

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

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

---

**SECOND REQUEST OF THE CONSUMER ADVOCATE AND PROTECTION  
DIVISION OF THE ATTORNEY GENERAL'S OFFICE  
TO B&W PIPELINE, LLC  
FOR INTERROGATORIES AND PRODUCTION OF DOCUMENTS**

---

To: B&W Pipeline, LLC  
c/o Henry Walker, Esq.  
Bradley Arant Boult Cummings, LLP  
1600 Division Street, Suite 700  
Nashville, TN 37203

This Discovery Request is hereby served upon B&W Pipeline, LLC ("B&W" or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Rachel Newton, on or before 4:00 p.m. (CDT), July 20, 2015.

## **PRELIMINARY MATTERS AND DEFINITIONS**

These interrogatories and requests for production of documents are to be considered continuing in nature, and are to be supplemented from time to time as information is received by TWSI which would make a prior response inaccurate, incomplete, or incorrect.

The terms "you" and "your" as used herein mean B&W and all employees, officers, agents, directors, affiliates, parents, agents, and representatives thereof.

The term "person" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, government body, or other entity of any sort whatsoever.

The term "identify" means:

(a) When used in reference to a person, to state his/her full name, present or last known address, and present or last known telephone number, and present place of employment and position held;

(b) When used in reference to a document, to state the date; author; type of document (e.g., letter, memorandum, photograph, telegram, tape recording, etc.); the person or persons to whom either copies of it were sent, received, or otherwise distributed; the manner and means by which it was sent, received or otherwise distributed; and the present or last known location and custodian of the original of the document and any copies thereof. If any such document was, but is no longer, in your possession or custody or subject to your control, state what disposition was made of it, the date, by whom, and at whose direction;

(c) When used in reference to a communication, to state the type of communication (e.g., letter, personal conversation, meeting, etc.), and whether the communication was oral or in writing. If the communication was oral, state the date of the communication, the parties thereto,

the place and approximate time thereof, the substance of what was said by each party, and the identity of all persons present. If the communication was written, set forth the information requested in definition (b) above;

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

The term "document" as used herein shall have the broadest possible meaning under applicable law. "Document" as used herein means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), workpaper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, please state what disposition was made of the document and when it was made.

The term "affiliate" as used herein shall mean any person or company who, directly or indirectly, is in control of B&W, is controlled by B&W, or is under common control with B&W, where "control" means any ownership percentage of equity interest, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, status as an owner of a sole proprietorship.

If you contend that you are entitled to refuse to answer any of the interrogatories, state the exact legal basis, including but not limited to, authority conferred by statute, rule, or case upon which you contend that you are entitled not to answer the interrogatory.

If you are unable to answer an interrogatory fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit:

(1) Your best estimate or judgment, so identified, and state the source or basis of the estimate or judgment; or

(2) Such information available to you as comes closest to providing the information requested.

If incomplete answers, estimates or judgments are submitted and you have reason to believe that other sources of more complete and accurate information exist, identify those other sources of information.

If you contend that you are entitled to withhold from production any or all documents requested herein on the basis of the attorney/client privilege, work product doctrine, or other grounds, identify the nature of the document(s) (e.g., letter or memorandum), the date for same, the author, and the person to whom the document was addressed; identify each individual who has seen the document, each individual who has received a copy of the document and from whom the document was received; and state the basis upon which you contend that you are entitled to withhold the document from production.

Index each response to a document request to the specific document request(s) to which it is responsive. If any information requested is not furnished as requested, state where and how the

information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

## **SECOND INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

1. Refer to the response to CAPD 1-5. Was any of the acquisition price of \$2,633,085 that was paid for the pipeline system and associated acquisition costs allocated to the wells and the facilities that connect the wells to the pipeline?

- a) If so, provide a detailed explanation of how much of the acquisition price was allocated to the wells and facilities that connect the wells to the pipeline. Also explain how the allocation of the acquisition price was made between the pipeline and those other assets.
- b) If not, fully explain why none of the acquisition costs were allocated to the aforementioned wells and facilities.
- c) Provide all related documents and communications for your responses to (a) and (b) above.

### **RESPONSE:**

2. Refer to the response to CAPD 1-5c where it is stated that: "it is B&W Pipeline's belief that the pipeline was purchased at a substantial discount from its original cost." Identify and provide all analysis that B&W Pipeline has to support this belief, and state B&W Pipeline's belief as to how and whether the price B&W paid for pipeline related to the depreciated original cost of the prior owner at the time of the purchase, and identify and provide all related documents and communications.

