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March 21, 2019

Via Electronic Filing

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Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

In Re: Petition of B&W Pipeline, LLC for an Increase in Rates
Docket No: 15-00042


Dear Sir or Madam:

For informational purposes, please file the attached "Stipulation and Agreement," which was filed today with the Federal Energy Regulatory Commission, in the above-captioned docket.

Sincerely,

BRADLEY ARANT BOULT CUMMINGS LLP

By:


Henry Walker

HW/dbi

cc: Vance Bromel
H. LaDon Baltimore



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March 21, 2019

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: B&W Pipeline, LLC
Docket No. PR17-54-00
Stipulation and Agreement**


Dear Ms. Bose:

Please accept for filing the Stipulation and Agreement, with attachments, in the above-captioned matter. Although there are no other parties to this case, I have mailed a courtesy copy of this filing to the Tennessee Public Service Commission and to counsel for Navitas TN, LLC.

Sincerely,

BRADLEY ARANT BOULT CUMMINGS LLP

By:


Henry Walker
Attorney for B&W Pipeline, LLC

HW/dbi

Enclosures

cc: Tennessee Public Service Commission
H. LaDon Baltimore, Esq.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

B & W Pipeline, LLC

Docket No. PR17-54-000

EXPLANATORY STATEMENT

In accordance with Rule 602(c) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (Commission), B & W Pipeline, LLC (B&W) hereby files this Explanatory Statement, which explains the significant terms of the Stipulation and Agreement (Settlement) filed herewith in the above-captioned proceeding. This Explanatory Statement is filed for informational purposes only; to the extent any discrepancy exists between this Explanatory Statement and the Settlement, the terms of the Settlement shall control.

The attached Settlement is the result of discussions among participants. No party has intervened in the case. As such, it is unopposed and can be approved by the Commission as a fair and reasonable resolution of all issues that have been raised in this proceeding.

ARTICLE I of the Settlement introduces the settlement and states that there was no intervening party and therefore unanimous support for the Settlement.

ARTICLE II of the Settlement sets forth the background of this proceeding and explains the procedural posture leading up to the filing of the Settlement.

ARTICLE III of the Settlement sets forth the settlement rates, effective July 17, 2017, for transportation on B&W pursuant to Section 311(a)(2) of the Natural Gas Policy Act of 1978 (NGPA) and Section 284.123(b)(2) of the Commission's Regulations. Article III details the development of the B&W's cost of service, billing determinants and rate design.

Section A details the development of Original cost plant, using the Part 201 Uniform System of Accounts.

Section B sets forth the depreciation since the acquisition of the pipeline by B&W.

Section C supports B&W's rate base. The section supports the allocation of the purchase price paid by B&W between the pipeline and the gas & oil production wells. Additionally this section C supports the conclusion that the inclusion of Acquisition Adjustment in rate base is appropriate including the determination that the investment decision is prudent and the acquisition provides measurable benefits to ratepayers.

Section D supports B&W's overall total cost of service.

Section E supports the B&W's billing units for designing rates.

Section F supports B&W's settlement rates.

ARTICLE IV of the settlement supports the changes to B&W's statement of operating conditions (SOC).

ARTICLE V of the Settlement establishes a quinquennial rate filing obligation for B&W.

ARTICLE VI of the settlement states that the effectiveness of the Settlement is predicated upon the Commission issuing a final order approving the Settlement without modification or condition, or, if modified or conditioned, upon its acceptance by B&W.

ARTICLE VII of the settlement sets forth the term of the Settlement.

ARTICLE VIII of the settlement provides that the Settlement is a privileged document and sets forth various conditions and reservations customarily included in Commission

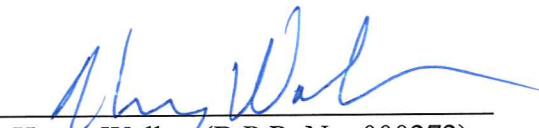
settlements.

WHEREFORE, B & W Pipeline, LLC respectfully requests that the Settlement be approved without modification or condition.

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

By:



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Attorney for B & W Pipeline, LLC

March 21, 2019

March 21, 2019

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

B & W Pipeline, LLC

Docket No. PR17-54-000

**STIPULATION AND AGREEMENT
(March 21, 2019)**

**ARTICLE I
INTRODUCTION**

In accordance with Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (Commission), B & W Pipeline, LLC (B&W) submits this Stipulation and Agreement (Settlement) in resolution of all issues in the above referenced proceeding. B&W states no party has sought to intervene in this Docket PR17-54-000, thus there is unanimous support for the Settlement.

**ARTICLE II
BACKGROUND**

B&W, approximately fifty-miles in length, is located entirely within Tennessee and regulated by the Tennessee Public Utility Commission ("TPUC"), formerly called the Tennessee Regulatory Authority ("TRA"). B&W is a Delaware limited liability company authorized to conduct business in the State of Tennessee. B&W was built in sections between 1981 and 1989. B&W initially transported gas from Tennessee gas wells to East Tennessee Natural Gas Company ("East Tennessee") for redelivery in interstate commerce. As production declined and other regional market opportunities became available, B&W became a net recipient of gas from East Tennessee, delivering gas to its then affiliate, Gasco Distribution Systems, Inc. ("Gasco"). Gasco later filed for bankruptcy, and in 2010 B&W's current owners acquired the pipeline and local gas

wells, while Navitas¹ acquired Gasco's distribution facilities. B&W continued to transport gas to Navitas under a then-existing transportation service contract. Upon expiration of the contract B&W sought permission from the TRA to increase rates but was advised that they needed to obtain a limited jurisdiction blanket certificate to sell or transport gas in interstate commerce from the FERC. The TRA noted that approximately one-fourth of the total amount of gas transported on B&W's system is delivered to Navitas-Tennessee and consumed in Tennessee. Approximately three-fourth's of the gas is delivered at a meter located in Tennessee to Navitas-Kentucky which transports the gas across the Tennessee-Kentucky line to customers in Kentucky.

On March 17, 2017, B&W filed an application under section 7(c) of the Natural Gas Act ("NGA") and Section 284.224 of the Commission's regulations for a blanket certificate to continue transporting gas from East Tennessee and local wells to Navitas-Kentucky for distribution to local customers in Kentucky. Public notice of the filing was issued on March 21, 2017. No protests or adverse comments were filed.

On June 15, 2017, the Commission granted B&W a blanket certificate of limited jurisdiction to sell or transport gas in interstate commerce. The order directed B&W to file within 30 days a Statement of Operating Conditions ("SOC") and a rate election, explaining that B&W may charge rates based upon a state-approved transportation rate schedule for comparable service or, in the alternative, may submit proposed rates to the Commission for approval pursuant to section 284.123(b)(2).

On July 17, 2017, B&W filed an SOC and submitted rates for interstate transportation service for the Commission's approval pursuant to section 284.123(b)(2). The interstate rates described in this Settlement shall be effective as of the date of B&W's filing, July 17, 2017.

¹ For the purpose of this proceeding, Navitas Utilities Corporation ("Navitas") includes the two separate distribution companies of Navitas TN NG, LLC ("Navitas-Tennessee"), and Navitas KY NG, LLC ("Navitas-Kentucky").

The Commission Staff and B&W engaged in settlement negotiations in an effort to resolve this proceeding. The instant Settlement is the product of the settlement discussions.

ARTICLE III

SETTLEMENT RATES AND COST OF SERVICE

The pipeline was acquired out of bankruptcy with limited documentation. The purpose of this Article is to provide a cost of service for B&W and a basis for determining its cost of service in the future. Additionally, the Article includes development of billing units and the development of settlement rates to be effective July 17, 2017.

Staff and B&W personnel have worked together determine a fair and appropriate value for the pipeline and to construct a set of books that conforms to the Commission's Part 201 Uniform System of Accounts. The parties worked to develop an estimated Original Cost of Service based upon the best available evidence. The parties developed an equitable split of the acquisition price, based upon the facts at the time of the purchase, among all the assets including the B&W pipeline acquired from bankrupt parent, Gasco Distribution Systems, Inc. (Gasco). The original cost and the acquisition cost attributed to the pipeline were compared with the value that was expected to be provided to shippers at the time of the purchase. This served as a basis for supporting the inclusion of an acquisition adjustment in cost of service. This settlement contains detailed support for B&W's cost of service and rates.

Section A, B&W's Original Cost.

Gasco was a distribution utility with service areas in Tennessee and Kentucky. The company in addition to its distribution utility had two subsidiaries engaging in gas and oil exploration and production, marketing, and an intrastate pipeline. The pipeline, B&W pipeline, served the distribution utility's Byrdstown, Tennessee and Albany, Kentucky distribution systems. Gasco's, Titan Energy Group, Inc. (Titan Energy) subsidiary owned B&W pipeline along with the

various oil and gas properties and several real estate parcels. Gasco filed for bankruptcy and in 2008 contracted to sell its distribution assets to Navitas and the Titan Energy assets to Highland Rim Energy, LLC. FIR Energy incorporated a new entity, B&W Pipeline, LLC, in Delaware for the purpose of acquiring the rights to purchase the Titan Energy assets. The sale closed on September 2, 2010 and included very little documentation other than the legal descriptions of the various assets and a transportation contract for delivery of gas to the Navitas. Upon expiration of the transportation contract, B&W filed a rate case with the Tennessee Regulatory Authority (TRA). The TRA developed an Original Cost of B&W primarily based upon a 2008 federal income tax return for Gasco for the period ending June 30, 2009. As discussed below, the estimated Original Cost net plant of B&W was determined by the TRA using tax and not book depreciation. Attachment A of the Settlement supports the revised Original Cost of B&W's plant in service using Part 201 of the Uniform System of Accounts. The parties agree that this determination of Original Cost shall be the basis for all future filings by B&W.

Section B, Depreciation of B&W.

The parties have agreed in conjunction with the inclusion of an acquisition adjustment to accept the accumulated depreciation amounts as shown on Schedule L of Gasco's 2008 tax return. Based upon the schedules attached to the 2008 tax return, the book depreciation was \$50,418 implying a 17 year life and not the \$22,564 figure used by the TRA to imply a 38 year life. The \$22,564 is actually \$20,051 of MACRS tax depreciation, and \$2,513 of non-plant based "other depreciation." The \$20,051 of plant based tax depreciation is close to the \$19,707.50 estimated tax depreciation using B&W's engineering study². The 2008 tax return shows an 11 year record of consecutive losses, ending with a cumulative net operating loss carryover of \$4,643,270, which exceeds gross plant of \$4,156,492 and is nearly triple the net plant amount of \$1,685,634. The

² See Attachment 2, Schedule 2

2008 tax return demonstrates Gasco had been and was continuing to depreciate its intrastate pipeline more rapidly than necessary or prudent from a financial perspective. Attachment B shows a detailed analysis of Gasco's tax return including an engineering review of B&W. The analysis leads to the conclusion that Gasco capital recovery pattern for B&W, especially when Gasco had for 11 years not been generating sufficient revenue, was imprudent and illogical from Titan Energy's perspective. The Original Cost book value of B&W at the time of its acquisition was essentially only the value of the right of way. The Settlement is based upon an acquisition adjustment and a restatement to restate the depreciation accruals based upon the limited information found in Gasco's 2008 tax return.

Section C, Allocation of the Purchase Price, and an Acquisition Adjustment in the Development of B&W's Rate Base.

The parties acknowledge that acquisition of Titan Energy Group, Inc.'s assets by B&W Pipeline LLC was done at a fair market value³. B&W paid \$2,410,000 for assets and other escrow related amounts. B&W incurred addition expenditures for total investment of \$2,633,085.11 which all parties agree is the fair value for purposes of this settlement. The total investment included:

Pipeline [and Other Assets]	\$2,407,499.80
Due Diligence Expense	218,392.52
Organization Startup Costs	4,004.44
Rights of Way Payments	2,426.55
Other	541.20
Property Taxes Due	220.60
Total Investment	<u>\$2,633,085.11</u>

The acquisition included both a natural gas pipeline and oil & natural gas production properties. The parties agree the initial investment must be split between the pipeline and

³ *United States v. Cartwright*, 411 U.S. 546, 551 (1973) ("The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.").

production assets. At the time of the purchase B&W was aware that a significant portion of the 96 wells were not producing. For purpose of settlement B&W has agreed to reduce the acquisition costs by the estimated net fair market value of the producing wells at the time of the sale. The acquisition costs were also reduced by two land parcels that were acquired but are unrelated to the pipeline operations. The end result was Fair Market Value of B&W Pipeline of \$ 1,093,371. The estimated original cost net book value of the pipeline was \$161,811 at the time of the close. The residual investment was \$931,560.

The parties have agreed to classify the residual investment of \$931,560 as an Acquisition Adjustment to be included in rate base until fully amortized. The amortization will be included in B&W's cost of service for designing rates. This Settlement is a fair balance of the price paid by B&W for pipeline assets, acknowledging that the pipeline was acquired out of bankruptcy without any documentation, and original cost based upon seemingly imprudent financial operations deprecating the pipeline at triple the rate based upon its life. Further the only other source of gas for Navitas Kentucky's operations is propane. An analysis of savings at the time of the closing to Navitas's customers for buying and shipping gas on B&W versus buying propane is \$2.45 million or approximately ten times their transportation cost on B&W.

