000	10/04/07	1,200.00	P	MF200	05 00	0.00	1,200.00	06/30/09	624.00	230.40	230.40	854.40	
000124	000	11/30/07	1,743.65	P	ADS	05 00	0.00	1,743.65	06/30/09	523.10	348.73	348.73	871.83	
000125	000	05/31/07	(338.25)	P	ADS	07 00	0.00	(338.25)	06/30/09	(120.80)	(48.32)	(48.32)	(169.12)	
Grand Total			722,387.40				0.00	722,387.40		582,568.54	20,657.61	20,657.61	603,226.15	
Less disposals and transfers			0.00				0.00	0.00		0.00			0.00	
Count = 0														
Net Grand Total			722,387.40				0.00	722,387.40		582,568.54	20,657.61	20,657.61	603,226.15	
Count = 114														

## Report Assumptions

Report Name: Depreciation Expense  
Source Report: <Standard Report>

## Calculation Assumptions:

Short Year: none  
Include Sec 168 Allowance & Sec 179: No  
Adjustment Convention: None

## Key Codes:

- a: A depreciation adjustment amount is included in the reporting period.
- b: The asset's business-use percentage is less than 100%.
- d: The asset has been disposed.
- f: The asset has switched from a MACRS table calculation to the MACRS formula calculation.
- t: The asset's depreciation has been limited by luxury auto rules.
- m: The asset's depreciation was calculated using the mid-quarter convention.
- r: The asset's acquired value was reduced to arrive at the depreciable basis.
- s: The asset has switched from declining-balance to a straight-line.
- t: The asset was transferred.
- v: The asset has switched to remaining value over remaining life due to ACE.

## Group/Sorting Criteria:

Group = All FAS Assets  
Include Assets that meet the following conditions:  
All FAS Assets  
Sorted by: System No, Extension

The Titan Energy Group, Inc.  
 4797 - SALES OF PROPERTY  
 For Tax Book FY: 06  
 For Year Ending 06/30/2011

## PART III - Gain From Disposition of Property

Sys No	Ext	Asset ID	Description	Acq Date	Retire Date	Gross Sales Price	Current Accum Depreciation	Cost Plus Exp of Sale	Adjusted Basis	Total Gain
000023	000	Field Equipm	Ingersoll-	12/31/1993	9/2/2010	\$89,269.43	\$13,824.00	\$13,824.00	\$0.00	\$89,269.43
000024	000	Field Equipm	Gemini 30	12/31/1993	9/2/2010	\$44,634.71	\$6,912.00	\$6,912.00	\$0.00	\$44,634.71
000025	000	Field Equipm	Corbin 20	12/31/1993	9/2/2010	\$11,901.30	\$1,843.00	\$1,843.00	\$0.00	\$11,901.30
000026	000	Field Equipm	Black Dri	12/31/1993	9/2/2010	\$14,884.70	\$2,305.00	\$2,305.00	\$0.00	\$14,884.70
000027	000	Field Equipm	McElroy 8"	12/31/1993	9/2/2010	\$17,855.18	\$2,765.00	\$2,765.00	\$0.00	\$17,855.18
000028	000	Field Equipm	McElroy 8"	12/31/1993	9/2/2010	\$17,855.18	\$2,765.00	\$2,765.00	\$0.00	\$17,855.18
000029	000	Field Equipm	Soleman 40	12/31/1993	9/2/2010	\$1,485.24	\$230.00	\$230.00	\$0.00	\$1,485.24
000030	000	Field Equipm	3-10 HP Co	12/31/1993	9/2/2010	\$17,855.18	\$2,765.00	\$2,765.00	\$0.00	\$17,855.18
000031	000	Field Equipm	East Tenna	8/11/1994	9/2/2010	\$27,045.01	\$4,188.11	\$4,188.11	\$0.00	\$27,045.01
000033	000	Field Equipm	8" Mustang	8/19/1997	9/2/2010	\$39,391.17	\$6,100.00	\$6,100.00	\$0.00	\$39,391.17
000035	000	Pipelines	B & W Pipe	12/30/1993	9/2/2010	\$1,212,892.80	\$187,825.00	\$187,825.00	\$0.00	\$1,212,892.80
000036	000	Pipelines	Deer Lodge	10/31/1996	9/2/2010	\$37,358.71	\$5,785.26	\$5,785.26	\$0.00	\$37,358.71
000037	000	Pipelines	Charlie Yo	10/31/1996	9/2/2010	\$1,026.75	\$159.00	\$159.00	\$0.00	\$1,026.75
000038	000	Pipelines	Halliburto	10/31/1996	9/2/2010	\$15,191.88	\$2,352.57	\$2,352.57	\$0.00	\$15,191.88
000039	000	Pipelines	Howard L.	10/31/1996	9/2/2010	\$9,297.16	\$1,439.73	\$1,439.73	\$0.00	\$9,297.16
000040	000	Pipelines	Terry L. B	10/31/1996	9/2/2010	\$9,266.61	\$1,435.00	\$1,435.00	\$0.00	\$9,266.61
000041	000	Pipelines	Consolidat	10/31/1996	9/2/2010	\$361.37	\$55.96	\$55.96	\$0.00	\$361.37
000042	000	Pipelines	Hull Broth	10/31/1996	9/2/2010	\$42,033.93	\$6,509.25	\$6,509.25	\$0.00	\$42,033.93
000043	000	Pipelines	McJunkin/A	10/31/1996	9/2/2010	\$113.78	\$17.62	\$17.62	\$0.00	\$113.78
000044	000	Pipelines	Chris Geor	11/30/1996	9/2/2010	\$798.35	\$123.63	\$123.63	\$0.00	\$798.35
000045	000	Pipelines	Consolidat	11/30/1996	9/2/2010	\$3,092.34	\$478.87	\$478.87	\$0.00	\$3,092.34
000046	000	Pipelines	McJunkin/A	11/30/1996	9/2/2010	\$6,485.01	\$1,004.25	\$1,004.25	\$0.00	\$6,485.01
000047	000	Pipelines	Hull Broth	11/30/1996	9/2/2010	\$9,944.66	\$1,540.00	\$1,540.00	\$0.00	\$9,944.66
000048	000	Pipelines	McJunkin/A	12/31/1996	9/2/2010	\$4,752.83	\$736.01	\$736.01	\$0.00	\$4,752.83
000049	000	Pipelines	Hull Broth	12/31/1996	9/2/2010	\$7,283.17	\$1,127.85	\$1,127.85	\$0.00	\$7,283.17
000050	000	Pipelines	Bradley B.	12/31/1996	9/2/2010	\$1,614.39	\$250.00	\$250.00	\$0.00	\$1,614.39
000051	000	Pipelines	Weatherfor	12/31/1996	9/2/2010	\$7,234.80	\$1,120.36	\$1,120.36	\$0.00	\$7,234.80
000052	000	Pipelines	Harold Sto	12/31/1996	9/2/2010	\$12,511.54	\$1,937.50	\$1,937.50	\$0.00	\$12,511.54
000053	000	Pipelines	Hull Broth	1/31/1997	9/2/2010	\$23,809.05	\$3,687.00	\$3,687.00	\$0.00	\$23,809.05
000054	000	Pipelines	Charles D.	1/31/1997	9/2/2010	\$3,402.30	\$526.87	\$526.87	\$0.00	\$3,402.30
000055	000	Pipelines	McJunkin/A	1/31/1997	9/2/2010	\$1,583.65	\$245.24	\$245.24	\$0.00	\$1,583.65
000056	000	Pipelines	6738 Plate	1/31/1997	9/2/2010	\$9,589.49	\$1,485.00	\$1,485.00	\$0.00	\$9,589.49
000057	000	Pipelines	Harold Sto	2/28/1997	9/2/2010	\$9,395.76	\$1,455.00	\$1,455.00	\$0.00	\$9,395.76
000058	000	Pipelines	Pocket Tec	3/31/1997	9/2/2010	\$9,670.08	\$1,497.48	\$1,497.48	\$0.00	\$9,670.08
000059	000	Pipelines	Hull Broth	3/31/1997	9/2/2010	\$1,307.66	\$202.50	\$202.50	\$0.00	\$1,307.66
000060	000	Pipelines	McJunkin/A	3/31/1997	9/2/2010	\$1,032.89	\$159.95	\$159.95	\$0.00	\$1,032.89
000061	000	Pipelines	Hull Broth	4/30/1997	9/2/2010	\$10,535.52	\$1,631.50	\$1,631.50	\$0.00	\$10,535.52
000062	000	Pipelines	Eagle Rese	7/31/1997	9/2/2010	\$41,902.32	\$6,488.87	\$6,488.87	\$0.00	\$41,902.32
000063	000	Pipelines	G & C Supp	7/31/1997	9/2/2010	\$1,975.11	\$305.86	\$305.86	\$0.00	\$1,975.11
000064	000	Pipelines	Hull Broth	7/31/1997	9/2/2010	\$10,719.56	\$1,660.00	\$1,660.00	\$0.00	\$10,719.56
000065	000	Pipelines	Hull Broth	8/31/1997	9/2/2010	\$7,337.41	\$1,136.25	\$1,136.25	\$0.00	\$7,337.41
000066	000	Pipelines	G & C Supp	9/30/1997	9/2/2010	\$911.36	\$141.13	\$141.13	\$0.00	\$911.36
000069	000	Vehicles	Tandem Axl	12/31/1994	9/2/2010	\$8,924.36	\$1,382.00	\$1,382.00	\$0.00	\$8,924.36
000074	000	Rights-Of-Wa	William Iv	2/17/1994	9/2/2010	\$4,336.19	\$671.49	\$671.49	\$0.00	\$4,336.19
000075	000	Rights-Of-Wa	Thomas Hug	3/18/1994	9/2/2010	\$8,071.96	\$1,250.00	\$1,250.00	\$0.00	\$8,071.96

The Titan Energy Group, Inc.  
4797 - SALES OF PROPERTY  
For Tax Book FY: 06  
For Year Ending 06/30/2011