**RESPONSE:**

3. Refer to the response to CAPD 1-3, and confirm that there are no documents whatsoever related to the affiliate loans and there is no interest and no payment terms for the affiliated loans. If not confirmed, explain fully and provide all related documents and communications.

**RESPONSE:**

4. Refer to the response to CAPD 1-3. Explain and document the "exchange of capital" and show in detail what capital was exchanged (i.e., identify exactly what capital (or assets) were removed from B&W Pipeline and what capital (or assets) were received by B&W Pipeline). Identify and provide the related journal entries and all other related documents and communications.

**RESPONSE:**

5. Refer to the response to CAPD 1-3. Is any interest being imputed on the affiliated loans for income tax purposes? If so, identify, quantify and explain the imputed interest and provide all related documents and communications.

**RESPONSE:**

6. Refer to the response to CAPD 1-4, particularly to Exhibit CAPD 1-4. Provide the journal entries and journal entry support for each of the following entries, for each "transfer" provide the analysis and documentation supporting the transfer, and show in detail how each of

the "split" entries of \$125,244 and \$378,421 were derived, and for each debit balance in the account 31111 - Investment FIR, show exactly where the corresponding credit entries were recorded:

Type	Date	Memo	Split	Debit (Credit)
General Journal	9/1/2010	Investment by FIR	11213 · Chas...	-3,000,000.00
General Journal	9/16/2010	Transfer to FIR Energy for Working Capital	11214 · Chas...	100,000.00
General Journal	11/18/2010	Transfer to FIR for W/C & Debit Card Account set up	11214 · Chas...	50,000.00
Transfer	2/3/2011	Consolidation Transfer (MM)	11214 · Chas...	50,000.00
Transfer	2/14/2011	Consolidation Transfer	11213 · Chas...	20,534.07
Transfer	2/14/2011	Consolidation Transfer (MM)	11214 · Chas...	92,995.53
General Journal	11/1/2013	To Record Distribution of Capitalized Fixed Assets To Shareholder	-SPLIT-	125,244.11
General Journal	11/1/2013	To Record Distribution Of Works In Progress	-SPLIT-	378,421.47

**RESPONSE:**

7. Refer to Exhibit CAPD 1-4 that was provided in response to CAPD 1-4. For each credit entry into account 31111 - Investment FIR, identify where the corresponding debit entry was recorded and show the debit entry amounts recorded into each account. Provide all supporting documents.

**RESPONSE:**

8. Refer to the response to CAPD 1-6. Do any of the following entities have any long or short term debt on their balance sheets as of 12/31/2013 or 12/31/2014: MI Energy, LLC; MCNG Partners, LLC; ID Energy, LLC; or FIR Energy, LLC? If any of these entities have the aforementioned described debt, state how much, whether it is interest bearing, and the applicable interest rate. Provide all related documents.

**RESPONSE:**

9. Refer the Enrema Operator Fee Calculations provided in Exhibit CAPD1-8.

Show in detail how each of the percentages in the "Dedication" column were derived and provide all supporting analysis and documentation.

**RESPONSE:**

10. Refer to the Enrema Invoices and Operator Fee Calculations provided in Exhibit CAPD1-8.

- a) Show in detail how the \$22,750 Professional Management Service Flat Monthly Fee listed on the invoices relates to the \$11,475 Assumed Operator Fee for the Period show on the Operator Fee Calculations FY2013-2014, and reconcile those amounts.
- b) Identify, quantify and explain each reconciling item.
- c) Explain and show in detail what else is included in the \$22,750 beyond the personnel cost listed for the \$11,475 Assumed Operator Fee for the Period show on the Operator Fee Calculations FY2013-2014.
- d) Provide all supporting documentation for responses to (a) – (c) above.

**RESPONSE:**

11. Refer to the responses to CAPD 1-8. Was the \$22,750 per month Professional Management Service Flat Monthly Fee that is charged by Enrema to B&W Pipeline adjusted when the wells were transferred (or "redirected") from B&W Pipeline to Rugby Energy, LLC



(per the response to CAPD 1-27)? If not, explain fully why not. Provide all documentation and communications supporting your response.