Supporting documentation is detailed in Attachment C. Attachment D consists of six schedules. Schedule 1 splits the initial investment. Schedule 2 supports splitting the initial purchase price of \$2.4 million between the pipeline and the production assets acquired. Schedule 2 additionally documents the determination of an Acquisition Adjustment for the pipeline. Schedule 3 show the split of due diligence expenditures between the pipeline and the production assets as part of the settlement. Schedule 4 details the total initial investment by FERC's Uniform System of Accounts and B&W's accounts as of the closing date. Schedule 5 details B&W's plant accounts from day 1 through calendar year 2016. The schedule documents each entry by FERC's

Uniform System of Accounts and B&W's accounts. Schedule 6 supports the estimated savings to Nativitas Kentucky customers for shipping gas on B&W.

Section D, Total Cost of Service for B&W

The Settlement includes the development of B&W's total cost of service for providing interstation transportation service pursuant to Section 311(a)(2) of the NGPA. The total cost of service is detailed Attachment D. Attachment D consists of eight schedules.

Schedule 1 is a summary schedule detailing the development of the total cost of service. Schedule 2 details the Operating and Maintenance expenses and the Administrative and General expenses for B&W and is the same as was originally filed. Schedule 3 details the Gas Utility Plant in Service including the B&W's amounts as originally filed and the amounts agreed to in this Settlement as detailed in Section A and Section C. Schedule 4 details the Depreciation and Amortization expense incorporating both the revised Settlement Plant and the Gas Plant Acquisition amounts but with revised depreciation and amortization accrual rates. Schedule 5 details the Settlement cost of capital based upon a hypothetical 50/50 capital structure, a hypothetical debt cost of 5.0 percent and rate of return on equity of 8.50 percent. The rate of return on equity is the same as determined by the TRA in B&W's Tennessee rate case. Schedule 6 details the Settlement rate base and shows both the amounts as originally filed and the Settlement Gas Plant and Acquisition adjustment. The Settlement rate base excludes any adjustment for Accumulated Deferred Income Taxes which is consistent with the exclusion of a tax allowance from B&W's cost of service. Schedule 7 details the determination of the provision of state and federal income taxes. The Settlement includes a zeroing out of income taxes. B&W is a pass-through entity for tax purposes as are its corporate parents. The removal of the tax allowance is

consistent with Commission's Revised Policy Statement⁴ and Opinion No. 511-C⁵ establishing a policy that master limited partnerships (MLPs) may not recover an income tax allowance in response to the decision of the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) in *United Airlines*.⁶ Schedule 8 details the determination of taxes other than income taxes and is the same as was originally filed. Schedule 9 details B&W's cost of service credits and is the same as was originally filed.

Section E, Billing Units

The Settlement incorporates an adjustment to the actual test year billing units to incorporate a level of volumes for transporting local production to East Tennessee Natural Gas, LLC. B&W acknowledges that the purchase of Titan Energy assets was part of a broader plan than just operating B&W to serve Navitas. B&W anticipated transporting volumes from the then newly acquired oil and gas wells in addition to attaching future local production. The inclusion of a representative level of volumes for then anticipated volumes is integral part of the overall Settlement. The parties agree to include an adjustment of 21,900 Mcf of additional interstate billing units. Further B&W agrees to include a minimum of 110,000 MCF for interstate transportation billing units in future rate filings before the FERC as long as there are no major changes to its system.

The adjustment is detailed on Schedule 10 in Attachment E of the Settlement.

⁴ *Inquiry Regarding the Commission's Policy for Recovery of Income Tax Costs*, Revised Policy Statement, 83 FR 12,362 (Mar. 21, 2018), FERC Stats & Regs. ¶ 35,060 (2018), *order on reh'g*, 164 FERC ¶ 61,030 (2018).

⁵ *SFPF, L.P.*, Opinion No. 511-C, 162 FERC ¶ 61,228, at P 9 (2018).

⁶ *United Airlines, Inc. v. FERC*, 827 F.3d 122 (D.C. Cir. 2016). For purposes of this order, the Revised Policy Statement, *United Airlines*, and Opinion No. 511-C will collectively be referred to as "*United Airlines* Issuances."

Section F, Settlement Rates

The Settlement Rates are derived from B&W's total cost of service in Attachment D and the billing units in Attachment E. The derivation of the Settlement Rates is in Attachment F. The Settlement rates are effective July 17, 2017, and replace B&W's proposed rates. The Settlement Rates for transportation service on B&W pursuant to Sections 284.264 and 284.123(b)(2) shall be as follows:

Rate Schedule

	<u>Maximum</u>	<u>Minimum</u>
Interruptible Transportation Service:	\$2.7172 /MCF	\$0.0000/MCF

Fuel, Company Use, and Lost and Unaccounted For Gas:

Transporter will retain from all Shippers a pro rata share of company use and lost and unaccounted-for Gas. In addition, a Shipper will incur a pro rata share of actual compressor fuel for each stage of compression in Shipper's designated transportation path. These charges will be calculated and charged on a monthly basis.

ARTICLE IV STATEMENT OF OPERATING CONDITIONS

Attached is B&W's revised Statement of Operating Conditions (SOC) to be effective September 17, 2017 as part of this Settlement. The SOC reflects certain agreed upon changes. A clean version of the revised SOC is contained in Appendix A. B&W is making a contemporaneous filing of the revised SOC in e-Tariff.

ARTICLE V QUINQUENNIAL FILING REQUIREMENT

On or before September 17, 2022, B&W shall file a rate petition pursuant to sections 284.224 and 284.123(b) of the Commission's regulations to justify the Settlement rates established herein or to propose new rates for transportation service. As a Hinshaw pipeline, B&W may choose to fulfill its quinquennial filing requirement by filing cost, throughput, revenue, and other

data in the form specified in section 154.313.

ARTICLE VI EFFECTIVENESS

The effectiveness of this Settlement is predicated upon, and this Settlement shall be effective only at such time as the Commission shall have issued, a final order approving this Settlement without modification or condition, or, if modified or conditioned, upon its acceptance by B&W.

For purposes of this Settlement the term “final order” means a Commission order that is no longer subject to further proceedings before the Commission. An order shall be deemed to be a final order as of the date rehearing is denied or the date on which the right to seek rehearing expires.

ARTICLE VII TERM

This Settlement shall become effective on the Effective Date, and shall remain in effect until the earlier to occur of: (a) the effective date of any new rates proposed by B&W that supersede the Settlement rates; or (b) the effective date of the rates that are proposed as part of the quinquennial filing that is required pursuant to Article V of this Settlement.

ARTICLE VIII OTHER SETTLEMENT CONDITIONS AND RESERVATIONS

(a) This Settlement is made pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure, section 385.602, and unless and until accepted and approved in its entirety without condition or modification, it shall be privileged and of no effect, and pursuant to Rule 602(e) shall not be admissible in evidence or in any way described or discussed in any proceedings.

(b) This Settlement represents a negotiated settlement with respect to the issues in this

proceeding. Except to the extent explicitly set out herein, neither B&W, nor the Commission and its Staff, nor any other participant, shall be deemed to have approved, accepted, agreed, or consented to any principle underlying or supposed to underlie the rates provided for in this Settlement except as specifically provided in Article III.

(c) The provisions of this Settlement are intended to relate to the matters set forth in the captioned proceeding only and, in agreeing to this Settlement, each participant reserves any claim or right which it might otherwise have with respect to any matters not expressly provided for herein.

(d) Commission approval of this Settlement is intended to constitute the grant of the requisite waivers of any otherwise applicable Commission rules and regulations to permit the implementation of the provisions of this Settlement, a determination that all of the terms and provisions set forth herein are fair, reasonable and in the public interest, and a determination that the rates established hereby are fair and equitable.

End of Settlement

March 21, 2019

B & W PIPELINE LLC

ORIGINAL COST AT DATE OF PURCHASE
DAY 1 ACCOUNTING
ORIGINAL COST PLANT IN SERVICE PER 2008 GASCO TAX RETURN &
NEW TECH ENGINEERING REPORT

LINE NO	ACCOUNT TITLE	FERC ACCOUNT 101	GASCO TAX RETURN - SCHD. L	NEW TECH ENG. REPORT - ALLOC FACTORS	AMOUNT
	(1)	(2)	(3)	(4)	(5)
1	BUILDINGS AND OTHER DEPRECIABLE ASSETS		\$ 854,826.00		
2	LAND (NET OF ANY AMORTIZATION)		68,538.00		
3	TOTAL GAS PLANT IN SERVICE		<u>\$ 923,364.00</u>		
4	ASSIGNMENT OF ORIGINAL COST PLANT TO UNIFORM SYSTEM OF ACCOUNTS				
5	INTANGIBLE PLANT	303			<u>\$ -</u>
6	<u>TRANSMISSION PLANT</u>				
7	Rights-of-Way	365		100.0%	\$ 68,538.00
8	Structures & Improvements	366		0.0%	-
9	Main Lines	367		98.5%	841,862.44
10	Compressor Station - Equipment	368		0.0%	-
11	M&R Station - Equipment	369		1.5%	12,963.56
12	Other Equipment	371		0.0%	-
13	TOTAL TRANSMISSION PLANT				<u>\$ 923,364.00</u>
14	TOTAL GAS PLANT IN SERVICE				<u>\$ 923,364.00</u>
15	TOTAL ACCUMULATED DD&A AT TIME OF PURCHASE				<u>\$ (761,553.10)</u>
16	TOTAL ORIGINAL COST NET PLANT ACQUIRED				<u>\$ 161,810.90</u>

B & W PIPELINE LLC

ORIGINAL COST AT DATE OF PURCHASE
DAY 1 ACCOUNTING
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION PER 2008 GASCO TAX RETURN &
NEW TECH ENGINEERING REPORT

LINE NO	ACCOUNT TITLE	FERC ACCOUNTS 108 & 111	GASCO TAX RETURN - SCHD. L	NEW TECH ENG. REPORT - ALLOC FACTORS	AMOUNT
	(1)	(2)	(3)	(4)	(5)
1	BUILDINGS AND OTHER DEPRECIABLE ASSETS		\$ 703,017.00		
2	LAND (NET OF ANY AMORTIZATION)		-		
3	TOTAL ACCUMULATED DD&A		<u>\$ 703,017.00</u>		
4	ASSIGNMENT OF ORIGINAL COST PLANT TO UNIFORM SYSTEM OF ACCOUNTS				
5	INTANGIBLE PLANT	111			<u>\$ -</u>
6	<u>TRANSMISSION PLANT</u>				
7	Rights-of-Way	108		100.0%	\$ -
8	Structures & Improvements	108		0.0%	-
9	Main Lines	108		98.5%	692,355.64
10	Compressor Station - Equipment	108		0.0%	-
11	M&R Station - Equipment	108		1.5%	10,661.36
12	Other Equipment	108		0.0%	-
13	TOTAL TRANSMISSION PLANT				<u>\$ 703,017.00</u>
14	TOTAL ACCUMULATED DD&A AT JUNE 30, 2009				<u>\$ 703,017.00</u>
15	ANNUAL DD&A PER GASCO 2008 TAX RETURN			14 MOS.	
	Main Lines	841,862.44	5.87%	57,648.39	
16	M&R Station - Equipment	12,963.56	5.87%	887.71	
					<u>\$ 58,536.10</u>
	See ATTACHMENT A, SCHEDULE 3			14 mos.	
	TOTAL ACCUMULATED DD&A AT TIME OF PURCHASE				<u>\$ 761,553.10</u>

B & W PIPELINE LLC

ORIGINAL PURCHASE
DAY 1 ACCOUNTING

DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSE BY YEAR FROM INITIAL PURCHASE THROUGH TEST YEAR

				TITAN ENERGY							
				B & W Pipeline, LLC							
LINE NO.	DESCRIPTION	FERC / USofA ACCT. NO.	B&W ACCT. NO.	AS OF 8/31/2010	AS OF 9/2/2010	AS OF 12/31/2012	AS OF 12/31/2013	AS OF 12/31/2014	AS OF 12/31/2015	AS OF 12/31/2016	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1 DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSE											
2	Original Cost Gas Plant in Service										
3	INTANGIBLE PLANT - ORGANIZATION	404.3	4.00%	\$ -	\$ -	16 MOS. \$ 214	\$ 160	\$ 160	\$ 160	\$ 160	
4	INTANGIBLE PLANT - MISCELLANEOUS	404.3	4.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5	12411 · Topographical Studies (GIS)	404.3	4.00%	\$ -	\$ 43	\$ 43	\$ 32	\$ 32	\$ 32	\$ 32	
6	12412 · Engineering Studies	404.3	4.00%	\$ -	\$ 4,124	\$ 4,124	\$ 3,093	\$ 3,093	\$ 3,093	\$ 3,093	
7	12413 · Environmental Studies & Permits	404.3	4.00%	\$ -	\$ 391	\$ 391	\$ 293	\$ 293	\$ 293	\$ 293	
8	TOTAL INTANGIBLE PLANT			\$ -	\$ -	\$ 4,771	\$ 3,578	\$ 3,578	\$ 3,578	\$ 3,578	
9	TRANSMISSION PLANT										
10	Rights-of-Way	403	5.87%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11	12511 · Land	403	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
12	Structures & Improvements	403	1.95%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
13	Main Lines	403	1.95%	\$ 16,416	\$ 16,416	\$ 21,888	\$ 16,416	\$ 16,416	\$ 16,416	\$ 16,416	
14	Year 2012 -- 126182 · Pipeline Safety Imprc	403	1.95%	\$ -	\$ -	\$ 4,873	\$ 3,655	\$ 3,655	\$ 3,655	\$ 3,655	
15	Year 2013 -- 126187 · Pipeline Safety Imprc	403	1.95%	\$ -	\$ -	\$ -	\$ 4,705	\$ 4,705	\$ 4,705	\$ 4,705	
16	Year 2014 -- 126188 · Pipeline Safety Imprc	403	1.95%	\$ -	\$ -	\$ -	\$ -	\$ 176	\$ 176	\$ 176	
17	Compressor Station - Equipment	403	1.95%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
18	M&R Station - Equipment	403	1.95%	\$ 253	\$ 253	\$ 337	\$ 253	\$ 253	\$ 253	\$ 253	
19	12420 · FACILITIES SITE	403	1.95%	\$ -	\$ -	\$ 253	\$ 190	\$ 190	\$ 190	\$ 190	
20	12430 · FACILITIES	403	1.95%	\$ -	\$ -	\$ 41	\$ 31	\$ 31	\$ 31	\$ 31	
21	Other Equipment	403	1.95%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
22	TOTAL TRANSMISSION PLANT			\$ 16,669	\$ 16,669	\$ 27,392	\$ 25,249	\$ 25,425	\$ 25,425	\$ 25,425	
23	GAS PLANT ACQUISITION ADJUSTMENT	406	4.00%	\$ -	\$ -	\$ 49,683	\$ 37,262	\$ 37,262	\$ 37,262	\$ 37,262	
24	TOTAL DEPRECIATION, DEPLETION AND A 101 & 114			\$ 16,669	\$ 16,669	\$ 81,846	\$ 66,089	\$ 66,265	\$ 66,265	\$ 66,265	