Page 2

000076	000 Rights-Of-Wa	Hayward Co	4/4/1994	9/2/2010	\$6,457.57	\$1,000.00	\$1,000.00	\$0.00	\$6,457.57
000077	000 Rights-Of-Wa	John McDan	6/28/1994	9/2/2010	\$927.44	\$143.62	\$143.62	\$0.00	\$927.44
000078	000 Rights-Of-Wa	Norfolk so	6/28/1994	9/2/2010	\$645.76	\$100.00	\$100.00	\$0.00	\$645.76
000079	000 Rights-Of-Wa	Estate of	6/28/1994	9/2/2010	\$16,171.24	\$2,504.23	\$2,504.23	\$0.00	\$16,171.24
000080	000 Rights-Of-Wa	Kenneth Da	9/9/1994	9/2/2010	\$2,421.59	\$375.00	\$375.00	\$0.00	\$2,421.59
000081	000 Rights-Of-Wa	T.O. Heide	9/9/1994	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000082	000 Rights-Of-Wa	Gail Worl	9/9/1994	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000083	000 Rights-Of-Wa	Harry Giff	10/17/1994	9/2/2010	\$2,522.52	\$390.63	\$390.63	\$0.00	\$2,522.52
000084	000 Rights-Of-Wa	Plateau Pr	10/24/1994	9/2/2010	\$2,128.74	\$329.65	\$329.65	\$0.00	\$2,128.74
000086	000 Rights-Of-Wa	Catherine	9/30/1995	9/2/2010	\$1,230.10	\$190.49	\$190.49	\$0.00	\$1,230.10
000087	000 Rights-Of-Wa	Kenneth Da	9/30/1995	9/2/2010	\$2,421.59	\$375.00	\$375.00	\$0.00	\$2,421.59
000088	000 Rights-Of-Wa	T.O. Heide	9/30/1995	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000089	000 Rights-Of-Wa	Gail Worl	9/30/1995	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000090	000 Rights-Of-Wa	B&W Stock	12/31/1995	9/2/2010	\$129,146.72	\$19,999.28	\$19,999.28	\$0.00	\$129,146.72
000091	000 Rights-Of-Wa	Plateau Pr	12/31/1995	9/2/2010	\$2,128.74	\$329.65	\$329.65	\$0.00	\$2,128.74
000092	000 Rights-Of-Wa	William W.	12/31/1995	9/2/2010	\$3,912.32	\$605.85	\$605.85	\$0.00	\$3,912.32
000093	000 Rights-Of-Wa	John McDan	12/31/1995	9/2/2010	\$927.44	\$143.62	\$143.62	\$0.00	\$927.44
000094	000 Rights-Of-Wa	Est of Bru	5/17/1995	9/2/2010	\$17,511.50	\$2,711.78	\$2,711.78	\$0.00	\$17,511.50
000095	000 Rights-Of-Wa	Catherine	7/31/1995	9/2/2010	\$1,230.10	\$190.49	\$190.49	\$0.00	\$1,230.10
000096	000 Rights-Of-Wa	Mr. Kennel	9/30/1995	9/2/2010	\$2,421.59	\$375.00	\$375.00	\$0.00	\$2,421.59
000097	000 Rights-Of-Wa	T. O. Held	9/30/1995	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000098	000 Rights-Of-Wa	Catherine	9/30/1995	9/2/2010	\$1,230.10	\$190.49	\$190.49	\$0.00	\$1,230.10
000099	000 Rights-Of-Wa	Gail Worl	9/30/1995	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000100	000 Rights-Of-Wa	Elizabeth	10/21/1995	9/2/2010	\$1,614.39	\$250.00	\$250.00	\$0.00	\$1,614.39
000102	000 Rights-Of-Wa	Estate of	2/28/1998	9/2/2010	\$18,425.38	\$2,853.30	\$2,853.30	\$0.00	\$18,425.38
000103	000 Rights-Of-Wa	Kenneth Da	9/30/1998	9/2/2010	\$2,421.59	\$375.00	\$375.00	\$0.00	\$2,421.59
000104	000 Rights-Of-Wa	T. O. Held	9/30/1998	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000105	000 Rights-Of-Wa	Catherine	9/30/1998	9/2/2010	\$1,230.10	\$190.49	\$190.49	\$0.00	\$1,230.10
000106	000 Rights-Of-Wa	Gail Worl	9/30/1998	9/2/2010	\$1,210.79	\$187.50	\$187.50	\$0.00	\$1,210.79
000107	000 Rights-Of-Wa	Estate of	4/30/1999	9/2/2010	\$18,695.69	\$2,895.16	\$2,895.16	\$0.00	\$18,695.69
000109	000 Rights-Of-Wa	Jon E. McD	7/24/1999	9/2/2010	\$2,336.61	\$361.84	\$361.84	\$0.00	\$2,336.61
000110	000 Rights-Of-Wa	Wilson & B	9/30/1999	9/2/2010	\$27,121.79	\$4,200.00	\$4,200.00	\$0.00	\$27,121.79
000111	000 Rights-Of-Wa	William J.	10/31/1999	9/2/2010	\$27,121.79	\$4,200.00	\$4,200.00	\$0.00	\$27,121.79
000118	000 Field Equipm	Meihanol P	12/31/2005	9/2/2010	\$5,485.83	\$825.06	\$825.06	\$0.00	\$5,485.83
000119	000 Pipelines	Replaces 20	5/14/2007	9/2/2010	\$110,906.35	\$9,814.08	\$17,174.63	\$7,360.55	\$103,545.80
000120	000 Field Equipm	210 Barrel	7/10/2007	9/2/2010	\$38,948.18	\$4,541.77	\$6,031.40	\$1,389.63	\$37,558.55
000121	000 Field Equipm	AMS Model	4/13/2007	9/2/2010	\$40,682.68	\$5,574.24	\$6,300.00	\$725.76	\$39,956.92
000123	000 Field Equipm	Electric S	10/4/2007	9/2/2010	\$7,749.08	\$923.52	\$1,200.00	\$276.48	\$7,472.60
Total					\$2,323,802.69	\$350,080.35	\$359,857.23	\$9,776.88	\$2,314,025.81

Section 1245 Property

		Capital Gain	Ordinary Gain
000023	000 Field Equipm	\$75,445.43	\$13,824.00
000024	000 Field Equipm	\$37,722.71	\$6,912.00
000025	000 Field Equipm	\$10,058.30	\$1,843.00
000026	000 Field Equipm	\$12,579.70	\$2,305.00
000027	000 Field Equipm	\$15,090.18	\$2,765.00
000028	000 Field Equipm	\$15,090.18	\$2,765.00
000029	000 Field Equipm	\$1,255.24	\$230.00

January 18, 2012  
6:05 PM

Page 3

The Titan Energy Group, Inc.  
4797 - SALES OF PROPERTY  
For Tax Book FY:06  
For Year Ending 06/30/2011

000030	000	Field Equipm	3-10 HP Co	\$15,090.18	\$2,765.00
000031	000	Field Equipm	East Tenna	\$22,856.90	\$4,188.11
000033	000	Field Equipm	8" Mustang	\$33,291.17	\$6,100.00
000035	000	Pipelines	B & W Pipe	\$1,025,067.80	\$187,825.00
000036	000	Pipelines	Deer Lodge	\$31,573.45	\$5,785.25
000037	000	Pipelines	Charlie Yo	\$867.75	\$159.00
000038	000	Pipelines	Halliburto	\$12,839.31	\$2,352.57
000039	000	Pipelines	Howard L.	\$7,857.43	\$1,439.73
000040	000	Pipelines	Terry L. B	\$7,831.61	\$1,435.00
000041	000	Pipelines	Consolidat	\$305.41	\$55.95
000042	000	Pipelines	Hull Broth	\$35,524.68	\$6,509.25
000043	000	Pipelines	McJunkin/A	\$96.16	\$17.62
000044	000	Pipelines	Chris Geor	\$674.72	\$123.63
000045	000	Pipelines	Consolidat	\$2,613.47	\$478.87
000046	000	Pipelines	McJunkin/A	\$5,480.76	\$1,004.25
000047	000	Pipelines	Hull Broth	\$8,404.66	\$1,540.00
000048	000	Pipelines	McJunkin/A	\$4,016.82	\$736.01
000049	000	Pipelines	Hull Broth	\$6,155.32	\$1,127.85
000050	000	Pipelines	Bradley B.	\$1,364.39	\$250.00
000051	000	Pipelines	Weatherfor	\$6,114.44	\$1,120.36
000052	000	Pipelines	Harold Sto	\$10,574.04	\$1,937.50
000053	000	Pipelines	Hull Broth	\$20,122.05	\$3,687.00
000054	000	Pipelines	Charles D.	\$2,875.43	\$526.87
000055	000	Pipelines	McJunkin/A	\$1,338.41	\$245.24
000056	000	Pipelines	6738 Plate	\$8,104.49	\$1,485.00
000057	000	Pipelines	Harold Sto	\$7,940.76	\$1,455.00
000058	000	Pipelines	Pocket Tec	\$8,172.60	\$1,497.48
000059	000	Pipelines	Hull Broth	\$1,105.16	\$202.50
000060	000	Pipelines	McJunkin/A	\$872.94	\$159.95
000061	000	Pipelines	Hull Broth	\$8,904.02	\$1,631.50
000062	000	Pipelines	Eagle Rese	\$35,413.45	\$6,488.87
000063	000	Pipelines	G & C Supp	\$1,669.25	\$305.86
000064	000	Pipelines	Hull Broth	\$9,059.56	\$1,660.00
000065	000	Pipelines	Hull Broth	\$6,201.16	\$1,136.25
000066	000	Pipelines	G & C Supp	\$770.23	\$141.13
000069	000	Vehicles	Tandem Axl	\$7,542.36	\$1,382.00
000074	000	Rights-Of-Wa	William Iv	\$3,664.70	\$671.49
000075	000	Rights-Of-Wa	Thomas Hug	\$6,821.96	\$1,250.00
000076	000	Rights-Of-Wa	Hayward Co	\$5,457.57	\$1,000.00
000077	000	Rights-Of-Wa	John McDan	\$783.82	\$143.62
000078	000	Rights-Of-Wa	Norfolk co	\$545.76	\$100.00
000079	000	Rights-Of-Wa	Estate of	\$13,667.01	\$2,504.23
000080	000	Rights-Of-Wa	Kenneth Da	\$2,046.59	\$375.00
000081	000	Rights-Of-Wa	T.Q. Heide	\$1,023.29	\$187.50
000082	000	Rights-Of-Wa	Gail Worl	\$1,023.29	\$187.50
000083	000	Rights-Of-Wa	Harry Giff	\$2,131.89	\$390.63
000084	000	Rights-Of-Wa	Plateau Pr	\$1,799.09	\$329.65
000086	000	Rights-Of-Wa	Catherine	\$1,039.61	\$190.49
000087	000	Rights-Of-Wa	Kenneth Da	\$2,046.59	\$375.00
000088	000	Rights-Of-Wa	T.Q. Heide	\$1,023.29	\$187.50

January 18, 2012  
6:05 PM

Page 4

The Titan Energy Group, Inc.  
4797 - SALES OF PROPERTY  
For Tax Book FY: 06  
For Year Ending 06/30/2011

000089	000	Rights-Of-Wa	Gail Wort	\$1,023.29	\$187.50
000090	000	Rights-Of-Wa	B&W Stock	\$109,147.44	\$19,999.28
000091	000	Rights-Of-Wa	Plateau Pr	\$1,799.09	\$329.65
000092	000	Rights-Of-Wa	William W.	\$3,306.47	\$605.85
000093	000	Rights-Of-Wa	John McDan	\$783.82	\$143.62
000094	000	Rights-Of-Wa	Est of Bru	\$14,799.72	\$2,711.78
000095	000	Rights-Of-Wa	Catherine	\$1,039.61	\$190.49
000096	000	Rights-Of-Wa	Mr. Kennet	\$2,046.59	\$375.00
000097	000	Rights-Of-Wa	T. Q. Held	\$1,023.29	\$187.50
000098	000	Rights-Of-Wa	Catherine	\$1,039.61	\$190.49
000099	000	Rights-Of-Wa	Gail Wort	\$1,023.29	\$187.50
000100	000	Rights-Of-Wa	Elizabeth	\$1,364.39	\$250.00
000102	000	Rights-Of-Wa	Estate of	\$15,572.08	\$2,853.30
000103	000	Rights-Of-Wa	Kenneth Da	\$2,046.59	\$375.00
000104	000	Rights-Of-Wa	T. Q. Held	\$1,023.29	\$187.50
000105	000	Rights-Of-Wa	Catherine	\$1,039.61	\$190.49
000106	000	Rights-Of-Wa	Gail Wort	\$1,023.29	\$187.50
000107	000	Rights-Of-Wa	Estate of	\$15,800.53	\$2,895.16
000109	000	Rights-Of-Wa	Jon E. McD	\$1,974.77	\$361.84
000110	000	Rights-Of-Wa	Wilson & B	\$22,921.79	\$4,200.00
000111	000	Rights-Of-Wa	William J.	\$22,921.79	\$4,200.00
000118	000	Field Equipm	Methanol P	\$4,636.31	\$825.06
000119	000	Pipelines	Replace 20	\$93,731.72	\$9,814.08
000120	000	Field Equipm	210 Barrel	\$32,916.78	\$4,641.77
000121	000	Field Equipm	AMS Model	\$34,382.68	\$5,574.24
000123	000	Field Equipm	Electric S	\$6,549.08	\$923.52
Total				\$1,963,945.46	\$350,080.35

Section 1250 Property

000009	000	Buildings	Land B & W	12/31/1993	9/2/2010	\$19,372.71	\$0.00	\$3,000.00	\$3,000.00	\$16,372.71
000010	000	Buildings	Building B	12/31/1993	9/2/2010	\$99,653.20	\$8,205.99	\$15,432.00	\$7,226.01	\$92,427.19
Total						\$119,025.91	\$8,205.99	\$18,432.00	\$10,226.01	\$108,799.90

	(a) Add'l Depr after 12/75	(b) Smaller of (a) or T.Gain	(c) T.Gain Minus Column (a)	(d) Add'l Depr 1/70 - 12/75	(e) Smaller of (c) or (d)	(f) Section 291 Amount	(g) Ordinary Gain (b) + (e) + (f)
000009 000	0.00	0.00	16,372.71	0.00	0.00	0.00	0.00
000010 000	0.00	0.00	92,427.19	0.00	0.00	1,641.20	1,641.20

Section 1252 Property

Sys No	Ext	Asset ID	Description	Acq Date	Retire Date	Gross Sales Price	Current Accum Depreciation	Cost Plus Exp of Sale	Adjusted Basis	Total Gain
Total						\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Section 1254 Property

The Titan Energy Group, Inc.  
**4797 - SALES OF PROPERTY**  
 For Tax Book FY: 06  
 For Year Ending 06/30/2011

## Section 1255 Property

Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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Total Gains for All Properties  
 Ordinary Gains (to Part II, line 13)

\$2,422,825.71  
 \$351,721.55

Capital Gains (to Part I, line 6)

\$2,071,104.16

## PART I - Sales or Exchanges of Property Held More Than 1 Year

Sys No	Ext	Asset ID	Description	Acq Date	Retire Date	Gross Sales Price	Current Accum Depreciation	Cost Plus Exp of Sale	Gain or (Loss)
000085	000	Rights-Of-Wa	Adjustment	6/30/1995	9/2/2010	(\$12,218.95)	(\$1,892.19)	(\$1,892.19)	(\$12,218.95)
000108	000	Rights-Of-Wa	Estate of	4/30/1999	9/2/2010	(\$18,425.38)	(\$2,853.30)	(\$2,853.30)	(\$18,425.38)
000125	000	Pipelines	Items Relu	5/31/2007	9/2/2010	(\$2,184.27)	(\$193.28)	(\$338.25)	(\$2,039.30)
Total						(\$32,828.60)	(\$4,938.77)	(\$5,083.74)	(\$32,683.63)

Gain, if any, from line 32, from other than casualty and theft ----- \$2,071,104.16  
 Add lines 2 through 6. Enter gain or (loss) here and on the appropriate line of your return ----- \$2,038,420.53

## PART II - Ordinary Gains and Losses

Sys No	Ext	Asset ID	Description	Acq Date	Retire Date	Gross Sales Price	Current Accum Depreciation	Cost Plus Exp of Sale	Gain or (Loss)
Total						\$0.00	\$0.00	\$0.00	\$0.00

Loss, if any, from line 7 ----- \$0.00  
 Gain, if any, from line 7, or amount from line 8, if applicable ----- \$0.00  
 Gain, if any, from line 31 ----- \$351,721.55  
 Combine lines 10 through 16. Enter gain or (loss) here and on the appropriate line of your return ----- \$351,721.55

## ----- Calculation Assumptions -----

Book Tax	Short Years (N)	Midquarter Convention (N)	Adjustment Convention None	Include Sec 168 Allow & Sec 179 (N)
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## ----- Asset Grouping/Sorting -----

Group: &lt;All FAS Assets&gt;

Include Assets that meet the following conditions:

Ledger Trial Balance for Period Ending 6/30/2010

The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
<b>Current Assets</b>			
109-0000-00	Accumulated Depletion		226,309.32
110-0000-00	Accumulated Depreciation		396,182.02
110-0000-10	Accumulated Depr. Ohio County		125,441.06
111-0001-00	Accumulated Amortization		8,321.54
124-0001-00	Investment- Gasco, Inc.	95.00	
131-0002-00	Checking Acct. - FNB General-Closed	0.00	
131-0003-00	Checking Acct. - FNB Dist.	0.00	
131-0004-00	Checking Acct. - Key Bank Gen.	0.00	
131-0005-00	Checking Acct.-Community-General	13,855.22	
134-0001-00	Deposit-Workers Compensation	1,000.00	
134-0002-00	Deposit-Utilities	731.08	
142-0001-00	Accounts Receivable-Trade	2,455.64	
142-0001-10	A/R Perdue Farms	2,145.90	
142-0003-00	Distribution Deficits	0.00	
146-0001-00	Accts. Rec.-Fred A. Steele	0.00	
146-0004-00	Accts. Rec.-GDSI Kane	0.00	
146-0006-00	Accts. Rec.-Gasco, Inc.	1,565.00	
146-0007-00	Accts. Rec.-GDSI Ohio	237,381.22	
146-0008-00	Accts. Rec.-GDSI WV	0.00	
146-0009-00	Accts. Rec.-GDSI-Jellico	5,760.00	
146-0010-00	Accts. Rec.-GDSI-Albany	740,682.00	
146-0011-00	Accts. Rec.-GDSI Claysville	0.00	
146-0012-00	Accts. Rec.-GDSI Fentress	20,234.44	
146-0013-00	Accts. Rec.-GDSI-Byrdstown	287,889.74	
146-0014-00	Accts. Rec. EAC	0.00	
146-0015-00	Accts. Rec. Upper Cumberland	0.00	
146-0016-00	Accts. Rec.-E.M.S.I.	85,162.71	
146-0017-00	Accts. Rec.-Lakeside Natural G	0.00	
146-0021-00	Accts. Rec. Ohio County		168,173.89
<b>Current Assets:</b>		<b>1,398,957.95</b>	<b>924,427.83</b>
<b>Inventory &amp; Prepaid Items</b>			
154-0000-00	Inventory	0.00	
165-0001-00	Prepaid Pipeline Costs	0.00	
165-0002-00	Prepaid Interest Points	0.00	
165-0003-00	Prepaid Comm. & Marine Ins.	3,535.74	
165-0004-00	Prepaid Vehicle Insurance	0.00	
165-0007-00	Prepaid Dir. & Officers Ins.	687.73	
165-0007-10	Prepaid Dir. & Officer Ins.-OC	0.00	
165-0008-00	Prepaid Office Machine Maint.	93.97	
165-0009-00	Prepaid Gas Costs-EDF Trading	2,987.00	
165-0010-00	Prepaid Legal Expenses	10,000.00	
180-0000-00	Cash Transfers	0.00	
<b>Inventory &amp; Prepaid Items:</b>		<b>17,304.44</b>	
<b>Equity</b>			
201-0000-00	Common Stock		100.00
204-0000-00	Preferred Stock		0.00
216-0000-00	Retained Earnings		1,476,774.63
<b>Equity:</b>			<b>1,476,874.63</b>
<b>Current Liabilities</b>			
231-0001-00	N/P - Bank One		0.00
231-0002-00	N/P - First National Bank		0.00
231-0003-00	N/P - De Lage Lenden Financial		0.00
231-0004-10	N/P - Gordon R. Brothers		0.00
231-0005-10	N/P - Kenneth D. Magyar		0.00
231-0006-00	N/P ERS Inc.		0.00

Ledger Trial Balance for Period Ending 6/30/2010

The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
<b>Current Liabilities</b>			
232-0001-00	Accounts Payable-Trade		11,128.36
232-0002-00	Dividends Payable		0.00
232-0009-00	Accts. Pay.-Eagle Energy Partners		0.00
232-0010-00	Accts. Pay.-USP, Inc.		115,000.00
236-0002-00	Accrued Taxes-Ohio Franchise		0.00
236-0003-00	Accrued Taxes-Tennessee Franchise		9,534.83
236-0004-00	Accrued Federal Income Tax		0.00
236-0010-00	Accrued Real & Personal Proper		89,835.17
236-0330-00	Accrued Severance Tax-Ohio		0.00
236-0331-00	Accrued Severance Tax-Tenn		35,262.36
236-0332-00	Accrued Back-Up Withholding		0.00
242-0001-00	Undistributed Production		5,138.08
	<b>Current Liabilities:</b>		<b>265,898.80</b>
<b>Property &amp; Equipment</b>			
301-0000-00	Organizational Costs	8,321.54	
320-0000-00	Rights-Of-Way	56,048.76	
320-0010-00	Rights-TTEG		0.00
321-0000-00	Land	12,489.40	
322-0000-00	Buildings	106,280.82	
322-0001-00	Leasehold Improvements	28,946.49	
323-0000-00	Producing Gas Wells	209,298.00	
324-0000-00	Pipelines	262,808.82	
324-0001-00	Fairfield Pipeline		0.00
326-0001-00	Field Equipment	74,808.21	
326-0002-00	Vehicles	1,382.00	
326-0003-00	Office Equipment	5,276.23	
332-0000-10	Ohio County Pipeline	166,025.00	
	<b>Property &amp; Equipment:</b>	<b>931,685.37</b>	<b>0.00</b>
<b>Other Assets</b>			
282-0000-00	Deferred Income Tax	256,982.79	
	<b>Other Assets:</b>	<b>256,982.79</b>	<b>0.00</b>
<b>Income Statement</b>			
403-0001-00	Depreciation Expense	19,689.19	
403-0001-10	Depreciation Exp.-Ohio County	11,068.33	
403-0002-00	Depletion Expense	14,158.07	
405-0000-00	Amortization Expense		0.00
408-0001-00	Franchise Tax	310.00	
408-0002-00	R/E & Personal Property Tax	3,877.58	
408-0002-10	R/E & Personal Property Tax	999.47	
409-0001-00	Income Tax Provision		0.00
410-0000-00	Prov. for Deferred Income Tax		0.00
417-0001-00	Working Interest Income		94,387.13
417-0001-10	Working Interest Inc-Ohio		0.00
417-0002-00	Overriding Royalty		525.80
417-0003-00	Operating Expense Income		0.00
417-0004-00	Transportation Income		38,132.37
417-0004-10	Transportation Income-Ohio Co.		34,115.53
417-0005-00	Compression Income		21,222.00
417-0006-00	Gas Marketing Income		0.00
418-0001-00	Rent Income		9,600.00
419-0000-00	Interest Income		0.00
421-0000-00	Miscellaneous Income		343.94
421-0001-00	Management Fee-EAC		0.00
421-0002-00	Management Fee-Upper Cumberland		0.00
421-0003-00	Debt Forgiveness Income		0.00