				TITAN ENERGY							
				B & W Pipeline, LLC							
LINE NO.	DESCRIPTION	FERC / USofA ACCT. NO.	B&W ACCT. NO.	AS OF 8/31/2010	AS OF 9/2/2010	AS OF 12/31/2012	AS OF 12/31/2013	AS OF 12/31/2014	AS OF 12/31/2015	AS OF 12/31/2016	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
1 ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION											
2	Original Cost Gas Plant in Service		12700								
3	INTANGIBLE PLANT - ORGANIZATION	301	0		\$ -	\$ 214	\$ 374	\$ 534	\$ 694	\$ 854	
4	INTANGIBLE PLANT - MISCELLANEOUS	303			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5	12411 · Topographical Studies (GIS)	303	12411		\$ -	\$ 43	\$ 75	\$ 107	\$ 139	\$ 171	
6	12412 · Engineering Studies	303	12412		\$ -	\$ 4,124	\$ 7,217	\$ 10,310	\$ 13,403	\$ 16,496	
7	12413 · Environmental Studies & Permits	303	12413	\$ -	\$ -	\$ 391	\$ 684	\$ 976	\$ 1,269	\$ 1,562	
8	TOTAL INTANGIBLE PLANT	111		\$ -	\$ -	\$ 4,771	\$ 8,349	\$ 11,927	\$ 15,505	\$ 19,084	
9	TRANSMISSION PLANT										
10	Rights-of-Way	365		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11	12511 · Land	12511		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
12	Structures & Improvements	366		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
13	Main Lines	367		\$ 750,004	\$ 750,004	\$ 771,892	\$ 788,309	\$ 804,725	\$ 821,141	\$ 837,558	
14	Year 2012 – 126182 · Pipeline Safety Imprc	367	126182	\$ -	\$ -	\$ 4,873	\$ 8,528	\$ 12,182	\$ 15,837	\$ 19,491	
15	Year 2013 – 126187 · Pipeline Safety Imprc	367	126187	\$ -	\$ -	\$ -	\$ 4,705	\$ 9,410	\$ 14,115	\$ 18,819	
16	Year 2014 – 126188 · Pipeline Safety Imprc	367	126188	\$ -	\$ -	\$ -	\$ -	\$ 176	\$ 352	\$ 528	
17	Compressor Station - Equipment	368		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
18	M&R Station - Equipment	369		\$ 11,549	\$ 11,549	\$ 11,886	\$ 12,139	\$ 12,392	\$ 12,644	\$ 12,897	
19	12420 · FACILITIES SITE	369	12420	\$ -	\$ -	\$ 253	\$ 442	\$ 632	\$ 821	\$ 1,011	
20	12430 · FACILITIES	369	12430	\$ -	\$ -	\$ 41	\$ 72	\$ 102	\$ 133	\$ 164	
21	Other Equipment	371		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
22	TOTAL TRANSMISSION PLANT	101		\$ 761,553	\$ 761,553	\$ 788,945	\$ 814,194	\$ 839,619	\$ 865,043	\$ 890,468	
23	GAS PLANT ACQUISITION ADJUSTMENT	114		\$ -	\$ -	\$ 49,683	\$ 86,946	\$ 124,208	\$ 161,470	\$ 198,733	
24	TOTAL PLANT	101, 111 & 114		\$ 761,553	\$ 761,553	\$ 843,399	\$ 909,489	\$ 975,754	\$ 1,042,019	\$ 1,108,285	

B & W PIPELINE LLC

**TOTAL INVESTMENT AT DATE OF PURCHASE
DAY 1 ACCOUNTING**

LINE NO	ACCOUNT TITLE	B&W ACCOUNT	FERC ACCOUNT	AMOUNT
	(1)	(2)	(3)	(4)
1	INITIAL PURCHASE PRICE			
2	Pipeline [and Other Assets]	125121	ATTACHMENT C, SCHEDULE 4	\$2,407,499.80
3	Due Diligence Expense	125122	182.3 / 426.5	218,392.52
4	Organization Startup Costs	13113	301	4,004.44
5	Rights of Way Payments	51311	859	2,426.55
6	Other	124499	426.5	541.20
7	Property Taxes	51712	408	<u>220.60</u>
8	TOTAL AMOUNT			<u>\$ 2,633,085.11</u>

B & W PIPELINE LLC

ORIGINAL COST AT DATE OF PURCHASE
DAY 1 ACCOUNTING
DETERMINATION OF ACQUISITION ADJUSTMENT

LINE NO	ACCOUNT TITLE	B&W ACCOUNT	AMOUNT	AMOUNT
	(1)	(2)	(3)	(4)
1	INITIAL PURCHASE PRICE			
2	Pipeline [and Other Assets]	125121		\$2,407,499.80
3	LESS:			
	FAIR MARKET VALUE OF WORKING WELLS ACQUIRED			
4	GAS WELLS		\$ 203,300.00	
5	OIL WELLS		\$ 191,400.00	
6	TOTAL FAIR MARKET VALUE OF WORKING WELLS ACQUIRED			\$ 394,700.00
7	NUMBER OF WELLS		13	
8	AVERAGE VALUE PER WELL (Line 6 / Line 7)		\$ 30,361.54	
9	ADDITIONAL WELLS (PER SETTLEMENT)		35	
	ADDITIONAL FAIR MARKET VALUE OF WELLS (Line 8 x Line 9)		\$ 1,062,653.85	
10	LESS LIABILITIES FOR INACTIVE WELLS - PER WELL		\$ (5,115.00)	
	NUMBER OF WELLS (PER SETTLEMENT) - (Line 9)		35	
11	LIABILITIES FOR INACTIVE WELLS		\$ (179,025.00)	
	NET FAIR MARKET VALUE OF ADDITIONAL WELLS			\$ 883,628.85
12	TWO LAND PARCELS			\$ 35,800.00
	TOTAL FAIR MARKET VALUE OF B&W PIPELINE			\$1,093,370.95
	LESS ORIGINAL COST OF B&W PIPELINE			\$ 161,810.90
	ACQUISITION ADJUSTMENT			<u>\$931,560.05</u>

B & W PIPELINE LLC

ORIGINAL COST AT DATE OF PURCHASE
ACCOUNTING FOR DUE DILIGENCE EXPENDITURES

LINE NO	ACCOUNT TITLE	B&W ACCOUNT	SETTLEMENT ALLOCATION	AMOUNT	FERC ACCOUNT	
					182.3	426.5
	(1)	(2)	(3)	(4)	(5)	(6)
1	Due Diligence Expense					
2	McKinnis & Scott	Pipeline Due Diligence	100%	23,692.40	\$ 23,692.40	\$ -
3	McKinnis & Scott	Pipeline Due Diligence	100%	16,882.10	16,882.10	-
4	McKinnis & Scott	B & W Closing & Wrap Up of Title Work	50%	13,149.26	6,574.63	6,574.63
5	McKinnis & Scott	DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSE	50%	3,826.39	1,913.20	1,913.20
6	Dave B. Jordan, P.C.	Dave B. Jordan, P.C. Due Diligence	0%	1,050.00	-	1,050.00
7	McKinnis & Scott	McKinnis & Scott, Attorneys B&W Pipeline	50%	61,269.39	30,634.70	30,634.70
8	Paul J. Rhoton, C.P.A	Paul J. Rhoton, C.P.A Due Diligence	50%	1,890.00	945.00	945.00
9	New Tech Global Ventures	Due Diligence Physical Inspection	0%	25,625.00	-	25,625.00
10	McKinnis & Scott	ROW Review	100%	63,151.59	63,151.59	-
11	McKinnis & Scott	B&WPipeline	100%	2,055.13	2,055.13	-
12	McKinnis & Scott	Due Dil - Transportation Agreement	100%	763.13	763.13	-
13	McKinnis & Scott	Due Dil - Transportation Agreement	100%	4,833.13	4,833.13	-
14	New Tech Global Ventures	Dave Etheridge	0%	205.00	-	205.00
					<u>\$ 151,445.00</u>	<u>\$ 66,947.52</u>
					<u>\$ 218,392.52</u>	

B & W PIPELINE LLC

ORIGINAL PURCHASE
DAY 1 ACCOUNTING
RECONCILIATION OF PURCHASE PRICE WITH FERC ACCOUNTS AND B&W ACCOUNTS

				TITAN ENERGY PLANT		B & W Pipeline, LLC
LINE NO.	DESCRIPTION	FERC / USofA ACCT. NO.	B&W ACCT. NO.	AS OF 06/30/2009	AS OF 8/31/2010	AS OF 9/2/2010
	(1)	(2)	(3)	(4)	(5)	(6)
1	INITIAL PURCHASE PRICE					<u>\$ 2,633,085.11</u>
2	Pipeline [and Other Assets]		125121			<u>\$2,407,499.80</u>
3	Original Cost Gas Plant in Service	101				
4	INTANGIBLE PLANT - ORGANIZATION	301		\$ -	\$ -	\$ -
5	TRANSMISSION PLANT					
6	Rights-of-Way	365		68,538.00	68,538.00	68,538.00
7	Structures & Improvements	366		-	-	-
8	Main Lines	367		841,862.44	841,862.44	841,862.44
9	Compressor Station - Equipment	368		-	-	-
10	M&R Station - Equipment	369		12,963.56	12,963.56	12,963.56
11	Other Equipment	371		-	-	-
12	TOTAL TRANSMISSION PLANT			<u>923,364.00</u>	<u>923,364.00</u>	<u>923,364.00</u>
13	Total Accumulated DD&A		12700			
14	INTANGIBLE PLANT - ORGANIZATION	111	0.00%	\$ -	\$ -	\$ -
15	TRANSMISSION PLANT					
16	Rights-of-Way	108	0.00%	-	-	-
17	Structures & Improvements	108	5.87%	-	-	-
18	Main Lines	108	5.87%	(692,355.64)	(692,355.64)	(750,004.03)
19	Compressor Station - Equipment	108	5.87%	-	-	-
20	M&R Station - Equipment	108	5.87%	(10,661.36)	(10,661.36)	(11,549.07)
21	Other Equipment	108		-	-	-
22	TOTAL TRANSMISSION PLANT	111 & 108	12700	<u>(703,017.00)</u>	<u>(703,017.00)</u>	<u>(761,553.10)</u>
23	Total Net Plant of Titan Energy					<u>\$ 161,810.90</u>
24	FAIR MARKET VALUE OF WORKING WELLS ACQUIRED					
25	GAS WELLS	121	12300			\$ 203,300.00
26	OIL WELLS	121	12300			<u>\$ 191,400.00</u>
27	TOTAL FAIR MARKET VALUE OF WORKING WELLS ACQUIRED					<u>\$ 394,700.00</u>
28	ADDITIONAL WELLS (PER SETTLEMENT)					\$ 1,062,653.85
29	ADDITIONAL FAIR MARKET VALUE OF WELLS					<u>\$ (179,025.00)</u>
30	LIABILITIES FOR INACTIVE WELLS					
31	NET FAIR MARKET VALUE OF ADDITIONAL WELL	121	12300			<u>\$ 883,628.85</u>
32	TWO LAND PARCELS	421	12618			<u>\$ 35,800.00</u>
33	ACQUISITION ADJUSTMENT	114	1261850			<u>\$ 931,560.05</u>
34	TOTAL Pipeline [and Other Assets]					<u>2,407,499.80</u>

B & W PIPELINE LLC

ORIGINAL PURCHASE
DAY 1 ACCOUNTING
RECONCILIATION OF PURCHASE PRICE WITH FERC ACCOUNTS AND B&W ACCOUNTS

LINE NO.	DESCRIPTION	FERC / USofA ACCT. NO.	B&W ACCT. NO.	TITAN ENERGY PLANT		B & W Pipeline, LLC
				AS OF 06/30/2009	AS OF 8/31/2010	AS OF 9/2/2010
	(1)	(2)	(3)	(4)	(5)	(6)
35	Due Diligence Expense	125122	182.3 / 426.5			
36	Due Diligence Expense	182.3/426.5	124499			
37	Pipeline Due Diligence -- McKinnis & Scott 1	182.3/426.5	125122	100%	\$ 23,692	
38	Pipeline Due Diligence -- McKinnis & Scott 2	182.3/426.5	125122	100%	16,882	
39	B & W Closing & Wrap Up of Title Work -- McKinnis & Scott	182.3/426.5	125122	50%	13,149	
40	McKinnis & Scott, Attorneys B&W Pipeline Due Diligence	182.3/426.5	125122	50%	3,826	
41	Dave B. Jordan, P.C. Due Diligence -- Dave B. Jordan	182.3/426.5	125122	0%	1,050	
42	McKinnis & Scott, Attorneys B&W Pipeline Due Diligence	182.3/426.5	125122	50%	61,269	
43	Paul J. Rhoton, C.P.A. Due Diligence -- Paul J. Rhoton	182.3/426.5	125122	50%	1,890	
44	Due Diligence Physical Inspection -- New Tech Global Ventures	182.3/426.5	125122	0%	25,625	
45	ROW Review -- McKinnis & Scott	182.3/426.5	125122	100%	63,152	
46	B&W Pipeline -- McKinnis & Scott	182.3/426.5	125122	100%	2,055	
47	Due Dil - Transportation Agreement -- McKinnis & Scott	182.3/426.5	125122	100%	763	
48	Due Dil - Transportation Agreement -- McKinnis & Scott	182.3/426.5	125122	100%	4,833	
49	Dave Etheridge -- New Tech Global Ventures	182.3/426.5	125122	0%	205	
50	Due Diligence - closed to Account No.	182.3/426.5	125122			\$ 151,445
51	Due Diligence - closed to Account No.	426.5	125122			\$ 66,948
52	Organization Startup Costs	101 / 301	13113			4,004.44
53	Rights of Way Payments	859	51311			2,426.55
54	Other	426.5	124499			541.20
55	Property Taxes	408	51712			220.60
56	TOTAL AMOUNT					<u>2,633,085.11</u>

B & W PIPELINE LLC

ORIGINAL PURCHASE
DAY 1 ACCOUNTING

PLANT BY YEAR FROM INITIAL PURCHASE THROUGH TEST YEAR

TITAN ENERGY										
B & W Pipeline, LLC										
LINE NO.	DESCRIPTION	FERC / USofA ACCT. NO.	B&W ACCT. NO.	AS OF 8/31/2010	AS OF 9/2/2010	AS OF 12/31/2012	AS OF 12/31/2013	AS OF 12/31/2014	AS OF 12/31/2015	AS OF 12/31/2016
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 GAS PLANT IN SERVICE										
2	<i>Original Cost Gas Plant in Service</i>									
3	INTANGIBLE PLANT - ORGANIZATION	301	13113		\$ 4,004	\$ 4,004	\$ 4,004	\$ 4,004	\$ 4,004	\$ 4,004
4	INTANGIBLE PLANT - MISCELLANEOUS									
5	12411 · Topographical Studies (GIS)	303	12411			\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
6	12412 · Engineering Studies	303	12412			\$ 77,327	\$ 77,327	\$ 77,327	\$ 77,327	\$ 77,327
7	12413 · Environmental Studies & Permits	303	12413	\$ -	\$ -	\$ 7,323	\$ 7,323	\$ 7,323	\$ 7,323	\$ 7,323
8	TOTAL INTANGIBLE PLANT	101		\$ -	\$ 4,004	\$ 89,454	\$ 89,454	\$ 89,454	\$ 89,454	\$ 89,454
9	TRANSMISSION PLANT									
10	Rights-of-Way	365		\$ 68,538	\$ 68,538	\$ 68,538	\$ 68,538	\$ 68,538	\$ 68,538	\$ 68,538
11	12511 · Land		12511			\$ 20,100	\$ 20,100	\$ 20,100	\$ 20,100	\$ 20,100
12	Structures & Improvements	366		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Main Lines	367		\$ 841,862	\$ 841,862	\$ 841,862	\$ 841,862	\$ 841,862	\$ 841,862	\$ 841,862
14	Year 2012 – 126182 · Pipeline Safety Imprc	367	126182			\$ 187,418	\$ 187,418	\$ 187,418	\$ 187,418	\$ 187,418
15	Year 2013 – 126187 · Pipeline Safety Imprc	367	126187			\$ 241,275	\$ 241,275	\$ 241,275	\$ 241,275	\$ 241,275
16	Year 2014 – 126188 · Pipeline Safety Imprc	367	126188			\$ -	\$ -	\$ 9,022	\$ 9,022	\$ 9,022
17	Compressor Station - Equipment	368		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	M&R Station - Equipment	369		\$ 12,964	\$ 12,964	\$ 12,964	\$ 12,964	\$ 12,964	\$ 12,964	\$ 12,964
19	12420 · FACILITIES SITE	369	12420			\$ 9,718	\$ 9,718	\$ 9,718	\$ 9,718	\$ 9,718
20	12430 · FACILITIES	369	12430			\$ 1,574	\$ 1,574	\$ 1,574	\$ 1,574	\$ 1,574
21	Other Equipment	371		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	TOTAL TRANSMISSION PLANT	101		\$ 923,364	\$ 923,364	\$ 1,142,174	\$ 1,383,449	\$ 1,392,471	\$ 1,392,471	\$ 1,392,471
23	GAS PLANT ACQUISITION ADJUSTMENT									
		114	125121	\$ -	\$ 931,560	\$ 931,560	\$ 931,560	\$ 931,560	\$ 931,560	\$ 931,560
24	TOTAL PLANT									
		101 & 114		\$ 923,364	\$ 1,858,928	\$ 2,163,188	\$ 2,404,464	\$ 2,413,486	\$ 2,413,486	\$ 2,413,486

B & W PIPELINE LLCANNUAL SAVINGS BY NAVITAS LDC CUSTOMERS
BASED PRICE OF PROPANE (KENTUCKY) AND TENNESSEE CITY GATE NATURAL GAS
EIA COSTS FOR SEPTEMBER 1, 2010

LINE NO.

DESCRIPTION

\$	2.27	per gallon of Propane
	91,333	Btus per gallon of Propane
	1,000,000	Btus per Dth of Gas or MCF if the heat content is 1,000 Btus per cu.ft.
	10.9	Gallons of Propane per Dth of gas
\$	24.845	Equivant cost of gas at Propane prices
\$	5,500	Cost of Gas at the City Gate in Tennessee - Sept 2010
\$	<u>(2.717)</u>	UNIT RATE - \$/MCF for transporation on B & W PIPELINE LLC
\$	27.628	Savings per Dth of Gas by Navitas LDC Customers
	<u>89,275</u>	Total Interstate Throughput by Navitas LDC Customers
\$	<u>2,466,479</u>	Total Annual Savings by Navitas Kentucky LDC Customers

91,333 Btu

1 gallon of heating oil = **138,500 Btu** (distillate fuel with 15 to 500 parts per million sulfur content)

1 barrel of residual fuel oil = 6,287,000 Btu.

1 cubic foot of natural gas = **1,037 Btu**.1 gallon of propane = **91,333 Btu**.Jun 7, 2017Energy Units - Energy Explained. Your Guide To Understanding ... - EIAhttps://www.eia.gov/energyexplained/index.php?page=about_energy_units

B & W PIPELINE LLC

ANNUAL SAVINGS BY NAVITAS LDC CUSTOMERS
BASED PRICE OF PROPANE (KENTUCKY) AND TENNESSEE CITY GATE NATURAL GAS
EIA COSTS FOR SEPTEMBER 1, 2010

LINE NO. DESCRIPTION

Workbook Contents

Residential Propane Weekly Heating Oil and Propane Prices (October - March)

Click worksheet name or tab at bottom for data

Worksheet Name	Description	# Of Series	Frequency	Latest Data for
Data 1	Residential Propane	46	Weekly	3/26/2018

Release Date: 3/28/2018
Next Release: 10/3/2018

Excel File Name: pet_pri_wfr_a_epllpa_prs_dpgal_w.xls
Available from: http://www.eia.gov/dnav/pet/pet_pri_wfr_a_epllpa_prs_dpgal_w.htm
Source: Energy Information Administration
For Help, Contact: infoctr@eia.gov
(202) 586-8800

		Values		Average of Weekly Tennessee Propane Residential Price (Dollars per Gallon)	
Year	Month	Average of Weekly Kentucky Propane Residential Price (Dollars per Gallon)		Price (Dollars per Gallon)	
2,008.00		\$		2.52	
2,009.00		\$		2.15	
2,010.00	Jan	\$		2.39	
	Feb	\$		2.46	
	Mar	\$		2.41	
	Oct	\$		2.12	
	Nov	\$		2.32	
	Dec	\$		2.44	
2,011.00		\$		2.56	
2,012.00		\$		2.30	
2,013.00		\$		2.21	
2,014.00		\$		2.65	\$ 2.95
2,015.00		\$		1.91	\$ 3.03
2,016.00		\$		1.83	\$ 3.09
2,017.00		\$		2.12	\$ 3.35
2,018.00		\$		2.38	\$ 3.11
Grand Total		\$		2.26	\$ 3.13

\$ 2.27

B & W PIPELINE LLC

ANNUAL SAVINGS BY NAVITAS LDC CUSTOMERS
BASED PRICE OF PROPANE (KENTUCKY) AND TENNESSEE CITY GATE NATURAL GAS
EIA COSTS FOR SEPTEMBER 1, 2010

LINE NO. DESCRIPTION

Workbook Contents

Tennessee Natural Gas Prices

Click worksheet name or tab at bottom for data

Worksheet Name	Description	# Of Series	Frequency	Latest Data for
Data 1	Tennessee Natur	8	Monthly	3/2018

Release Date: 05/31/2018

Next Release [06/29/2018

Excel File Name: ng_pri_sum_dcu_stn_m.xls

Available from: http://www.eia.gov/dnav/ng/ng_pri_sum_dcu_stn_m.htm

Source: [Energy Information Administration](http://www.eia.gov)

For Help, Contact: infoctr@eia.gov
(202) 586-8800

Average of
Natural Gas
Citygate
Price in
Tennessee
(Dollars per
Thousand
Cubic Feet)

Year	Month	Total
2,008		\$ 10.23
2,009		\$ 6.12
2,010	Jan	\$ 6.36
	Feb	\$ 6.04
	Mar	\$ 6.06
	Apr	\$ 6.06
	May	\$ 5.87
	Jun	\$ 5.43
	Jul	\$ 5.79
	Aug	\$ 5.88
	Sep	\$ 5.50
	Oct	\$ 5.68
	Nov	\$ 5.12
	Dec	\$ 5.05
2,010.00	Total	\$ 5.74
2,011		\$ 5.40
2,012		\$ 4.32
2,013		\$ 4.86
2,014		\$ 5.44
2,015		\$ 4.03
2,016		\$ 3.50
2,017		\$ 4.15
2,018		\$ 4.02
Grand Total		\$ 5.35

B & W PIPELINE LLC

COST OF SERVICE
12 MONTHS ENDED DECEMBER 31, 2016

LINE NO.	DESCRIPTION	REFERENCE (1)	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
1	OPERATING & MAINTENANCE EXPENSES	SCHEDULE 2	\$ 30,875	\$ -	\$ 30,875
2	ADMINISTRATIVE & GENERAL EXPENSES	SCHEDULE 2	169,962	-	169,962
3	DEPRECIATION & AMORTIZATION EXPENSE	SCHEDULE 4	167,692	(101,427)	66,265
4	REGULATORY DEBITS	ACCT. 407.3	0	6,058	6,058
5	RETURN REQUIREMENT	SCHEDULE 6	197,633	(101,076)	96,557
6	FEDERAL AND STATE INCOME TAXES	SCHEDULE 7	65,031		0
7	TAXES OTHER THAN INCOME TAXES	SCHEDULE 8	12,071	-	12,071
8	TOTAL COST OF SERVICE	SUM LNS 1 - 6	\$ 643,265	\$ (196,445)	\$ 381,789
9	LESS REVENUE CREDITS	SCHEDULE 9	0		
10	NET COST OF SERVICE	LN 7 - LN 8	\$ 643,265	\$ (196,445)	\$ 381,789

Note: These numbers are taken from the Company's 2017 Annual Report to the Tennessee Public Utility Commission, and are attached as Exhibit 1 to this filing.

B & W PIPELINE LLC

**OPERATING & MAINTENANCE EXPENSES
ADMINISTRATIVE & GENERAL EXPENSES
12 MONTHS ENDED DECEMBER 31, 2016**

Line No.	FERC Acct No.	Description (1)	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
1		STORAGE EXPENSES			
2		OPERATING			
3	824	Other Expenses	\$ -	\$ -	\$ -
4		TOTAL STORAGE EXPENSES	\$ -	\$ -	\$ -
5		TRANSMISSION EXPENSES			
6		OPERATING			
7	851	Compressor Station Fuel & Power	\$ 4,709	\$ -	\$ 4,709
8	855	System Control & Load Dispatch	4,633.66	-	4,633.66
9	860	Rents	67.76	-	67.76
10	859	Other Expenses	-	-	-
11	863	Maintenance of Mains	21,465.28	-	21,465.28
12		TOTAL TRANSMISSION EXPENSES	\$ 30,875	\$ -	\$ 30,875
13		TOTAL OPERATING & MAINTENANCE EXPENSES	\$ 30,875	\$ -	\$ 30,875
14		ADMINISTRATIVE & GENERAL EXPENSES			
15	920	Administrative & General Salaries	\$ 136,500	\$ -	\$ 136,500
16	923	Outside Services Employed	12,795.94	-	12,795.94
17	924	Property Insurance	1,000.00	-	1,000.00
18	930.2	Miscellaneous General Expenses	19,666.04	-	19,666.04
19		TOTAL ADMINISTRATIVE & GENERAL EXPENSES	\$ 169,962	\$ -	\$ 169,962
20		TOTAL O&M and A&G EXPENSES	\$ 200,837	\$ -	\$ 200,837

Note: These numbers are taken from the Company's 2017 Annual Report to the Tennessee Public Utility Commission, and are attached as Exhibit 1 to this filing.