Account Number	Description	Debit	Credit
Income Statement			
41-0004-00	Management Fee-Energy Manageme		0.00
421-0010-00	Gain(Loss) On Sale Of Property		900.00
431-0000-00	Interest Expense	110.00	
431-0000-10	Interest Expense-Ohio County		0.00
438-0000-00	Preferred Dividends Paid		0.00
Income Statement:		50,212.64	199,226.77
Operating Expenses			
713-0001-00	Well Operating Expenses	6,910.14	
713-0001-10	Pipeline Operating Expenses	313.65	
713-0100-00	Pipeline Maintenance	13,976.72	
713-0100-10	Pipeline Maintenance-Ohio Co.	0.00	
713-0200-00	Pumper Expense	0.00	
713-0300-00	Lease Maintenance	547.87	
713-2000-00	Chart Exp: Lowe #1	0.00	
713-2000-02	Maint & Rep Lowe #1	0.00	
713-2000-03	Advalorem Taxes Lowe #1	0.00	
713-2001-00	Chart Exp: Whitt #1	0.00	
713-2001-02	Maint & Repair Whitt #1	0.00	
713-2001-03	Advalorem Taxes Whitt #1	0.00	
713-2002-00	Chart Exp: Cowhick #1	0.00	
713-2002-02	Maint & Repair Cowhick #1	0.00	
713-2002-03	Advalorem Taxes Cowhick #1	0.00	
713-2003-00	Chart Exp: Rice Farms #1	0.00	
713-2003-02	Maint & Repair Rice Farms #1	0.00	
713-2003-03	Advalorem Taxes Rice Farms #1	0.00	
713-2004-00	Chart Exp: Biddinger, Jr. #1	0.00	
713-2004-02	Maint & Rep Biddinger #1	0.00	
713-2004-03	Advalorem Taxes Biddinger Jr.	0.00	
713-2005-00	Chart Exp: Biddinger, Sr. #1	0.00	
713-2005-02	Maint & Rep Biddinger Sr #1	0.00	
713-2005-03	Advalorem Taxes Biddinger Sr	0.00	
713-2006-00	Chart Exp: Rose #1	0.00	
713-2006-03	Advalorem Taxes Rose #1	0.00	
713-4000-00	Chart: Ben Phillips Heirs #1	0.00	
713-4000-01	Parts: Ben Phillips Heirs #1	0.00	
713-4000-02	Maint & Rep Ben Phillips Heirs	0.00	
713-4001-00	Chart: McCampbell #1	0.00	
713-4001-01	Parts McCampbell #1	0.00	
713-4001-02	Maint & Repairs McCampbell #1	0.00	
713-4002-00	Chart: Samuel W. Jones #1	48.00	
713-4002-01	Parts Samuel W. Jones #1	0.00	
713-4002-02	Maint & Rep Samuel W. Jones #1	0.00	
713-4003-00	Chart: Stagg Heirs #1	0.00	
713-4003-01	Parts Stagg Heirs #1	0.00	
713-4003-02	Maint & Repairs Stagg Heirs #1	0.00	
713-4004-00	Chart: Olmstead Overton #2	48.00	
713-4004-01	Parts Olmstead Overton #2	0.00	
713-4004-02	Maint & Rep Olmstead Overton 2	0.00	
713-4005-00	Chart: Olmstead Overton #5	36.00	
713-4005-01	Parts Olmstead Overton #5	0.00	
713-4005-02	Maint & Rep. Olmstead Overton	0.00	
713-4006-00	Chart: Olmstead Overton #3	0.00	
713-4006-01	Parts Olmstead Overton #3	0.00	
713-4006-02	Maint & Rep Olmstead Overton 3	0.00	
713-4007-00	Chart: Olmstead Overton #4	48.00	
713-4007-01	Parts Olmstead Overton #4	0.00	

Account Number	Description	Debit	Credit
Operating Expenses			
713-4007-02	Maint & Rep Olmstead Overton 4	0.00	
713-4008-00	Chart: Davis Jones #1	0.00	
713-4008-01	Parts Davis Jones #1	0.00	
713-4008-02	Maint & Repairs Davis Jones #1	0.00	
713-4009-00	Chart: Back Kasper Etal #1	0.00	
713-4009-01	Parts Back Kasper Etal #1	0.00	
713-4009-02	Maint & Rep Back Kasper Etal 1	0.00	
713-4010-00	Chart: Chas Reynolds Etal #1	0.00	
713-4010-01	Parts Chas Reynolds Etal #1	0.00	
713-4010-02	Maint & Rep Chas Reynolds Etal	0.00	
713-4011-00	Chart: Bernard Wojtaslak #1	0.00	
713-4011-01	Parts Bernard Wojtaslak #1	0.00	
713-4011-02	Maint & Rep Bernard Wojtaslak	0.00	
713-4012-00	Chart: Joe Phillips #2	0.00	
713-4012-01	Parts Joe Phillips #2	0.00	
713-4012-02	Maint & Rep Joe Phillips #2	0.00	
713-4013-00	Chart: Peltz Helrs #2	0.00	
713-4013-01	Parts Peltz Helrs #2	0.00	
713-4013-02	Maint & Repairs Peltz Helrs #2	0.00	
713-4014-00	Chart: Darmofal Davis #1	0.00	
713-4014-01	Parts Darmofal Davis #1	0.00	
713-4014-02	Maint & Rep Darmofal Davis #1	0.00	
713-4020-00	Chart Expense Wade Nance	0.00	
713-4100-00	Chart: Victor Needam #1	0.00	
713-4100-01	Parts Victor Needam #1	0.00	
713-4100-02	Maint & Rep Victor Needam #1	0.00	
713-4101-00	Chart: Truman Melton #1A	0.00	
713-4101-01	Parts Truman Melton #1A	0.00	
713-4101-02	Maint & Rep Truman Melton #1A	0.00	
713-4102-00	Chart: Gordon Burghardt #1	0.00	
713-4102-01	Parts Gordon Burghardt #1	0.00	
713-4102-02	Maint & Rep Gordon Burghardt 1	0.00	
713-4103-00	Chart: Taylor Adkins #1	48.00	
713-4103-01	Parts Taylor Adkins #1	0.00	
713-4103-02	Maint & Rep Taylor Adkins #1	0.00	
713-4104-00	Chart: Duncan Needham #1	0.00	
713-4104-01	Parts Duncan Needham #1	0.00	
713-4104-02	Maint & Rep Duncan Needham #1	0.00	
713-4105-00	Chart: Truman Melton #2	0.00	
713-4105-01	Parts Truman Melton #2	0.00	
713-4105-02	Maint & Rep Truman Melton #2	0.00	
713-4106-00	Chart: Enos Robbins #1	0.00	
713-4106-01	Parts Enos Robbins #1	0.00	
713-4106-02	Maint & Rep Enos Robbins #1	0.00	
713-4107-00	Chart: Chester Huling #1	0.00	
713-4107-01	Parts Chester Huling #1	0.00	
713-4107-02	Maint & Rep Chester Huling #1	0.00	
713-4108-00	Chart: Whitehead Hinsley #1	0.00	
713-4108-01	Parts Whitehead Hinsley #1	0.00	
713-4108-02	Maint & Rep Whitehead Hinsley	0.00	
713-4109-00	Chart: Samuel Jones #2	14.00	
713-4109-01	Parts Samuel Jones #2	0.00	
713-4109-02	Maint & Rep Samuel Jones #2	0.00	
713-4110-00	Chart: Hugh Leach #1	0.00	
713-4110-01	Parts Hugh Leach #1	0.00	
713-4110-02	Maint & Repairs Hugh Leach #1	0.00	