B & W PIPELINE LLC

**GAS UTILITY PLANT IN SERVICE BY FUNCTION AND ACCOUNT
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	DESCRIPTION	FERC ACCT. NO.	COMPANY GROSS PLANT AS OF 12/31/16 (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
	GAS PLANT IN SERVICE	101			
1	INTANGIBLE PLANT	303		\$ 89,454	\$ 89,454
2	<u>TRANSMISSION PLANT</u>				
3	Rights-of-Way	365	\$ 108,550.00	\$ (19,912.00)	\$ 88,638.00
4	Main Lines	367	3,120,313	(1,840,735)	1,279,578
5	Compressor Station - Equipment	368	-	-	-
6	M&R Station - Equipment	369	775	23,481	24,256
7	Other Equipment	371	-	-	-
8	TOTAL TRANSMISSION PLANT		\$ 3,229,638	\$ (1,837,167)	\$ 1,392,471
9	<u>GENERAL PLANT</u>				
10	Transportation Equipment	392	\$ -	\$ -	\$ -
11	Power Operated Equipment	396	-	-	-
12	Miscellaneous Equipment	398	-	-	-
13	TOTAL GENERAL PLANT		\$ -	\$ -	\$ -
14	TOTAL PLANT IN SERVICE	101	\$ 3,229,638	\$ (1,837,167)	\$ 1,481,926
15	CONSTRUCTION WORK IN PROGRESS	107	-	-	-
16	<u>GAS PLANT ACQUISITION ADJUSTMENT</u>	114	\$ -	\$ 931,560	\$ 931,560
17	TOTAL PLANT	101 & 114	\$ 3,229,638	\$ (905,607)	\$ 2,413,486

Note: These numbers are taken from the Company's 2017 Annual Report to the Tennessee Public Utility Commission, and are attached as Exhibit 1 to this filing. The main lines account contains an adjustment of \$250,000 for the value of producing assets that have been sold.

Note: A narrative explanation and accompanying documents supporting the transmission plant included above along with a description of how these assets were acquired is included as Exhibit 2 to this filing.

B & W PIPELINE LLC

ACCUMULATED DD&A BY FUNCTION AND ACCOUNT
12 MONTHS ENDED DECEMBER 31, 2016

LINE NO.	DESCRIPTION	FERC ACCT. NO.	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
	GAS PLANT IN SERVICE				
1	INTANGIBLE PLANT	111	\$ -	\$ 19,084	\$ 19,084
2	TRANSMISSION PLANT	108	682,824	207,644	890,468
3	GENERAL PLANT	108	-	-	-
4	TOTAL PLANT IN SERVICE		\$ 682,824	\$ 226,728	\$ 909,552
5	GAS PLANT ACQUISITION ADJUSTMENT	115	-	\$ 198,733	\$ 198,733
6	TOTAL	108, 111 & 115	\$ 682,824	\$ 425,461	\$ 1,108,285

B & W PIPELINE LLC

**DEPRECIATION AND AMORTIZATION EXPENSE BY FUNCTIONAL CLASSIFICATION
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	GAS PLANT ACCOUNT	FERC ACCOUNT	DEPRECIATION BY FUNCTIONAL CLASSIFICATION	REFERENCE (1)	DEPRECIABLE YEARS (2)	ANNUAL ACCRUAL RATE (3)	DEPRECIABLE PLANT (4)	ANNUAL DEPRECIATION & AMORTIZATION (5)
AMOUNT AS FILED								
1	365 - 371		DEPRECIATION OF GAS UTILITY PLANT					
			TRANSMISSION PLANT	SCHEDULE 3.1	20		\$ 3,229,638	\$ 167,692
2	389 - 399		GENERAL PLANT	SCHEDULE 3.1	10		-	-
3			TOTAL PLANT IN SERVICE				\$ 3,229,638	\$ 167,692
ADJUSTMENTS								
303	404.3		INTANGIBLE PLANT	SCHEDULE 3.1				
4	365 - 371	403	TRANSMISSION PLANT	SCHEDULE 3.1	25		\$ (1,925,805)	\$ (142,267)
5	389 - 399	403	GENERAL PLANT	SCHEDULE 3.1	10		-	-
6			TOTAL PLANT IN SERVICE				(1,925,805)	(142,267)
7	114	406	GAS PLANT ACQUISITION ADJUSTMENT		25		931,560	37,262
8			TOTAL DD&A EXPENSE				\$ (994,245)	\$ (105,005)
SETTLEMENT								
303	404.3		INTANGIBLE PLANT	SCHEDULE 3.1	25	4.00%	\$ 89,454	\$ 3,578
9	365 - 371	403	TRANSMISSION PLANT	SCHEDULE 3.1	25	1.95%	1,303,833	25,425
10	389 - 399	403	GENERAL PLANT	SCHEDULE 3.1	10	10.00%	-	-
11			TOTAL PLANT IN SERVICE				1,393,288	29,003
12	114	406	GAS PLANT ACQUISITION ADJUSTMENT		25	4.00%	\$ 931,560	\$ 37,262
13			TOTAL DD&A EXPENSE				\$ 2,324,848	\$ 66,265

Note: These numbers are taken from the Company's 2017 Annual Report to the Tennessee Public Utility Commission, and are attached as Exhibit 1 to this filing.

B & W PIPELINE LLC

**CAPITAL STRUCTURE, CAPITAL COST AND RATE OF RETURN
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	DESCRIPTION	ACTUAL CAPITAL STRUCTURE (1)	HYPOTHETICAL CAPITAL STRUCTURE RATIO (2)	CAPITAL COST FACTOR (3)	RATE OF RETURN (4)
AMOUNTS AS FILED					
1	LONG TERM DEBT	\$ -	50.0%	5.00%	2.50%
2	COMMON EQUITY & RETAINED EARNINGS	2,584,361	50.0%	10.51%	5.26%
3	TOTAL	<u>\$ 2,584,361</u>	<u>100.00%</u>		<u>7.76%</u>
ADJUSTMENTS					
4	LONG TERM DEBT	\$ -	50.0%	0.00%	0.00%
5	COMMON EQUITY & RETAINED EARNINGS	-	50.0%	-2.01%	-1.01%
6	TOTAL	<u>\$ -</u>	<u>100.00%</u>		<u>-1.01%</u>
SETTLEMENT					
7	LONG TERM DEBT	\$ -	50.0%	5.00%	2.50%
8	COMMON EQUITY & RETAINED EARNINGS	2,584,361	50.0%	8.50%	4.25%
9	TOTAL	<u>\$ 2,584,361</u>	<u>100.00%</u>		<u>6.75%</u>

B & W PIPELINE LLC

**RATE BASE AND RETURN REQUIREMENT
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	DESCRIPTION	REFERENCE (1)	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
1	UTILITY PLANT:				
2	GAS PLANT IN SERVICE	SCHEDULE 3	\$ 3,229,638	\$ (816,152)	\$ 2,413,486
3	LESS: ACCUMULATED DD&A	SCHEDULE 3	682,824	425,461	1,108,285
4	NET GAS UTILITY PLANT IN SERVICE	Ln 2 - Ln 3	2,546,814	(1,241,613)	1,305,201
5	REGULATORY ASSETS	ACCT. 182.3	-	119,137	119,137
6	REGULATORY LIABILITIES	ACCT. 254	-	-	-
7	WORKING CAPITAL				
8	CASH WORKING CAPITAL ALLOWANCE	\$154.312(e)(1)	-	-	-
9	LINE PACK	117.2	-	-	6,136
10	LESS: DEFERRED INCOME TAXES		-	-	-
11	TOTAL RATE BASE	SUM Ln 4-6, 8-10	\$ 2,546,814	\$ (1,241,613)	\$ 1,430,474
12	RATE OF RETURN	SCHEDULE 5	7.76%		6.75%
13	RETURN REQUIREMENT	Ln 9 x Ln 10	\$ 197,633	\$ (101,076)	\$ 96,557

B & W PIPELINE LLC

WORKING CAPITAL ALLOWANCE - LINE PACK
ACCOUNT 117.2 SYSTEM BALANCING GAS
12 MONTHS ENDED DECEMBER 31, 2016

LINE NO.	DESCRIPTION	PI (1)	Radius - ft. (2)	Length (3)	Volume sq. ft. (4)
	Miles of Pipe				
	6 inch	3.14159	0.5000	223,034	175,170.49
	8 inch	3.14159	0.6667	31,152	43,496.40
				48.1	218,666.89
	Pressure at Atmosphere at Operating		14.7 lbs. psi 75 lbs. psi		218,667 1,115,647
	Conversion Factor from Cubic Feet to MCF				1,000.0
	Line Pack - MCF				1,115.6
	Value of Line Pack at Close				\$ 5.50
	Total Value of Line Pack				\$ 6,136.06
	ACCOUNT NUMBER				
	FERC - USofA	117.2			
	B&W	11612			

B & W PIPELINE LLC

CALCULATION OF FEDERAL AND STATE INCOME TAXES
12 MONTHS ENDED DECEMBER 31, 2016

LINE NO.	DESCRIPTION	REFERENCE (1)	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
1	RETURN REQUIREMENT	SCHEDULE 6	\$ 197,633	\$ (101,076)	\$ 96,557
2	LESS: INTEREST ON DEBT	Line 11	\$ (63,670)	\$ -	\$ (35,762)
3	EQUITY RETURN SUBJECT TO INCOME TAXES	Ln 1 + Ln 2	\$ 133,963	\$ (101,076)	\$ 60,795
4	FEDERAL INCOME TAX RATE	/1	28.0%	0.0%	0.0%
5	STATE INCOME TAX RATE	/2	6.5%	0.0%	0.0%
6	COMPOSITE TAX RATE	F + S - (F X S)	32.68%	0.00%	0.00%
7	FEDERAL TAXABLE INCOME	Ln 3 x Ln 6	\$ 198,994	\$ -	\$ 60,795
8	FEDERAL INCOME TAXES	Ln 4 x Ln 7	55,718	-	-
9	STATE TAXABLE INCOME	Ln 7 - Ln 8	143,276	-	60,795
10	STATE INCOME TAXES	Ln 5 x Ln 9 32.7%	9,313	-	-
11	TOTAL FEDERAL AND STATE INCOME TAXES	Ln 9 + Ln 10	\$ 65,031	\$ -	\$ -
<u>CALCULATION OF INTEREST ON DEBT</u>					
12	RATE BASE	SCHEDULE 6	\$ 2,546,814	\$ (1,241,613)	\$ 1,430,474
13	DEBT COMPONENT OF RATE OF RETURN	SCHEDULE 5	2.50%	0.00%	2.50%
14	DEBT COMPONENT OF RETURN	Ln 12 X Ln 13	\$ 63,670	\$ -	\$ 35,762

/1 The weighted average marginal federal tax rate of B & W PIPELINE LLC's owners.

/2 The weighted average marginal state tax rate of B & W PIPELINE LLC's owners.

B & W PIPELINE LLC

**CALCULATION OF TAXES OTHER THAN INCOME TAXES
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	DESCRIPTION	REFERENCE (1)	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
	<u>AD VALOREM TAXES</u>				
1					
2	ASSESSED VALUE OF ASSETS	Assessment	\$ 719,943	\$ -	\$ 719,943
3	TAX RATE	Ln 4 / Ln 2	1.677%	0.000%	1.677%
4	AD VALOREM TAXES	ACCT. 408.1	\$ 12,071	\$ -	\$ 12,071
5	TOTAL TAXES OTHER THAN INCOME TAXES	Ln 4 + Ln 8	\$ 12,071	\$ -	\$ 12,071

B & W PIPELINE LLC

**CREDITS TO COST OF SERVICE
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	MONTH	AMOUNTS AS FILED (1)	ADJUSTMENTS (2)	SETTLEMENT (3)
1	JANUARY 2016	\$ -	-	\$ -
2	FEBRUARY 2016	-	-	-
3	MARCH 2016	-	-	-
4	APRIL 2016	-	-	-
5	MAY 2016	-	-	-
6	JUNE 2016	-	-	-
7	JULY 2016	-	-	-
8	AUGUST 2016	-	-	-
9	SEPTEMBER 2016	-	-	-
10	OCTOBER 2016	-	-	-
11	NOVEMBER 2016	-	-	-
12	DECEMBER 2016	-	-	-
13	TOTAL	\$ -	\$ -	\$ -

B & W PIPELINE LLC

**RATE DESIGN VOLUMES (MCF)
12 MONTHS ENDED DECEMBER 31, 2016**

LINE NO.	MONTH	INTRASTATE TRANSPORTATION MCF VOLUMES (1)	INTERSTATE TRANSPORTATION MCF VOLUMES (2)	TOTAL MCF VOLUMES (3)
AMOUNTS AS FILED				
1	JANUARY 2016	2,132	11,864	13,996
2	FEBRUARY 2016	1,850	11,378	13,228
3	MARCH 2016	2,001	8,668	10,668
4	APRIL 2016	2,890	7,345	10,235
5	MAY 2016	3,301	6,233	9,534
6	JUNE 2016	1,845	4,567	6,412
7	JULY 2016	1,923	5,773	7,696
8	AUGUST 2016	1,090	4,946	6,036
9	SEPTEMBER 2016	2,244	5,059	7,302
10	OCTOBER 2016	2,240	5,944	8,184
11	NOVEMBER 2016	2,249	8,067	10,316
12	DECEMBER 2016	5,567	9,433	15,001
13	TOTAL TRANSPORT	29,332	89,275	118,607
SETTLEMENT ADJUSTMENTS				
14	ADJUSTMENTS FOR AFFILIATE PRODUCTION	0	21,900	21,900
SETTLEMENT				
15	TOTAL TRANSPORT	29,332	111,175	140,507

Note: These numbers are taken from the Company's 2017 Annual Report to the Tennessee Public Utility Commission, and are attached as Exhibit 1 to this filing.

B & W PIPELINE LLC

COST OF SERVICE
12 MONTHS ENDED DECEMBER 31, 2016

LINE NO.	DESCRIPTION	REFERENCE (1)	AMOUNTS AS FILED (2)	ADJUSTMENTS (3)	SETTLEMENT (4)
1	NET COST OF SERVICE	SCHEDULE 1	\$ 643,265	\$ (196,445)	\$ 381,789
2	INTRASTATE - TRANSPORTATION VOLUMES - MCF	SCHEDULE 10	29,332	0	29,332
3	INTERSTATE - TRANSPORTATION VOLUMES - MCF	SCHEDULE 10	89,275	21,900	111,175
4	TOTAL THROUGHPUT - MCF	SCHEDULE 10	118,607	21,900	140,507
5	UNIT RATE - \$/MCF	LN 1 / LN 4	\$ 5,4235	\$ (2,7063)	\$ 2,7172

APPENDIX A

Statement of Operating Conditions
of
B&W Pipeline, LLC
(A Hinshaw Company)

B&W Pipeline, LLC (“Transporter”) is a Hinshaw gas pipeline company within the State of Tennessee. Transporter’s Statement of Operating Conditions (“Statement”) for natural gas transportation is filed pursuant to the Federal Energy Regulatory Commission’s (“FERC”) regulations under 18 C.F.R. Sections 284.123 and 284.224. B&W Pipeline, LLC was granted a blanket certificate in Docket No. CP17-78 to engage in the sale or transportation of natural gas in interstate commerce.

Interruptible gas transportation service on Transporter’s intrastate transmission system shall be provided by Transporter, pursuant to Section 311(a)(2) of the Natural Gas Policy Act of 1978 (NGPA), 15 U.S.C. §§ 3301 *et seq.*, and the FERC’s implementing rules, regulations and orders, to qualified shippers who comply with the conditions set forth in this Statement.

STATEMENT OF OPERATING CONDITIONS

Schedule of Specific Conditions Applicable to Transportation Service

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1. **PRELIMINARY STATEMENT**

Transporter is first and foremost an intrastate pipeline. Therefore, any Section 311(a)(2) service which Transporter provides will be consistent with and shall not infringe upon either its status as an Hinshaw pipeline or the intrastate services which it provides. It shall be the policy of Transporter to render Qualified Transportation Service subject to available capacity and pursuant to written contracts ("Transportation Agreements") containing terms and conditions generally acceptable to Transporter as set forth herein, executed after consideration of its existing and future commitments, pipeline design capacity and available pipeline capacity, Points of Receipt and Points of Delivery, and other factors deemed material by Transporter. Transporter reserves the right to add, delete or modify conditions in this Statement without prior notice, in accordance with FERC's regulations under 18 C.F.R. Part 284. In the event any contract term or provision is inconsistent with the FERC's regulations or this Statement, the rules and regulations of this Statement will control and the contract will be deemed modified accordingly.

2. **RATE SUMMARY**

The fair and equitable rates for NGPA Section 311(a) interruptible transportation service shall consist of the following rates:

<u>Rate Schedule</u>	<u>Minimum</u>	<u>Maximum</u>
Interruptible Transportation Service	\$0.0000/Mcf	\$2.7172/Mcf

Transporter will retain from all Shippers a pro rata share of company use and lost-and-unaccounted-for Gas. In addition, a Shipper will incur a pro rata share of actual compressor fuel for fuel consumed in Shipper's designated transportation path. These charges will be calculated and charged on a monthly basis.

3. **DEFINITIONS**

- a) The term “Business Day,” shall mean any day during a year, except Saturday, Sunday or Transporter’s holidays.
- b) The term, “Btu,” shall mean British Thermal Unit and, where appropriate, the plural thereof.
- c) The term, “Central Receipt Point,” shall mean a Receipt Point on Transporter’s system where measurement custody transfers to Transporter from a Shipper that has multiple wellheads upstream.
- d) A “Cubic Foot of Gas,” shall mean for purpose of measurement of the gas delivered hereunder is the amount of gas necessary to fill a cubic foot of space at a pressure of 14.65 pounds per square inch, and at a temperature of sixty degrees (60°) Fahrenheit. The average atmospheric pressure shall be assumed to be 14.65 pounds per square inch absolute.
- e) The term, “Day,” shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time. “Day” may, for the purpose of changing of field charts, be extended to a period covered by the chart.
- f) The term “Delivery Point” or “Point of Delivery,” shall mean a point at the outlet side of Transporter’s facilities at a point of interconnection between the facilities of Transporter and the facilities of Shipper or its designee.
- g) The term “FERC” or “Commission,” shall mean the Federal Energy Regulatory Commission.
- h) The term “Fuel,” shall mean the quantity of gas for Transporter’s use, line loss and other unaccounted-for losses on Transporter’s Pipeline System.
- i) The term, “Gas,” shall mean natural gas as produced in its natural state that meets the quality standards contained in these general terms.
- j) The term, “Interruptible” or on an “Interruptible Basis,” shall mean that the transportation of Gas for the account of Shipper is subject to Transporter having sufficient capacity on the Pipeline System to transport such Gas at the time the Gas is tendered.
- k) The term, “Mcf,” shall mean one thousand (1,000) cubic feet of gas.
- l) The term, “MMcf,” shall mean one million (1,000,000) cubic feet of gas.
- m) The term, “Month,” shall mean a period beginning on the first (1st) day of the calendar month and extending to the first (1st) day of the following calendar month.

- n) The term, “NGPA,” shall mean the Natural Gas Policy Act of 1978.
- o) The term, “New Taxes,” shall mean any tax (other than ad valorem, income or excess profit taxes), license, fee or charge hereafter levied, assessed or made by any governmental authority on the gas itself or on the act, right or privilege of producing, severing, gathering, processing, transporting, handling, selling or delivering gas which is measured by the quantity, value or sales price of the gas.
- p) The term, “Pipeline System,” shall mean all pipelines, compressors, and related facilities owned and operated by Transporter.
- q) The term, “Qualified Transportation Service,” shall mean Transportation Service provided to qualified Shippers who meet the provisions of this Statement and execute a Transportation Service Agreement as provided hereunder.
- r) The term, “Receipt Point” or “Point of Receipt,” shall mean a point at the inlet side of Transporter’s facilities at a point of interconnection between the facilities of Transporter and the facilities of Shipper or its designee.
- s) The term, “Shipper,” shall mean any party that has executed a Transportation Service Agreement with Transporter for transportation service subject to this Statement.
- t) The term, “Thermally Equivalent,” shall mean an equal amount of heating value, expressed in Btu and measured under the specifications and conditions contained hereunder.
- u) The term, “Transportation Service,” shall mean interruptible transportation service provided by Transporter pursuant to Section 311(a)(2) of the NGPA.
- v) The term, “Transportation Service Agreement” or “Transportation Agreement,” shall mean any contract of Transporter providing Transportation Service to a Shipper.
- w) The term, “Transporter,” shall mean B&W Pipeline, LLC.

For purposes of this Statement, lower-cased versions of the above-defined terms shall have the same meaning as capitalized versions of the above-defined terms unless the context clearly indicates otherwise.

4. TRANSPORTATION RATE

The rate to be paid by Shipper for service provided hereunder shall be the maximum rate for transportation service as shown in Section 2 – Rate Summary. The Transporter may agree to provide service at a discount to any Shipper on a non-discriminatory basis. The Transporter shall not provide service at a rate exceeding the maximum rate approved for the service.

Transporter's maximum rate for Transportation Service pursuant to Section 311(a)(2) of the NGPA shall be determined pursuant to FERC's regulation. Transporter reserves the right to file for a higher rate at any time.

To the extent that it is legally permissible, Transporter shall in addition have the right to charge Shipper:

- A For the costs of any facilities installed by Transporter to receive or deliver natural gas for the account of Shipper;
- B For any and all fees, as shown in Section 2 – Rates Summary, required in connection with Shipper's transportation agreement that Transporter is obligated to pay to the FERC or any other governmental authority having jurisdiction;
- C For any natural gas gathering, occupation, production, severance, sales, first use, gross receipts, or tax, as shown in Section 2 – Rates Summary, which may be imposed or assessed against Transporter by any lawful authority as a result of the transportation of natural gas pursuant to this Statement or the production for gathering of such natural gas;
- D For any charges, as shown in Section 2 – Rates Summary, which Transporter incurs from other parties in rendering service for Shipper which charges are related to the transportation services rendered to Shipper pursuant to this Statement; and
- E Shipper's pro rata share, as shown in Section 2 – Rates Summary, for the cost of compressor fuel, heater fuel, flare, company use and lost and unaccounted-for Gas used by Transporter on any day excluding any quantities for which fuel reimbursement has been received pursuant to any other provisions of this Statement.

5. **FUEL AND TAXES**

A Fuel may be paid in kind at Shipper's Receipt Point(s) or in dollars per MMBtu for Transportation Service, as set forth in Shipper's Transportation Service Agreement.

B Shipper shall be liable for and shall pay, cause to be paid, or reimburse Transporter if Transporter has paid, causes to be paid or becomes obligated to pay, any Taxes or Governmental Fees attributable to or associated with any or all of the following:

i any transportation service or transaction governed by this Statement performed by Transporter or its designee; and

ii any of the facilities if Transporter or its affiliate(s) used to provide any service or transaction governed by this Statement.

C "Taxes" means any existing or hereafter enacted ad valorem, property, occupation, severance, production, extraction, first use, conservation, Btu or energy, gathering, transport, utility, gross receipts, gas or oil revenue, gas or oil import, privilege, sales, use, consumption, excise, lease, transaction, and other taxes or New Taxes, governmental charges or fees, licenses, fees, permits and assessments, or increases herein, and any interest or penalties on such taxes, charges, licenses, fees permits, New Taxes based on such taxes, charges, licenses, fees, permits, and new taxes, and assessments, other than taxes based on net income or net worth and Governmental Fees.

D "Governmental Fees" means any and all privilege, franchise fees, charges, user fees or rentals levied by the governmental entities in exchange for the grant of privileges relating to use or improvements thereon.

6. **GENERAL TERMS AND CONDITIONS**

6.1 **QUALIFIED SHIPPERS**

In addition to other conditions contained in this Statement, Qualified Transportation Services provided by Transporter are available only to Shippers who enter into a mutually acceptable Transportation Agreement with Transporter. All transactions on behalf of interstate pipelines or local distribution companies served by interstate pipelines must qualify under the provision of Section 311(a)(2) of the NGPA and the FERC's implementing rules, regulations and orders. If, in the opinion of Transporter, the qualified status of a Shipper or its transactions is in doubt, then Transporter may require an affidavit from Shipper attesting to its qualified status or require Shipper to apply for and receive a final, non-appealable declaratory order from the FERC or successor agency thereto, affirming the qualifying status of Shipper and its transaction prior to the commencement of transportation services by Transporter. In addition, Transporter shall not be required to transport for a Shipper unless Transporter is satisfied with the Shippers financial position, using reasonable standards of creditworthiness consistently applied per Section 6.16.

6.2 **GOVERNMENTAL REGULATION**

The transportation arrangement will be subject to all valid existing and future laws, orders, rules, regulations, or proclamations of duly constituted authorities having jurisdiction or control over the parties thereto or the subject matter thereof including, without limitation, the provisions of Subpart C of Part 284 of FERC's regulations implementing Section 311(a)(2) of the NGPA. If any such governmental authority shall take any action which will or has the effect of (i) prohibiting Transporter from collecting specific rates for the services provided under the Transportation Service Agreement, or (ii) will subject or other subjects either party or any of its pipeline or related facilities to any greater or different regulation or jurisdiction than that existing on the date of the contract (or thereafter as such regulation or jurisdiction may have changed and been accepted by such party), then upon written notice to the other, which notice shall not be provided more than 30 days after such governmental action, the party so affected may terminate the Transportation Service Agreement effective one (1) day prior to the effective date of such governmental action without further obligation to the other party except, in the case of Shipper, to make payment for services rendered and, in the case of either Transporter or Shipper, to correct any gas imbalance existing on the date of such termination.