## Ledger Trial Balance for Period Ending 6/30/2010

## The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
Operating Expenses			
713-4111-00	Chart: Davis Stagg McGill	48.00	
713-4111-01	Parts Davis Stagg McGill	0.00	
713-4111-02	Maint & Rep Davis Stagg McGill	0.00	
713-4170-00	Chart: Amco Master	40.00	
713-4300-00	Chart: Plateau Prop #1	0.00	
713-4300-01	Parts Plateau Prop #1	0.00	
713-4300-02	Maint & Rep Plateau Prop #1	0.00	
713-4301-00	Chart: D. Galbraith EGI	0.00	
713-4301-01	Parts D. Galbraith EGI	0.00	
713-4301-02	Maint & Rep D. Galbraith EGI	0.00	
713-4302-00	Chart: Griffith Howard #1	0.00	
713-4302-01	Parts Griffith Howard #1	0.00	
713-4302-02	Maint & Rep Griffith Howard #1	0.00	
713-4303-00	Chart: A. Davidson #2	0.00	
713-4303-01	Parts A. Davidson #2	0.00	
713-4303-02	Maint & Rep A. Davidson #2	0.00	
713-4304-00	Chart: D. Galbraith #1	0.00	
713-4304-01	Parts D. Galbraith #1	0.00	
713-4304-02	Maint & Rep D. Galbraith #1	0.00	
713-4305-00	Chart: G. Turner Howard #1	0.00	
713-4305-01	Parts G. Turner Howard #1	0.00	
713-4305-02	Maint & Rep G. Turner Howard #1	0.00	
713-4400-00	Chart: Faust #5	0.00	
713-4400-01	Parts Faust #5	0.00	
713-4400-02	Maint & Reps Faust #5	0.00	
713-4401-00	Chart: Faust #6	0.00	
713-4401-01	Parts Faust #6	0.00	
713-4401-02	Maint & Reps Faust #6	0.00	
713-4402-00	Chart: Plat Propt #B-1	0.00	
713-4402-01	Parts Plat Propt #B-1	0.00	
713-4402-02	Maint & Rep Plat Propt #B-1	0.00	
713-4403-00	Chart: Plat Prop #A-1	0.00	
713-4403-01	Parts Plat Propt #A-1	0.00	
713-4403-02	Maint & Rep Plat Propt #A-1	0.00	
713-4404-00	Chart: Plat Propt #C-1	0.00	
713-4404-01	Parts Plat Propt #C-1	0.00	
713-4404-02	Maint & Rep Plat Propt #C-1	0.00	
713-4950-00	F. Darmofal #1 Oil Well Exp.	0.00	
713-4951-00	H. Remkas #1 Oil Well Exp.	0.00	
713-4952-00	Smersh-Smarsh #1 Oil Well Exp.	0.00	
713-4953-00	Smersh-Smarsh #2 Oil Well Exp.	0.00	
713-4954-00	Smersh-Smarsh #3 Oil Well Exp.	0.00	
713-4955-00	Smersh-Smarsh #4 Oil Well Exp.	0.00	
713-4956-00	Smersh-Smarsh #5 Oil Well Exp.	0.00	
713-4957-00	Gerrard-Phillips-Biaschak #1	0.00	
713-4958-00	Peltz Heirs #4 Oil Well Exp.	0.00	
713-4959-00	Darmofal Heirs Etal 3BW Oil We	0.00	
713-4960-00	Obra Simpson #1 Oil Well Exp.	0.00	
713-4961-00	McGill-McCampbell #1 Oil Well	0.00	
713-4962-00	Freels-Plateau #1 Oil Well Exp	0.00	
713-4963-00	Barnett #1 Oil Well Exp.	0.00	
713-4964-00	Bernard Wojtaslak #1 Oil Well	0.00	
713-4965-00	Daniel C. Beaty #1 Oil Well Ex	0.00	
713-4966-00	Poore Etal #1 Oil Well Exp.	0.00	
723-0005-00	Contract Labor	30,424.33	
723-0005-10	Contract Labor-Ohio County	6,981.56	

## Ledger Trial Balance for Period Ending 6/30/2010

The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
Operating Expenses			
730-0001-00	Gas Costs-Atmos Energy Mark.	0.00	
730-0002-00	Gas Costs Eagle Energy Partner	0.00	
771-0000-00	Office Supplies-TTEG	0.00	
771-0001-00	Office Supplies	1,862.97	
771-0002-00	Recording Fees	0.00	
771-0003-00	Bank Charges	56.00	
771-0004-00	Office Maintenance & Repairs	1,721.09	
772-0002-00	Legal Expense .	35,571.68	
772-0002-10	Legal Expense-Ohio County	0.00	
773-0001-00	Property Insurance	4,538.52	
777-0001-00	Dues & Subscriptions	100.00	
777-0002-00	Advertising Expense	250.00	
777-0003-00	Meals	151.85	
777-0004-00	Telephone	2,615.97	
777-0004-10	Telephone Exp-Ohio County	909.66	
777-0005-00	Travel	0.00	
777-0006-00	Utilities Expense	1,625.79	
777-0009-00	Officers Life Insurance	3,409.54	
777-0010-00	Rents	309.28	
777-0011-00	Auto Expense	7,887.07	
777-0012-00	Vehicle Allowance	4,400.00	
777-0013-00	Miscellaneous Expense	0.00	
777-0016-00	Seminars & Registration Fees	0.00	
778-0000-00	Bad Debts	0.00	
800-0001-00	Management Fee	86,391.35	
	Operating Expenses:	211,284.84	
	Report Total:	2,866,428.03	2,866,428.03

Ledger Trial Balance for Period Ending 6/30/2010

The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
<b>Current Assets</b>			
109-0000-00	Accumulated Depletion		226,309.32
110-0000-00	Accumulated Depreciation		396,182.02
110-0000-10	Accumulated Depr. Ohio County		125,441.06
111-0001-00	Accumulated Amortization		8,321.54
124-0001-00	Investment- Gasco, Inc.	95.00	
131-0002-00	Checking Acct. - FNB General-Closed	0.00	
131-0003-00	Checking Acct. - FNB Dist.	0.00	
131-0004-00	Checking Acct. - Key Bank Gen.	0.00	
131-0005-00	Checking Acct.-Community-General	13,855.22	
134-0001-00	Deposit-Workers Compensation	1,000.00	
134-0002-00	Deposit-Utilities	731.08	
142-0001-00	Accounts Receivable-Trade	2,455.64	
142-0001-10	A/R Perdue Farms	2,145.90	
142-0003-00	Distribution Deficits	0.00	
146-0001-00	Accts. Rec.-Fred A. Steele	0.00	
146-0004-00	Accts. Rec.-GDSI Kane	0.00	
146-0006-00	Accts. Rec.-Gasco, Inc.	1,565.00	
146-0007-00	Accts. Rec.-GDSI Ohio	237,381.22	
146-0008-00	Accts. Rec.-GDSI WV	0.00	
146-0009-00	Accts. Rec.-GDSI-Jellico	5,760.00	
146-0010-00	Accts. Rec.-GDSI-Albany	740,882.00	
146-0011-00	Accts. Rec.-GDSI Claysville	0.00	
146-0012-00	Accts. Rec.-GDSI Fentress	20,234.44	
146-0013-00	Accts. Rec.-GDSI-Byrdstown	287,889.74	
146-0014-00	Accts. Rec. EAC	0.00	
146-0015-00	Accts. Rec. Upper Cumberland	0.00	
146-0016-00	Accts. Rec.-E.M.S.I.	85,162.71	
146-0017-00	Accts. Rec.-Lakeside Natural G	0.00	
146-0021-00	Accts. Rec. Ohio County		168,173.89
Current Assets:		1,398,957.95	924,427.83
<b>Inventory &amp; Prepaid Items</b>			
154-0000-00	Inventory	0.00	
165-0001-00	Prepaid Pipeline Costs	0.00	
165-0002-00	Prepaid Interest Points	0.00	
165-0003-00	Prepaid Comm. & Marine Ins.	3,535.74	
165-0004-00	Prepaid Vehicle Insurance	0.00	
165-0007-00	Prepaid Dir. & Officers Ins.	687.73	
165-0007-10	Prepaid Dir. & Officer Ins.-OC	0.00	
165-0008-00	Prepaid Office Machine Maint.	93.97	
165-0009-00	Prepaid Gas Costs-EDF Trading	2,987.00	
165-0010-00	Prepaid Legal Expenses	10,000.00	
180-0000-00	Cash Transfers	0.00	
Inventory & Prepaid Items:		17,304.44	
<b>Equity</b>			
201-0000-00	Common Stock		100.00
204-0000-00	Preferred Stock		0.00
216-0000-00	Retained Earnings		1,476,774.63
Equity:			1,476,874.63
<b>Current Liabilities</b>			
231-0001-00	N/P - Bank One		0.00
231-0002-00	N/P - First National Bank		0.00
231-0003-00	N/P - De Lage Landen Financial		0.00
231-0004-10	N/P - Gordon R. Brothers		0.00
231-0005-10	N/P - Kenneth D. Magyar		0.00
231-0006-00	N/P ERS Inc.		0.00

Account Number	Description	Debit	Credit
Operating Expenses			
713-4007-02	Maint & Rep Olmstead Overton 4	0.00	
713-4008-00	Chart: Davis Jones #1	0.00	
713-4008-01	Parts Davis Jones #1	0.00	
713-4008-02	Maint & Repairs Davis Jones #1	0.00	
713-4009-00	Chart: Back Kasper Etal #1	0.00	
713-4009-01	Parts Back Kasper Etal #1	0.00	
713-4009-02	Maint & Rep Back Kasper Etal 1	0.00	
713-4010-00	Chart: Chas Reynolds Etal #1	0.00	
713-4010-01	Parts Chas Reynolds Etal #1	0.00	
713-4010-02	Maint & Rep Chas Reynolds Etal	0.00	
713-4011-00	Chart: Bernard Wojtaslak #1	0.00	
713-4011-01	Parts Bernard Wojtaslak #1	0.00	
713-4011-02	Maint & Rep Bernard Wojtaslak	0.00	
713-4012-00	Chart: Joe Phillips #2	0.00	
713-4012-01	Parts Joe Phillips #2	0.00	
713-4012-02	Maint & Rep Joe Phillips #2	0.00	
713-4013-00	Chart: Peltz Heirs #2	0.00	
713-4013-01	Parts Peltz Heirs #2	0.00	
713-4013-02	Maint & Repairs Peltz Heirs #2	0.00	
713-4014-00	Chart: Darmofel Davis #1	0.00	
713-4014-01	Parts Darmofel Davis #1	0.00	
713-4014-02	Maint & Rep Darmofel Davis #1	0.00	
713-4020-00	Chart Expense Wade Nance	0.00	
713-4100-00	Chart: Victor Needam #1	0.00	
713-4100-01	Parts Victor Needam #1	0.00	
713-4100-02	Maint & Rep Victor Needam #1	0.00	
713-4101-00	Chart: Truman Melton #1A	0.00	
713-4101-01	Parts Truman Melton #1A	0.00	
713-4101-02	Maint & Rep Truman Melton #1A	0.00	
713-4102-00	Chart: Gordon Burghardt #1	0.00	
713-4102-01	Parts Gordon Burghardt #1	0.00	
713-4102-02	Maint & Rep Gordon Burghardt 1	0.00	
713-4103-00	Chart: Taylor Adkins #1	48.00	
713-4103-01	Parts Taylor Adkins #1	0.00	
713-4103-02	Maint & Rep Taylor Adkins #1	0.00	
713-4104-00	Chart: Duncan Needham #1	0.00	
713-4104-01	Parts Duncan Needham #1	0.00	
713-4104-02	Maint & Rep Duncan Needham #1	0.00	
713-4105-00	Chart: Truman Melton #2	0.00	
713-4105-01	Parts Truman Melton #2	0.00	
713-4105-02	Maint & Rep Truman Melton #2	0.00	
713-4106-00	Chart: Enos Robbins #1	0.00	
713-4106-01	Parts Enos Robbins #1	0.00	
713-4106-02	Maint & Rep Enos Robbins #1	0.00	
713-4107-00	Chart: Chester Huling #1	0.00	
713-4107-01	Parts Chester Huling #1	0.00	
713-4107-02	Maint & Rep Chester Huling #1	0.00	
713-4108-00	Chart: Whitehead Hinsley #1	0.00	
713-4108-01	Parts Whitehead Hinsley #1	0.00	
713-4108-02	Maint & Rep Whitehead Hinsley	0.00	
713-4109-00	Chart: Samuel Jones #2	14.00	
713-4109-01	Parts Samuel Jones #2	0.00	
713-4109-02	Maint & Rep Samuel Jones #2	0.00	
713-4110-00	Chart: Hugh Leach #1	0.00	
713-4110-01	Parts Hugh Leach #1	0.00	
713-4110-02	Maint & Repairs Hugh Leach #1	0.00	