6.3 **TERM**

Service will be provided for a term as agreed upon by Transporter and Shipper; provided, however, Transporter shall have the right to terminate or suspend service immediately upon prior notice of such termination or suspension given to Shipper in the event (i) Transporter, on a non-discriminatory basis, shall also concurrently terminate or suspend, as the case may be, all of its NGPA Section 311(a) transportation service of the type provided for under the Transportation Service Agreement which, in the absence of such termination or suspension, would in Transporter's sole discretion cause Transporter to be subject to the open and non-discriminatory access provisions contained in Part 284 of the FERC's regulation, or (ii) deliveries of Gas for transportation under the transportation arrangement, once commenced, have ceased for any period of ninety (90) consecutive days or more and not resumed.

6.4 **REQUESTS FOR TRANSPORTATION**

Transporter will accept as valid only those requests which, in Transporter's sole judgment, are sufficiently specific with respect to the following information, all of which must be provided as set forth below:

- A The quantity of Gas for which Transportation Service is requested, stated in both Mcf and MMBtu per day.
- B Receipt Points:
 - i Point(s) of Receipt into Transporter's System.
 - ii Name of Entity Delivering into Transporter's System.
- C Delivery Points:
 - i Point(s) of Delivery by Transporter.
 - ii All Entities Receiving Gas Downstream of Transporter.
- D Term of Proposed Service:
 - i Date Service Requested to Commence.
 - ii Date Service Requested to Terminate.
- E A certification that the Shipper has a current contractual right to take possession of the Gas to be delivered to Transporter for transportation and will enter into those arrangements necessary to assure all upstream and downstream transportation will be in place prior to the execution of a Transportation Agreement.

F The name, addresses, title, and telephone number of the officer of Shipper who will execute the Transportation Agreement with Transporter and to whom the original(s) of that agreement should be sent.

G A statement of “on behalf of” entities Shipper warrants to meet the provisions of Section 284 of FERC’s regulations for Section 311 service.

Unless waived by Transporter, requests for Transportation Service hereunder will be invalid and will not be considered if a Transportation Service Agreement is not entered into within forty-five (45) days of the date of receipt of the information specified in Section 2.8, provided, however, that in no event will Transporter be required to perform service hereunder prior to such time that Shipper satisfies such condition. Requests which cannot be provided due to insufficient capacity, or because of a failure to satisfy the terms of this Statement within forty-five (45) days of the date of the request is made, shall not be of a continuing nature and shall be deemed a nullity for all present and future purposes.

Shipper may request and Transporter may agree to add or delete Points of Delivery and Points of Receipt.

6.5 QUALITY OF GAS

Gas delivered or redelivered hereunder shall be commercially free of dust, gums, gum-forming constituents, gasoline, water, and any other substance that may become separated from the Gas during the handling hereof. All gas delivered or redelivered hereunder shall conform to the following specifications:

- A Dust, rust, and other solids – None
- B Carbon Dioxide – Not more than 3% by volume
- C Oxygen – Not more than 0.2% by volume
- D Hydrogen Sulfide – Not more than ¼ grain per 100 cubic feet
- E Total Sulfur – Not more than 20 grains per 100 cubic feet
- F Free Water – None
- G Heating Value – Not less than 967 Btus nor greater than 1180 Btus per cubic foot
- H Temperature – Not more than 120° Fahrenheit; not less than 40° Fahrenheit
- I Water Vapor – Not more than 7 pounds per million cubic feet
- J Total Inerts – Not more than 4% by volume including carbon dioxide and nitrogen
- K Nitrogen – Not more than 2% by volume
- L Hydrocarbon Dewpoint – Not more than 40° Fahrenheit

In the event the gas delivered at any of the Receipt or Delivery Points hereunder should fail to meet any of the quality specifications stated above, then the receiving Party shall notify the delivering Party and the delivering Party shall make a diligent effort to correct the situation. The receiving Party may, at its option in its sole discretion, choose to accept such gas for so long as the delivering Party is unable to deliver gas conforming to such specifications or the specifications of downstream transporters. Any acceptance of any such non-conforming gas shall not be construed as a waiver of Transporter's rights to refuse any future deliveries of non-conforming gas.

6.6 **OPERATIONS**

A Upon request of Transporter, Shipper shall be required from time to time or any time to submit estimates of the daily, monthly and annual quantities of Gas to be transported, including peak day requirements, together with the estimated amounts thereof applicable to the Point(s) of Receipt and Delivery and such other operating data as Transporter may require in order to plan its operations, to meet its system requirements, and to render adequate service to its customers. Shipper shall be obligated to notify Transporter's gas control department at least twenty-four (24) hours in advance of any substantial change in the daily quantity of Gas Shipper delivers to Transporter for transportation hereunder.

B Shipper shall deliver or cause to be delivered to Transporter daily quantities of Gas as nearly as possible at uniform hourly rates. Such daily quantities shall be received and delivered hereunder at the same rate, and Shipper shall not, in any manner, utilize Transporter's pipeline system for storage or peaking purposes. If on any day Shipper delivers to Transporter a quantity of Gas in excess of the quantity of Gas being concurrently re-delivered by Transporter, Transporter shall have the right to reduce and/or discontinue its receipts of Gas from Shipper until such time as arrangements have been made by Shipper to balance such excess. If on any day Shipper is re-delivered a quantity of Gas in excess of the quantity of Gas being concurrently delivered to Transporter, Transporter shall have the right to reduce and/or discontinue re-deliveries of Gas to Shipper until such arrangements have been made by Shipper to balance such excess. Transporter, to the extent practicable, will deliver each day a quantity of Gas Thermally Equivalent to the quantity received by Transporter that day, less Fuel, if applicable.

C Shipper shall deliver Gas or cause Gas to be delivered to Transporter at the Point(s) of Receipt at a pressure sufficient to allow the Gas to enter Transporter's pipeline as such pressure shall vary from time to time and from place to place. Transporter shall not be required to compress into its pipeline Gas transported hereunder. At each Point(s) of

Receipt Shipper shall provide, or cause to be provided, at Transporter's request, equipment acceptable to Transporter, which will prevent over pressuring of Transporter's pipeline.

i All Gas delivered hereunder by Transporter shall be delivered at pressures sufficient to enter the downstream facilities at the working pressures maintained at the Delivery Points from time to time. Transporter shall not be obligated to deliver Gas hereunder at pressures exceeding the maximum allowable operating pressures of the facilities or pressures prescribed under any applicable governmental regulations. Notwithstanding the foregoing, Transporter shall at no time be required, unless otherwise agreed in writing, to construct or modify facilities currently existing, including compression, to affect such delivery including, but not limited to, instances when the downstream facility changes its operating conditions from those in effect at the time the interconnection was completed.

ii All Gas delivered at the Delivery Point(s) shall be delivered at pressure sufficient to enter the receiving party's facilities at such point; provided however, Transporter shall not be required to compress Gas or obligated to construct or modify currently existing facilities.

D Transporter shall not be required to provide any requested Transportation Services which would require construction or acquisition by Transporter of any new facilities or expansion of Transporter's existing facilities. Transporter, in its sole discretion, may agree to construct or acquire new facilities or expand existing facilities, to provide service requested by any Shipper. In such event, Shipper agrees to reimburse Transporter for the total incremental cost of the new facilities or expansion of existing facilities, unless otherwise mutually agreed in writing. Transporter shall determine method of reimbursement, either lump sum or installment.

E To the extent Transporter agrees to construct or acquire any new facilities or expand existing facilities, any such facilities shall be contracted, maintained, owned, and operated by Transporter, except as may otherwise be mutually agreed in writing. The design and installation of all facilities shall be in accordance with the specifications determined by Transporter in its sole, reasonable discretion.

F Transporter shall deliver Gas at each Point(s) of Delivery to or for the account of Shipper at the pressure, which shall be available from time to time in Transporter's pipeline after required measurement, flow control, and/or regulation. Transporter shall not be required to compress Gas to be delivered hereunder.

G Shipper shall not increase the daily quantities of Gas that Shipper delivers or causes to be delivered to Transporter if such increase would cause the reduction of or otherwise require interruption of service for existing quantities of Gas flowing on Transporter's

system, regardless of the maximum transportation quantity set forth in the Transportation Agreement, except with the consent of Transporter.

H Any and all Transportation Service to Shipper under this Statement shall be subject to interruption from time to time and at any time and is otherwise subject to the availability of capacity sufficient to provide service without detriment or disadvantage to (1) any sales customers of Transporter, (2) any Shippers receiving firm transportation service, and (3) other Transportation Service customers of Transporter pursuant to contracts for such service as such obligations existed on the date of Shipper's valid request for service. Notwithstanding the foregoing, Transporter may interrupt service and may allocate capacity as operational circumstances dictate, including but not limited to accepting any allocations made by transporters upstream of Transporter with respect to the quantities delivered to Transporter.

6.7 NOMINATIONS

A If Shipper desires service under its Transportation Service Agreement on any day, Shipper shall give written notice of Shipper's nomination to Transporter specifying the quantity of Gas Shipper requests under each of Shipper's Transportation Service Agreement for each day of the service month. Such nomination should reflect the service for each Receipt Point and each Delivery Point, any imbalance correction quantities and any scheduled daily variations. Shipper shall furnish such nomination to Transporter by facsimile or other electronic means and such nomination shall also specify information as Transporter determines is necessary in order to perform the service requested by Shipper. Receipts and deliveries of Gas herewith shall be at uniform hourly rates of flow unless otherwise mutually agreed by Shipper and Transporter.

B For a Shipper's initial nomination to be accepted for the first (1st) day of the service month, Shipper's nomination must be received by Transporter by 11:30 a.m. Central Clock Time on the fourth (4th) Business Day prior to the last day of the month preceding the service month. For Shipper's nominations at all other Receipt or Delivery Points to be accepted for the first (1st) day of the service month, Shipper's nominations must be received by Transporter by 11:30 a.m. Central Clock Time on the second (2nd) Business Day prior to the last day of the month preceding the service month.

C Shipper shall have the right, on or after the first (1st) day of the service month, to submit a new nomination or revise their existing nomination for any day during the service month provided such nomination is received by Transporter prior to 11:30 a.m. Central Clock Time on the Business Day prior to the day such new or revised service is requested to commence. Such new or revised nomination shall specify Shipper's anticipated service requirements for the remainder of the service month. New or revised nominations shall be

scheduled and implemented by Transporter on a prospective basis and only to the extent the Transporter is able to confirm the receipt and delivery of such Gas with the operator of the Receipt and Delivery Points. If a conflict arises between Shipper's new or revised nomination and the operator's confirmation, Shipper understands and agrees such Receipt or Delivery Point operator's confirmation shall control.

D Transporter may, in its sole, reasonable discretion, accept Shipper's new or revised nomination if such nomination is received by Transporter after 11:30 a.m. Central Clock Time on the Business Day prior to the day such new or revised service is requested to commence. Such new or revised nomination shall specify Shipper's anticipated service requirements for the remainder of the service month. New or revised nominations shall be scheduled and implemented by Transporter on a prospective basis and only to the extent the Transporter is able to confirm the receipt and delivery of such Gas with the operator of the Receipt or Delivery Points. Such scheduling and implementation shall not "bump" any previously scheduled service. If a conflict arises between Shipper's new or revised nominations and the operator's confirmation, Shipper understands and agrees such Receipt or Delivery Point operator's confirmation shall control.

E All nominations will designate a person who will be responsible for coordinating notices between Transporter, well operator(s) and operators of the Shipper's Receipt and Delivery Points in accordance with these procedures.

6.8 SCHEDULING

A Capacity in Transporter's Pipeline System shall be scheduled each day in the following order and manner:

i For Interruptible Service provided under this Statement, Transporter shall schedule nominated service on a chronological basis based upon the date Shipper executes a Transportation Service Agreement, subject to the conditions in this Statement, the terms contained in the applicable Transportation Service Agreements, the availability of sufficient system capacity, Transporter's existing or future contractual obligations, and other operational constraints.

ii Imbalance correction quantities nominated under any Transportation Service Agreement shall receive lower priority. Within this category, Transporter shall schedule nominated service on a pro rata basis.

6.9 BALANCING

A Transporter shall deliver to Shipper or its designee at the Delivery Point on a daily basis, quantities Thermally Equivalent to quantities received, less Fuel, if applicable,

unless otherwise mutually agreed to in writing. Transporter, upon notice to Shipper which shall be given at least twenty-four (24) hours in advance unless exigent circumstances dictate otherwise, may issue "Operational Flow Orders" to require adjustments to Shipper's daily scheduling of receipts and/or deliveries over a reasonable period of time in order to maintain a concurrent balance when the operational integrity and/or safe operation of Transporter's Pipeline System would otherwise be threatened or result in inefficient or unreliable service.

B If Shipper is advised by any upstream or downstream Transporter or operator to reduce or suspend deliveries for transportation, Shipper shall immediately notify Transporter orally, and shall confirm such notification in writing of such reduction or suspension, and adjust its nominations at Receipt Points and/or Delivery Points in order to maintain a balanced position.

C Shipper shall be responsible for and shall bear any penalties imposed, claims made, or judgments imposed (collectively called "Liability") by either (i) upstream and downstream Transporters for imbalances between Receipt and Delivery Points; or (ii) well operators or well interest owners for production imbalances among the interest owners in a well. Shipper shall indemnify and hold Transporter harmless from all such Liability, including court costs and reasonable attorney fees, unless such Liability is found to be the direct result of Transporter's negligence.

D Prior to initiating corrective action, Transporter will provide to Shipper information regarding any current or potential imbalance situation, and Shipper shall adjust nominations at Receipt Points and/or Delivery Points in order to maintain a balanced position. However, if conditions threaten the integrity or safe operation of Transporter's Pipeline System then corrective action may be immediately taken. If Shipper believes such information is inaccurate, it shall immediately provide Transporter the information it believes to be contrary to Transporter's conclusion for verification prior to corrective action.

6.10 **CURTAILMENT**

A Transporter shall have the right to curtail or discontinue transportation services in whole or in part on all or a portion of its system at any time for reasons of force majeure or when in Transporter's sole judgment, capacity or operating conditions so require, or it is desirable or necessary to make modifications, repairs or operating changes to its system.

B Transporter shall provide Shipper such notice of the curtailment as is reasonable under the circumstances. In the event curtailment of transportation service is required, service quantities shall be curtailed in reverse order of the priority in effect at the time of

curtailment established during scheduling as set forth in the "Scheduling" section of these General Terms and Conditions.

6.11 **FORCE MAJEURE**

A In the event Transporter or Shipper is rendered unable, wholly or in part, by reason of force majeure to carry out its obligations under the Transportation Service Agreement (other than the obligation to make payment of amounts due hereunder), it is agreed that such party shall give notice and reasonably full particulars of such Force Majeure, in writing, by telephone, facsimile, or other electronic means to the other party within a reasonable time after the occurrence of the cause relied on, and the obligations of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.

B The term "Force Majeure," as employed herein shall mean acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws, orders, rules, or regulations; acts of public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of lines of pipe or processing facilities; and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming relief hereunder, and which by the exercise of due diligence, such party is unable to prevent or overcome. Such terms shall likewise include: (i) those instances where either Transporter or Shipper is required to obtain servitudes, rights-of-way, grants, permits or licenses to enable such party to fulfill its obligations under the Transportation Service Agreement; the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable costs, and after the exercise of reasonable diligence, such servitudes, rights-of way, grants, permits, or licenses; (ii) those instances where either Transporter or Shipper is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations under the Transportation Service Agreement, the inability of such party to acquire, or the delays on the reasonable diligence, such materials and supplies, permits and permissions' and (iii) in those instances in which Transporter utilizes facilities of another entity or entities to transport Gas under the Transportation Service Agreement, the failure of such other entity or entities to transport such Gas. Force Majeure shall not include failure of Gas supply due to pricing considerations.

C It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

D Notwithstanding the foregoing, it is specifically understood and agreed by Transporter and Shipper that Force Majeure shall, in no way, terminate the parties' obligations to resolve imbalances in accordance with the terms provided for herein.

6.12 BILLING AND PAYMENT

A For the purpose of billing and account for the Gas delivered hereunder, the day shall begin at 9:00 a.m. Central Clock Time and extend to 9:00 A.M. the following day, and the month (hereinafter referred to as "Billing Month") shall begin at 9:00 a.m. Central Clock Time on the first day of the calendar month and extend to 9:00 a.m. on the first day of the following calendar month.

B On or before the twentieth (20th) Business Day of each month, Transporter shall render or cause to be rendered, by mail or facsimile, or other electronic means, to all Shippers an invoice of the amount due for the preceding month setting forth the total quantity of Gas delivered by Transporter to Shipper at the Delivery Points and rates for transportation hereunder during such Billing Month. Billings for quantities transported shall be determined on a dry basis. In computing the amounts due, Transporter may utilize estimates of the quantity of Gas received from or delivered for the account of Shipper during a month, in place of actual quantities when actual quantities are not reasonably available; provided that adjustments shall be made in later statements for differences between such estimated and actual quantities. When information necessary for billing purposes is in control of Shipper, Shipper's Gas seller, or Shipper's downstream pipeline or purchaser, Shipper shall furnish such information to Transporter on or before the fifth (5th) day of the calendar month following the month of transportation.

C Within ten (10) days from the date of invoice, Shipper shall pay Transporter the amount due for all Gas delivered by Transporter for the account of Shipper at the Delivery Points during the preceding month. Payments to Transporter shall be made by check mailed to the administrative offices of the Transporter or by wire transfer to Transporter's bank, crediting Transporter, such that funds are available to Transporter on or before the tenth (10th) day after the date of the invoice. If rendering of an invoice by Transporter is delayed after the twentieth (20th) day of the month, then the time of payment shall be extended accordingly unless Shipper is responsible for such delay.

D **Good Faith Dispute:** If a portion of an invoice is disputed, Shipper shall pay when due the portion of the invoice not in dispute and shall at the same time provide Transporter with documentation supporting its dispute. If Shipper, in good faith, disputes the amount of any such bill or part hereof and pays to Transporter such amounts as Shipper concedes to be correct, and furnishes and maintains a good and sufficient surety bond in an amount and with sureties satisfactory to Transporter conditioned upon the payment of any amounts ultimately found due upon such bills after a final determination, then Transporter shall not be entitled to suspend further delivery due to failure to pay such bills.

E **Late Payment:** In the event Shipper shall fail to pay any amount due Transporter when the same is due, Transporter shall have the option of accruing interest on such unpaid amount at an interest rate equal to the current FERC interest rate, as defined in Section 154.501(d) of FERC's regulations, from the date due until the date payment is received by Transporter.

F Shipper shall not be required to pay interest on any amount billed which is in good faith disputed in writing by Shipper and is ultimately determined to be in error; provided, however, interest shall be due if such amount billed is found not to be in error. If such failure to pay continues for thirty (30) days after payment due date Transporter may suspend deliveries of Gas, subject to Transporter providing forty-eight (48) hours written notice, during normal working hours, of such intention to suspend deliveries. In the event Transporter pursues collection on late payment, Shipper shall be liable for all expenses and costs, including court costs and attorney fees, incurred as a result of Transporter's attempts to collect such funds not timely paid.

6.13 **POSSESSION OF GAS**

A As between the parties hereto, Shipper shall be deemed to be in control and in possession of the Gas prior to such Gas being delivered to Transporter at the Point(s) of Receipt, and responsible for any injuries or damages caused thereby until such Gas is delivered to Transporter hereunder for the account of Shipper, except any injuries and damages which shall be occasioned solely and proximately by the negligent act or omission of Transporter for which Transporter shall be responsible. After Shipper's delivery of said Gas to Transporter, Transporter shall thereafter be deemed to be in exclusive control and possession of such Gas and responsible for any injuries or damages caused thereby, until its deliveries hereunder to or for the account of Shipper, except injuries and damages which shall be occasioned solely and proximately by the negligent act or omission of Shipper, for which Shipper shall be responsible. Shipper and Transporter specifically understand and acknowledge that title to all Gas transported hereunder shall never vest in Transporter. Each party expressly notifies the other that the Gas delivered to the Receipt and Delivery Points hereunder is not odorized. In the event

either party, at its own election or pursuant to laws, orders, rules or regulations of any governmental body having jurisdiction, elects or is required to odorize the Gas deliverable hereunder, then such party shall give prior written notice to the other of its intention to odorize such gas.

6.14 **TITLE AND RISK OF LOSS**

A Shipper warrants for itself, its successors and assigns, that it will have at the time of delivery of Gas at the Receipt Point hereunder either good title or all rights necessary and appropriate to have the Gas transported. Shipper warrants for itself, its successors and assigns, that the Gas it delivers hereunder shall be free and clear of all liens, encumbrances and claims on the title to the Gas; and that it will indemnify and hold harmless Transporter, its officers, agents, employees and contractors from and against any and all suits, claims, liability, loss, damages, costs (including attorney's fees and court costs) or encumbrances whatsoever arising directly or indirectly from and with respect to the title and/or right to Gas tendered to Transporter hereunder. Transporter warrants that at the time of delivery to the Shipper at the Delivery Point the Gas delivered hereunder shall be free and clear of all liens, encumbrances and claims on the title to the Gas; and that it will indemnify and hold harmless Shipper, its officers, agents, employees, and contractors against any and all suits, claims, liability, loss, damages, costs (including attorney's fees and court costs) or encumbrances whatsoever arising directly or indirectly from or with respect to the title and/or right to Gas delivered to Shipper as a result of Transporter's possession or transportation hereunder. Title and/or rights to all Gas delivered by Shipper to Transporter for transportation, hereunder will remain with Shipper during transport by Transporter; provided, however, it is understood and agreed that the Gas delivered at the Point(s) of Delivery will not be identical Gas that was delivered to Transporter for transportation, hereunder, but such Gas will be a part of the comingled delivery of Gas and, for the purpose of Shipper's Transportation Service Agreement, the comingled Gas may be substituted for Shipper's Gas on a heat-equivalent basis.

6.15 **RECEIPT AND DELIVERY POINTS**

A The Point(s) of Receipt and Delivery for all Gas tendered to Transporter for transportation hereunder shall be at the interconnection of Transporter's and Shipper's (or any third-party as may be applicable) facilities, or at such other point(s), as specified in Shipper's Transportation Agreement with Transporter.

6.16 **CREDITWORTHINESS**

A In the event Shipper (i) makes an assignment or any general arrangement for the benefit of creditors, (ii) defaults in the payment or performance of any obligation to Transporter under this Agreement, (iii) files a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it, (iv) otherwise becomes bankrupt or insolvent (however evidenced), (v) is unable to pay its debts as they fall due, or (vi) fails to give adequate security for or assurance of its ability to perform its obligations under this Agreement within forty-eight (48) hours of a reasonable request by Transporter, then Transporter shall have the right to suspend services or to terminate services without prior notice and without prejudice to any and all claims for damages or other rights or remedies available or pursuant to law and without liability of any kind or character to Shipper.

B If, during the term of this Agreement, Shipper fails to pay for Transportation services according to provisions hereof and/or Transporter, in its sole judgment reasonably exercised, determines that the creditworthiness or financial responsibility of Shipper has become impaired or unsatisfactory, then Transporter may, upon written notice to Shipper, require Shipper to pay for the transportation of Gas hereunder in cash in advance for up to three months of Transporter's Transportation Services thereof or request other security satisfactory to Transporter before further Transportation Services are provided.

6.17 **MISCELLANEOUS**

A Transporter reserves the right to add, delete or modify conditions in this Statement at any time in accordance with the FERC's regulations. A copy of this Statement will be furnished to Shippers upon request.

B The rules and regulations of the FERC govern all services provided hereunder, and in the event any contract term or provision is inconsistent with such rules or regulations or this Statement, the rules and regulations or this Statement will control and the contract will be deemed modified accordingly.

C **Governing Law.** The interpretation and performance of any Transportation Service Agreement that is subject to this Statement shall be governed by, construed, interpreted and enforced in accordance with the substantive laws of the State of Tennessee, without reference to its choice of law doctrine.

D **Assignment.** Any transaction entered into that is governed by this Statement shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective Shipper and Transporter. No assignment of

such transaction, in whole or in part, shall be made by Shipper without the prior written consent of Transporter, which consent will not be unreasonably withheld, provided, however, Shipper may transfer its interest to any affiliate by assignment, merger or otherwise without prior written consent of Transporter as long as such entity has a credit status which, in Transporter's sole opinion, is at least equal to or higher than that of Shipper.

E **Dispute Resolution.** In the event the Transporter and Shipper are unable to resolve any dispute regarding the application or interpretation of any provision of a Transportation Service Agreement or related transaction, such dispute shall be resolved through mandatory Arbitration under the Rules of the Center for Public Resources Institute for Dispute Resolution, to the extent not inconsistent with the rules specified herein.

i Within twenty (20) Business Days of either Transporter's or Shipper's written election to the other to arbitrate any disputes which arise under this Agreement, each party shall choose one (1) arbitrator, and within ten (10) Business Days after both such arbitrators are chosen, such arbitrators shall choose a third arbitrator thus completing the whole arbitration panel. Any arbitrator chosen shall be a disinterested party with knowledge of the industry. Any arbitration hereunder shall be conducted in Nashville, Tennessee.

ii The arbitrator(s), once chosen, shall consider any evidence which the arbitrators deem necessary and shall then accept sealed written resolutions of the subject dispute from each party on a confidential basis to be submitted within twenty (20) Business Days of establishment of the arbitration panel. The written submissions shall be in a form and subject to limitations as may be prescribed by the arbitrators. The arbitrators shall then choose only one of the proposed solutions, (without modification) as the fairest solution to the dispute within ten (10) Business Days of receipt of the written submissions of both parties. In the event of a three-member arbitration panel, a majority vote shall govern. The decision of the arbitrators shall be final and non-appealable.

iii Any expenses incurred in connection with hiring the arbitrators and performing the arbitration shall be shared and paid equally between the parties. Each party shall bear and pay its own expenses incurred in connection with the arbitration, unless otherwise included in a solution chosen by the arbitration panel. In the event either party must file a court action to enforce an arbitration award under this Section, the prevailing party shall be entitled to recover its court costs and reasonable attorney fees. In respect of any suit, action, claim or proceeding relating to this Transportation Service Agreement, each party hereby waives, to the fullest extent permitted by law, any right to jury trial. The existence, contents or results of any arbitration hereunder may not be disclosed without the prior written consent of both parties. The parties submit to the non-exclusive jurisdiction of the courts of the State of Tennessee.

F **Limitations of Remedies, Liability and Damages.** No party shall be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise. The limitations imposed on remedies and the measure of damages is without regard to the cause or causes related thereto, including the negligence of any party, whether such negligence be sole, joint or concurrent, or active or passive.