Ledger Trial Balance for Period Ending 6/30/2010

The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
Operating Expenses			
713-4111-00	Chart: Davis Staggs McGill	48.00	
713-4111-01	Parts Davis Staggs McGill	0.00	
713-4111-02	Maint & Rep Davis Staggs McGill	0.00	
713-4170-00	Chart: Amco Master	40.00	
713-4300-00	Chart: Plateau Prop #1	0.00	
713-4300-01	Parts Plateau Prop #1	0.00	
713-4300-02	Maint & Rep Plateau Prop #1	0.00	
713-4301-00	Chart: D. Galbraith EGI	0.00	
713-4301-01	Parts D. Galbraith EGI	0.00	
713-4301-02	Maint & Rep D. Galbraith EGI	0.00	
713-4302-00	Chart: Griffith Howard #1	0.00	
713-4302-01	Parts Griffith Howard #1	0.00	
713-4302-02	Maint & Rep Griffith Howard #1	0.00	
713-4303-00	Chart: A. Davidson #2	0.00	
713-4303-01	Parts A. Davidson #2	0.00	
713-4303-02	Maint & Rep A. Davidson #2	0.00	
713-4304-00	Chart: D. Galbraith #1	0.00	
713-4304-01	Parts D. Galbraith #1	0.00	
713-4304-02	Maint & Rep D. Galbraith #1	0.00	
713-4305-00	Chart: G. Turner Howard #1	0.00	
713-4305-01	Parts G. Turner Howard #1	0.00	
713-4305-02	Maint & Rep G. Turner Howard #1	0.00	
713-4400-00	Chart: Faust #5	0.00	
713-4400-01	Parts Faust #5	0.00	
713-4400-02	Maint & Reps Faust #5	0.00	
713-4401-00	Chart: Faust #6	0.00	
713-4401-01	Parts Faust #6	0.00	
713-4401-02	Maint & Reps Faust #6	0.00	
713-4402-00	Chart: Plat Propt #B-1	0.00	
713-4402-01	Parts Plat Propt #B-1	0.00	
713-4402-02	Maint & Rep Plat Propt #B-1	0.00	
713-4403-00	Chart: Plat Prop #A-1	0.00	
713-4403-01	Parts Plat Propt #A-1	0.00	
713-4403-02	Maint & Rep Plat Propt #A-1	0.00	
713-4404-00	Chart: Plat Propt #C-1	0.00	
713-4404-01	Parts Plat Propt #C-1	0.00	
713-4404-02	Maint & Rep Plat Propt #C-1	0.00	
713-4950-00	F. Darmofal #1 Oil Well Exp.	0.00	
713-4951-00	H. Remkas #1 Oil Well Exp.	0.00	
713-4952-00	Smarsh-Smarsh #1 Oil Well Exp.	0.00	
713-4953-00	Smarsh-Smarsh #2 Oil Well Exp.	0.00	
713-4954-00	Smarsh-Smarsh #3 Oil Well Exp.	0.00	
713-4955-00	Smarsh-Smarsh #4 Oil Well Exp.	0.00	
713-4956-00	Smarsh-Smarsh #5 Oil Well Exp.	0.00	
713-4957-00	Gernard-Phillips-Blaschak #1	0.00	
713-4958-00	Peltz Heirs #4 Oil Well Exp.	0.00	
713-4959-00	Darmofal Heirs Etal 3BW Oil We	0.00	
713-4960-00	Obra Simpson #1 Oil Well Exp.	0.00	
713-4961-00	McGill-McCampbell #1 Oil Well	0.00	
713-4962-00	Freels-Plateau #1 Oil Well Exp	0.00	
713-4963-00	Barnett #1 Oil Well Exp.	0.00	
713-4964-00	Bernard Wojtaslak #1 Oil Well	0.00	
713-4965-00	Daniel C. Bealy #1 Oil Well Ex	0.00	
713-4966-00	Poore Etal #1 Oil Well Exp.	0.00	
723-0005-00	Contract Labor	30,424.33	
723-0005-10	Contract Labor-Ohio County	6,981.56	

ledger Trial Balance for Period Ending 6/30/2010

The Titan Energy Group, Inc. (TEG)

Account Number	Description	Debit	Credit
Operating Expenses			
730-0001-00	Gas Costs-Atmos Energy Mark.	0.00	
730-0002-00	Gas Costs Eagle Energy Partner	0.00	
771-0000-00	Office Supplies-TTEG	0.00	
771-0001-00	Office Supplies	1,862.97	
771-0002-00	Recording Fees	0.00	
771-0003-00	Bank Charges	56.00	
771-0004-00	Office Maintenance & Repairs	1,721.09	
772-0002-00	Legal Expense .	35,571.68	
772-0002-10	Legal Expense-Ohio County	0.00	
773-0001-00	Property Insurance	4,538.52	
777-0001-00	Dues & Subscriptions	100.00	
777-0002-00	Advertising Expense	250.00	
777-0003-00	Meals	151.65	
777-0004-00	Telephone	2,615.97	
777-0004-10	Telephone Exp-Ohio County	909.66	
777-0005-00	Travel	0.00	
777-0006-00	Utilities Expense	1,625.79	
777-0009-00	Officers Life Insurance	3,409.54	
777-0010-00	Rents	309.28	
777-0011-00	Auto Expense	7,887.07	
777-0012-00	Vehicle Allowance	4,400.00	
777-0013-00	Miscellaneous Expense	0.00	
777-0016-00	Seminars & Registration Fees	0.00	
778-0000-00	Bad Debts	0.00	
800-0001-00	Management Fee	86,391.35	
	Operating Expenses:	<u>211,284.84</u>	
	Report Total:	<u>2,866,428.03</u>	<u>2,866,428.03</u>



**Exhibit B**

**Response to CAPD Discovery Question on Acquisition Expenses**

**B&W PIPELINE**  
**Response to CAPD Data Request #1**  
**Docket 15-00042**

**5. Regarding account 126181 – Pipeline:**

- a. Identify and provide the journal entries and the journal entry support related to the recording of the \$2,597,285.11 in that account.
- b. How does the \$2,597,285 in account 126181 relate to the amount that was paid to acquire the pipeline utility as a result, directly or indirectly, of the previous owner's bankruptcy proceeding? Explain and provide related documents and communications.
- c. How does the \$2,597,285 in account 126181 relate to the amount of original cost that was recorded for pipeline in the previous owner's accounting records? Explain and provide related documents and communications.

**RESPONSE:**

- a. See Attachment CAPD1-5 for a copy of the journal entries in Excel and PDF.
- b. Refer to Attachment CAPD1-5. \$2,633,085.11 is the amount that was paid for the pipeline system and associated acquisition costs. Later on, a thorough review of the acquisition concluded that a portion of this value was associated to two small tracts of land that needed to be treated as such (it is not acceptable to depreciate land). This adjustment was made in 2013 for \$35,800; the amount used for the corresponding Counties Property Assessors in calculating property taxes for these two tracts. Additionally, until 12/31/2014 \$437,715.19 represented the amounts of upgrades to the pipeline since the acquisition.
- c. After the former owner of B&W Pipeline (Gasco Distributions Systems, Inc.) went bankrupt, B&W Pipeline purchased the pipeline out of bankruptcy. No existing accounting records were provided by the bankruptcy court to B&W Pipeline. However, it is B&W Pipeline's belief that the pipeline was purchased at a substantial discount from its original cost.

12:59 PM  
06/29/15

**B&W Pipeline, LLC**  
**Transaction Journal**  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
363	General Journal	12/31/2010	61		Pipeline capit...	126181 · Pipeline			541.20
					Pipeline capit...	124499 · Other			218,392.52
					Pipeline capit...	125122 · Due Dillige...		2,633,085.11	4,004.44
					Pipeline capit...	13113 · Organizatio...			2,407,499.80
					Pipeline capit...	125121 · Pipelines			220.60
					Pipeline capit...	51712 · Property Ta...	AB-GE.O...		2,426.55
					Pipeline capit...	51311 · Rights of W...	AB-PI		
								2,633,085.11	
								<b>2,633,085.11</b>	<b>2,633,085.11</b>

**TOTAL**

**Exhibit C**

**Pro Forma Adjustments to TRA Rate Base**

**B&W Pipeline**  
**Pro Forma Rate Base Calculation - Based on 2008 Tax Return**

**Calculation #1**

**TRA Calculation Methodology:**

	<u><b>Amount</b></u>
Plant in Service (Per 2008 Tax Return)	\$854,826
Land (Per 2008 Tax Return)	68,538
Uncontested Plant Additions-Post Acquisition	437,715
Uncontested Land Cost-Post Acquisition	119,842
<b>Total Plant in Service</b>	<u><b>\$1,480,921</b></u>
Accumulated Depreciation (Per 2008 Tax Return + Additional Depreciation)	\$854,826
Additional Depreciation on Uncontested Plant Additions-Post Acquisition	65,149
<b>Total Accumulated Depreciation</b>	<u><b>\$919,975</b></u>
<b>TRA Rate Base</b>	<u><b>\$560,946</b></u>

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**Pro Forma Adjustments to TRA Rate Base Calculation:**

<b>Pipeline Acquisition Cost (Per CAPD DR1-5)</b>	<u><b>\$225,585</b></u>
<b>Tax vs. Book Depreciation Rates in TRA Calculation</b>	
Assume 10 Year Tax Rate vs. 40 Year Book Rate (1/4)	
TRA Accumulated Depreciation (Based on Tax Depreciation Rates)	\$854,826
Book Depreciation (25% of Tax Depreciation)	213,707
<b>Pro Forma Tax Depreciation Adjustment</b>	<u><b>\$641,120</b></u>
<b>Pro Forma Rate Base</b>	<u><b>\$1,427,651</b></u>

**B&W Pipeline****Calculation #2****Pro Forma Rate Base Calculation - Based on Sales Price**

	<u>Amount</u>
<b>Purchase Price:</b>	
Sales Price for B&W Pipeline Recorded by Titan Energy in 2010	\$1,212,893
Accumulated Depreciation from 2011 through 2015 (Assumes 20 Year Life)	<u>\$303,223.20</u>
<b>Net Original Plant in Service at December 31, 2015</b>	<u><b>\$909,670</b></u>
<b>Pipeline Improvements</b>	
Uncontested Plant Additions-Post Acquisition	\$437,715
Uncontested Land Cost-Post Acquisition	119,842
Additional Depreciation on Uncontested Plant Additions-Post Acquisition	<u>-65,149</u>
<b>Net Incremental Plant in Service at December 31, 2015</b>	<u><b>\$492,408</b></u>
<b>Pipeline Acquisition Cost (Per CAPD DR1-5)</b>	<u><b>\$225,585</b></u>
<b>Pro Forma Rate Base</b>	<u><b>\$1,627,663</b></u>

**Exhibit D**

**Affidavit of Rafael E. Ramon Concerning Pipeline Throughput**

STATE OF FLORIDA )  
 ) ss.  
COUNTY OF MIAMI-DADE )

**Affidavit of Rafael E. Ramon**

I am Rafael E. Ramon and am the Controller for Enrema, LLC, an affiliate and service company for B&W Pipeline. I have previously provided testimony in TRA Docket 15-00042.

The total throughput of B&W Pipeline for 2015 was 134,352 Mcfs (114,081 Mcfs for Navitas and 20,271 Mcfs for Rugby Energy).

The total throughput for B&W Pipeline from January 1, 2016 through March 26, 2016 was 36,121 Mcfs. For this same period during 2015, the total accumulated throughput was 50,698 Mcfs. This represents a comparative decrease in throughput for the same periods of the years 2015 and 2016 of 28.75%.

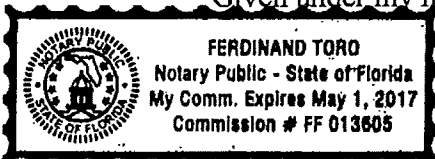
FURTHER AFFIANT SAYETH NOT.

  
\_\_\_\_\_  
RAFAEL E. RAMON

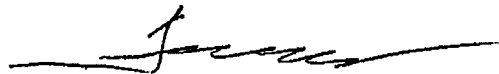
STATE OF FLORIDA )  
 ) ss.  
COUNTY OF MIAMI-DADE )

I, the undersigned, a notary public in and for said county in said state, hereby certify that Rafael E. Ramon, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this 28th day of MARCH, 2016.



[NOTARIAL SEAL]

  
\_\_\_\_\_  
Notary Public

My commission expires: 5/1/2017



**Exhibit E**

**“Petition for Clarification” Filed by B&W Pipeline on  
February 24, 2016 and “Reply of B&W Pipeline” Filed March 9, 2016**

**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** )

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**PETITION FOR CLARIFICATION**

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B&W Pipeline, LLC (“B&W”) requests clarification of the Authority’s December 14, 2015 decision<sup>1</sup> 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

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<sup>1</sup> 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.

#### Volumetric Charge

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."<sup>2</sup>

#### Conclusion

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:   
Henry Walker (B.P.R. No. 000272)  
Bradley Arant Boult Cummings, LLP  
1600 Division Street, Suite 700  
Nashville, TN 37203  
615-252-2363  
[hwalker@babbc.com](mailto:hwalker@babbc.com)  
*Attorney for B&W Pipeline, LLC*

---

<sup>2</sup> 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 24<sup>th</sup> 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:

Vance Broemel  
Assistant Attorney General  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[rachel.newton@ag.tn.gov](mailto:rachel.newton@ag.tn.gov)

Klint Alexander  
Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.  
211 Commerce Street, Suite 800  
Nashville, TN 37201  
[kalexander@bakerdonelson.com](mailto:kalexander@bakerdonelson.com)

  
Henry Walker

**In The Matter Of:**  
*Before the Tennessee Regulatory Authority*  
*Excerpt of Transcript of Authority Conference*

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*TRA Docket No. 15-00042*  
*December 14, 2015*

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*Original File 2015-12-14 TRA 15-00042 Excerpt.txt*

*Min-U-Script® with Word Index*

<p style="text-align: right;">Page 1</p> <p>1 2 3 4 BEFORE THE TENNESSEE REGULATORY AUTHORITY 5 6 7 8 ----- 9 EXCERPT OF 10 TRANSCRIPT OF AUTHORITY CONFERENCE 11 Monday, December 14, 2015 12 ----- 13 APPEARANCES: 14 For TRA Staff: Ms. Sharla Dillon 15 16 17 18 19 20 21 22 23 24 Reported By: 25 Patricia W. Smith, LCR, RPR, CCR</p>	<p style="text-align: right;">Page 3</p> <p>1 (The aforementioned Authority 2 Conference came on to be heard on Monday, December 14, 3 2015, beginning at 1:00 P.M., before Chairman Herbert 4 Hilliard, Vice Chairman David F. Jones, Director 5 Robin L. Morrison, and Director Kenneth C. Hill. The 6 following is an excerpt of the proceedings which were 7 had, to-wit:) 8 (The following proceedings began at 9 1:15 P.M.) 10 MS. DILLON: Next we have Section 10, 11 Directors Morrison, Hilliard, and Jones. 12 Docket No. 15-00042, B&amp;W Pipeline, LLC. 13 Petition of B&amp;W Pipeline, LLC, for an increase in 14 rates. Deliberations. 15 CHAIRMAN HILLIARD: During the hearing 16 in this matter, the issue of jurisdiction arose due to 17 questions about B&amp;W's Hinshaw status, as it is clear 18 that some of the gas that B&amp;W delivers to Navistar 19 [verbatim] is ultimately delivered to and consumed in 20 Kentucky. Based on the TRA's statutory authority, the 21 federal regulatory framework, and the Federal Energy 22 Regulatory Commission's application of its regulations 23 in similar circumstances, I find that the Authority has 24 the jurisdiction to set a rate that shall apply to gas 25 delivered to Navistar that is -- that is consumed</p>
<p style="text-align: right;">Page 2</p> <p>1 INDEX 2 DOCKET DISPOSITION PAGE 3 4 SECTION 10 - MORRISON, HILLIARD, AND JONES 5 15-00042 Approved 3-0 4, 5, 7, 8, 9, 9, 11, 13 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 4</p> <p>1 within the borders of Tennessee. 2 I further find that B&amp;W is required by 3 federal authority to address compliance with Federal 4 Energy Regulatory Commission rules and regulations, 5 specifically with respect to the rates charged for the 6 transportation of gas to Navistar that is ultimately 7 consumed in Kentucky, through a Federal Energy 8 Regulatory Commission Order 63 application. The Final 9 Order in this matter should be provided to the Federal 10 Energy Regulatory Commission as part of the process 11 wherein the Commission may adopt the same rate we 12 establish today. 13 I so move. 14 VICE CHAIRMAN JONES: I second and vote 15 yes. 16 Do -- do we do it here, Kelly? Or -- 17 CHAIRMAN HILLIARD: Yeah. 18 VICE CHAIRMAN JONES: -- at the end of 19 each motion? 20 MS. GRAMS: Yeah, we do it after each 21 section. 22 VICE CHAIRMAN JONES: Because I know -- 23 CHAIRMAN HILLIARD: After each section. 24 VICE CHAIRMAN JONES: -- we've got 25 multiple motions here.</p>

<p style="text-align: right;">Page 5</p> <p>1 CHAIRMAN HILLIARD: Yeah, after each 2 section. 3 VICE CHAIRMAN JONES: Okay. 4 DIRECTOR MORRISON: Vote aye. 5 CHAIRMAN HILLIARD: All right. I find 6 that the proper throughput for Navistar's current 7 customers should be based on Navistar's test period 8 transportation throughput provided by B&amp;W, rather than 9 the sales volume provided by Navistar. 10 Further, I find that the best 11 determination of throughput that will occur during the 12 attrition period ending December 31, 2016, for B&amp;W's 13 affiliates is B&amp;W. Likewise, Navistar is the best 14 judge of anticipated throughput for Navistar's two 15 additional customers. 16 Therefore, I move to adopt 17 transportation throughput for Navistar's current 18 customer base of 60,411 Mcfs, B&amp;W's estimate -- 19 estimated affiliate throughput of 47,450 Mcfs, and 20 Navistar's estimated throughput of 120,000 Mcfs for the 21 two additional customers. This totals 227,861 Mcfs. 22 I so move. 23 VICE CHAIRMAN JONES: Second and vote 24 yes. 25 DIRECTOR MORRISON: Vote aye.</p>	<p style="text-align: right;">Page 7</p> <p>1 depreciation of \$854,826 related to the original 2 pipeline acquired by B&amp;W and \$65,149 of accumulated 3 depreciation related to the new additions. 4 I so move. 5 VICE CHAIRMAN JONES: Second and vote 6 yes. 7 DIRECTOR MORRISON: Vote aye. 8 CHAIRMAN HILLIARD: It is reasonable to 9 determine that allocation factors supported by some 10 evidence are more appropriate than relying simply on an 11 individual party's opinions and judgment. The Company 12 provided a schedule listing the components that make up 13 operating fees and the allocation factors for assigning 14 the components to the pipeline. The Company allocated 15 the labor and benefit costs based on estimated time 16 spent on the utility's business. The Consumer Advocate 17 relied on its professional judgment and opinions to 18 arrive at its allocation factors. 19 While salary and wage rates, time 20 reports, or other documentation could have further 21 supported the amount of labor and benefits allocated to 22 the pipeline, the Company's estimate is the best 23 supportable estimate in the record. For this reason, I 24 move the allocation factor for operating fees should be 25 50 percent, resulting in operating fees of \$136,500</p>
<p style="text-align: right;">Page 6</p> <p>1 CHAIRMAN HILLIARD: As the Company's 2 lawyer pointed out at the hearing, there is no clear 3 evidence of what rate base ought to be -- what the rate 4 base ought to be. He further stated that the rate base 5 at this point is a question of policy and fairness. 6 Based on the evidence in this 7 proceeding, I find that including the pipeline at 8 original cost is the solution that is most fair to both 9 customers and B&amp;W. 10 Further, the 2008 tax return of Gasco 11 Distribution Systems, Inc. and subsidiaries provides 12 the best support for the prior owner's original cost 13 and the value of the pipeline at the time of 14 acquisition. 15 Therefore, I move that B&amp;W's plant in 16 service include \$923,364 as the original cost of the 17 pipeline, which includes the prior owner's original 18 cost of plant of \$854,826 and land of \$68,538. 19 Including \$923,364 as the original cost of the 20 pipeline, along with \$437,715 of uncontested additions 21 since B&amp;W's acquisition, as well as uncontested land, 22 structures, and intangible property of \$119,842, 23 results in total plant in service of \$1,480,921. 24 I further move to adopt accumulated 25 depreciation of \$919,975, which includes accumulated</p>	<p style="text-align: right;">Page 8</p> <p>1 annually. 2 I would caution the Company that in 3 future cases it should file allocation factors with 4 more supportive documentation, rather than relying 5 solely on employees' judgments. Absent such additional 6 support, future requests for recovery of operator fees 7 may be disallowed. 8 I so move. 9 VICE CHAIRMAN JONES: Second and vote 10 yes. 11 DIRECTOR MORRISON: Vote aye. 12 CHAIRMAN HILLIARD: Since this is the 13 Company's first rate case since its acquisition of the 14 pipeline and since there is no history from which to 15 estimate the frequency of the Company's rate filings, I 16 move to defer rate case expense of \$60,000 over a 17 three-year period. This results in an annual 18 amortization of rate case expense of \$20,000 and an 19 average deferred balance of \$50,000 to be included in 20 rate base. 21 Regard -- with regard to Certificate of 22 Public Convenience and Necessity costs, which -- such 23 costs are normally deferred upon approval of such 24 request from the Company. Although B&amp;W did not ask for 25 deferral of its CCN costs at the time it obtained its</p>



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

6 As with rate case expense, I further  
7 move to allow a three-year recovery period of the CCN  
8 costs. This results in an annual amortization of CCN  
9 costs of \$24,794 and an average deferred balance of  
10 \$61,986 to be included in rate base.

11 I so move.

12 VICE CHAIRMAN JONES: I second and vote  
13 yes.

14 DIRECTOR MORRISON: Vote aye.

15 CHAIRMAN HILLIARD: Based on the  
16 agreement of the parties, I move to adopt an  
17 8.5 percent overall return on rate base as the  
18 Company's authorized rate of return.

19 I so move.

20 VICE CHAIRMAN JONES: I second and vote  
21 yes.

22 DIRECTOR MORRISON: Vote aye.

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

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

3 In summary, based on my previous  
4 recommendations concerning rate base, authorized rate  
5 of return, revenues at current rates and operating  
6 expenses, I find a revenue deficiency of 144 --  
7 \$144,118 for the attrition period. And based on the  
8 Company's revenues at current rates and revenue  
9 deficiency, I find a total revenue requirement of  
10 \$280,835 for the attrition period.

11 I so move.

12 VICE CHAIRMAN JONES: Second and vote  
13 yes.

14 DIRECTOR MORRISON: Vote aye.

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

20 Designing rates whereby the majority of  
21 revenues are generated from a fixed charge would best  
22 accomplish these two goals. For these reasons, I move  
23 to adopt a rate design comprised of recovering  
24 75 percent of the necessary revenue requirement through  
25 a fixed monthly charge of \$13,897 to Navistar and

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

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

12 Based upon my previous motions, I find  
13 that total revenues at current rates for the attrition  
14 period should be \$136,717, and total expenses should be  
15 \$223,635, which are based on the following adjustments:

16 Bank fees were reduced for the removal  
17 of overdraft charges;

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

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

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

1 \$3,655 to B&W Intercompany Transportation, resulting in  
2 \$210,624 in annual revenues from the fixed charge.

3 These charges are based upon the  
4 percentage of Mcfs used by each customer relative to  
5 the total amount of Mcfs transported. The total  
6 throughput of 227,861 Mcfs is comprised of Navistar's  
7 Mcfs of 180,411 and B&W Intercompany Mcfs of 47,450.  
8 Collection of the remaining revenue requirements of  
9 \$70,211 should be collected from a volumetric charge of  
10 \$0.3081 per Mcfs from all customers. Adoption of this  
11 recommend -- recommended rate design results in an  
12 effective rate per Mcfs -- Mcf of one point --  
13 \$1.23248.

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

19 The rate design I am proposing is based  
20 upon the entire throughput of volumes transported to  
21 Navistar, which includes the volumes sold to Kentucky  
22 customers. Through the rate design -- though the rate  
23 design is based on total throughput volumes for  
24 Tennessee and Kentucky, our jurisdiction applies only  
25 to the gas that is delivered to Navistar that is

Page 13

1 consumed within the borders of Tennessee. Therefore,  
 2 the rates I am recommending will apply only to the gas  
 3 transported by B&W that is consumed in Tennessee.

4 I so move.

5 VICE CHAIRMAN JONES: I second and vote  
 6 yes.

7 DIRECTOR MORRISON: Vote aye.  
 8 (Conclusion of excerpt at 1:26 P.M.)  
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Page 14

1 REPORTER'S CERTIFICATE

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

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

15 IN WITNESS WHEREOF, I have hereunto affixed  
 16 my official signature and seal of office this 16th day  
 17 of December, 2015.  
 18  
 19  
 20  
 21

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

25 LCR No. 164 Expires 6/30/2016  
 Notary Commission Expires 5/3/2016

**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 1<sup>st</sup> 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

**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 1<sup>st</sup> 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

**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 )**

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**REPLY OF B&W PIPELINE, LLC**

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B&W Pipeline, LLC (“B&W”) respectfully submits this reply to the briefs filed by Navitas and the Consumer Advocate in opposition to B&W’s “Petition for Clarification” concerning the pipeline’s rate design.

As discussed in the Petition, the Tennessee Regulatory Authority established the pipeline’s annual revenue requirement and then designed rates to collect those revenues from the pipeline’s two, current customers, Navitas and Rugby Energy. The Authority allocated the pipeline’s revenue requirement between the two customers based on each customer’s estimated, proportional use of the pipeline during 2016. In the Petition, B&W does not seek any change in the pipeline’s revenue requirement but suggests that, over time, as customers come and go and as each customer’s proportional use of the pipeline changes, the allocation of the pipeline’s revenue requirement should be periodically adjusted, on a going-forward basis, to reflect those changes.

Navitas and the Consumer Advocate object to the pipeline’s request for clarification based on arguments about jurisdiction, procedure and rate design policy. Each of these arguments is addressed below.

**Jurisdiction**

In announcing its decision, the Authority explained that although the “rates” fixed by the agency applied only to gas consumed in Tennessee, the “rate design” adopted by the agency “is

based on total throughput volumes for Tennessee and Kentucky.” Transcript, at 12. In other words, the Authority’s rate design is based not just on gas consumed in Tennessee but on “total throughput,” which includes gas consumed in Kentucky.

Navitas argues that B&W (and, by implication, the TRA) cannot legally design rates based on “total throughput” because the agency has no jurisdiction to set rates for gas that is ultimately consumed in Kentucky. Navitas is confusing “rates” and “rate design.” The TRA established rates that apply to gas consumed in Tennessee. How those rates are designed is a different issue. As the agency explained, the TRA adopted a rate design which allocates the pipeline’s costs to its customers based on each customer’s proportional use of the pipeline’s total throughput. B&W is simply suggesting that the throughput figures used by the TRA to design rates be updated annually to reflect each customer’s actual usage. Such adjustments affect only the pipeline’s rate design, not its revenue requirement. Therefore, neither the TRA’s rate design nor the annual adjustments suggested by B&W raise any jurisdictional concerns.

### **Procedure**

Navitas objects to B&W’s filing because no such filing was authorized by the Hearing Officer and “to accept such a filing...prior to the Authority entering its Order is prejudicial and untimely.” Navitas Response, at 1.

B&W has filed a tariff to implement the Authority’s decision in this case as the pipeline is entitled to do following the expiration of the nine-month statutory deadline applicable to rate cases. See T.C.A. § 65-5-103. Those tariffs are now in effect.<sup>1</sup>

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<sup>1</sup> Following discussions with the TRA Staff, B&W began billing Navitas under the new rates effective January 1, 2016. The bill for January usage was sent to Navitas on February 16, 2016. As of March 8, 2016, Navitas has not paid any portion of it.

In the absence of a written order, however, it is unclear whether B&W's fixed and volumetric charges, which were calculated by the TRA based on anticipated pipeline usage during 2016, should be prospectively adjusted in future years to reflect actual usage. At a meeting with TRA staff members from the legal and accounting divisions, the participants agreed that the pipeline should seek formal guidance from the Authority. Therefore, B&W filed this Petition.

### **Policy**

Finally, both Navitas and the Consumer Advocate raise policy objections to the pipeline's proposed, annual adjustments in the fixed and volumetric charges. The Consumer Advocate states that the pipeline's proposal "seems to be something that was requested by B&W during the hearing" and would "lock in" or "guarantee" collection of the pipeline's total revenue requirement. Consumer Advocate brief, at 2.

Navitas did, in fact, request in its pre-filed testimony a "sale adjustment mechanism" which would have allowed the pipeline to adjust rates to compensate for less (or more) than expected transportation volumes during the prior year. The Authority did not adopt that proposal.

The Consumer Advocate mistakenly believes that the pipeline is once again asking for a sale adjustment mechanism. That is not the case. The Petition asks only that the fixed and volumetric charges be recalculated each year on a going forward basis, beginning in January, 2017, to reflect the prior year's experience. These adjustments would not "lock in" anything but would periodically re-allocate costs among the pipeline's customers based on current information, rather than leaving the allocations permanently tied to the Authority's projected estimate of the number of customers and customer usage in 2016.

For example, the Authority assigned 75% of the pipeline's revenue requirement to a fixed charge and divided the charge between the pipeline's two, current customers based on the TRA's

estimate of each customer's projected usage during 2016. What will happen when a new customer requests service or a current customer leaves? How will the fixed charge be allocated? What happens if a customer's relative usage materially changes over time? As these questions illustrate, it makes little sense to design rates based on the TRA's estimate of a customer's proportional use of the pipeline during a single year and not periodically adjust those rates as customers come and go and usage patterns change.

Similarly, the TRA set the pipeline's volumetric charge at \$0.3081 per Mcf based on estimated total throughput of 227,861 Mcfs in 2016. What should the rate be in 2017 or 2018? Should the rate be permanently fixed at \$0.3018 per Mcf even if actual throughput substantially increases or decreases over time? This is not a theoretical issue. Given that the pipeline's total throughput for 2015 was only 139,625 Mcfs, about two-thirds of the Authority's projected throughput for 2016, it is unlikely that the pipeline will reach its revenue requirement in 2016. Unless the volumetric charge is adjusted in 2017, the pipeline will likely experience continual "shortfalls of revenue due to the volatility of gas usage," the very harm which the Authority sought to "minimize." Transcript, at 12.

Navitas makes a different argument, contending that any adjustment in the pipeline's rates to account for a change in the number of customers or in a customer's proportional usage is "speculative" and "simply an attempt to grant B&W more flexibility to adjust the fixed monthly charge as it applies to Navitas upwards on an annual basis." Navitas brief, at 1.

In view of the pipeline's likely shortfall in revenue from the volumetric charge, B&W's concerns are not "speculative." While Navitas understandably opposes any rate adjustment that will increase the amount Navitas pays to B&W, it is also fair to assume that if additional customers begin using the pipeline and the proportional use by Navitas declines, Navitas will promptly



demand a reduction in its share of the pipeline's costs. That is what B&W's proposed adjustments are intended to accomplish.

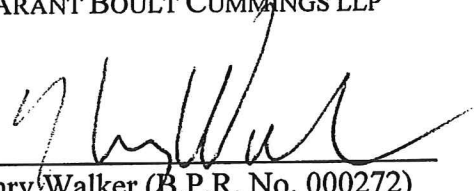
**Conclusion**

The TRA has ruled that the pipeline's rates should be designed to maintain "relatively constant" revenues and "minimize" shortfalls due to "the volatility of gas usage." In keeping with that purpose, B&W has suggested an annual rate adjustment process that will, over time, allow the pipeline a reasonable opportunity to earn the revenue requirement set by the agency. The Petition for Clarification should be granted.

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

By: \_\_\_\_\_


  
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**CERTIFICATE OF SERVICE**

I hereby certify that on the 9<sup>th</sup> day of March, 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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