**RESPONSE:**

12. Refer to the response to CAPD 1-27. Identify and provide all journal entries and journal entry support and any related written contracts or agreements or other documentation relating to the original acquisition cost by B&W Pipeline of all oil and gas wells that were on the books of B&W Pipeline and the subsequent transfer or "redirection" of all such oil and gas wells from B&W Pipeline to Rugby Energy, LLC.

**RESPONSE:**

13. Refer to the response to CAPD 1-27.

- (a) Are any of the gas wells that were recorded on the books of B&W Pipeline connected to B&W Pipeline's gas transmission pipeline?
- (b) If so, is any of the production from such gas wells flowed through the B&W Pipeline's gas transmission pipeline?
- (c) If so, describe fully and provide diagrams showing how the gas wells that were on B&W Pipeline's books are connected to the pipeline.
- (d) Provide all related documentation and communications regarding your responses to (a) – (c) above.

**RESPONSE:**

14. Refer to the response to CAPD 1-27.

(a) Show in detail how the oil and gas wells that were recorded on the books of B&W Pipeline were valued when the cost was originally recorded on the books of B&W Pipeline and provide the related journal entries and journal entry support.

(b) Show in detail how the oil and gas wells that were on the books of B&W Pipeline were valued when those oil and gas wells were transferred from B&W Pipeline to Rugby Energy, LLC, and provide the related journal entries and journal entry support, and explain whether the transfer to Rugby Energy was made at the higher of cost or market value, and, if not explain fully why not and provide all related documentation and communications.

**RESPONSE:**

15. Refer to the response to CAPD 1-15. Explain why B&W Pipeline does not have a Transmission Integrity Management Program (TIMP) or Distribution Integrity Management Program (DIMP) and explain B&W Pipeline's plans for developing and implementing a TIMP and DIMP. Provide all supporting documentation and communications.

**RESPONSE:**

16. Refer to MFR attachment 3-1 and Response to CAPD Data Request #1-6. Provide the actual stand-alone and consolidated capital structures of FIR Energy, including dollar amounts and percentages of short term debt, long term debt, preferred stock, and common equity,

for the most recent fiscal year-end. Also provide the accompanying cost rates for short term debt, long term debt, and preferred stock. Provide all supporting documentation and communications.

**RESPONSE:**

17. Refer to MFR attachment 3-1 and Response to CAPD Data Request #1-6. Provide the actual stand-alone and consolidated capital structures of MI Energy, including dollar amounts and percentages of short term debt, long term debt, preferred stock, and common equity, for the most recent fiscal year-end. Also provide the accompanying cost rates for short term debt, long term debt, and preferred stock. Provide all supporting documentation and communications.

**RESPONSE:**

18. Refer to Response to CAPD Data Request #1-6. Describe the financial and ownership relationships of MCNG Partners, LLC, (MCNG) and ID Energy, LLC, (ID) with MI Energy. Identify the principal owners of MCNG and ID. Provide all related documents and communications.

**RESPONSE:**

19. Refer to Response to CAPD Data Request #1-6 and the documents provided in Exhibit CAPD1-6. If MCNG Partners and ID Energy are financed with any short term or long term debt, provide capital structures for MCNG and ID for the most recent fiscal year-end for which such information is available. Include dollar amounts and percentages of short term debt, long term debt, preferred stock, and common equity. Provide the accompanying cost rates for

short term debt, long term debt, and preferred stock. Provide all related documents and communications.

**RESPONSE:**

20. Refer to the response to CAPD 1-6 and the documents provided in Exhibit CAPD1-6 and answer the following:

- a) Is B&W Pipeline connected with any interstate pipelines such as but not limited to Tennessee Eastern, and if so, identify, explain and provide diagrams of the interconnections.
- b) Explain fully and in detail the following item, and what value was ascribed to it, under "Pros" in the B&W 2010 Due Diligence Report and how it influenced or affected the amount that was paid for B&W Pipeline:  
"The pipeline to Eastern Tennessee is high pressure and flow can be reversed to sale gas rather than purchase. Current take is from the mainline to the B&W System."
- c) Explain fully and in detail the following item, and what value was ascribed to it, under "Pros" in the B&W 2010 Due Diligence Report and how it influenced or affected the amount that was paid for B&W Pipeline:  
"The pipeline covers the area where drilling may commence." Also, explain what type of drilling this is referring to and whether the anticipated drilling was for oil or gas or both.
- d) Has compression to Eastern Tennessee Pipeline (one of the items listed under "Future" in the response attachment) been completed? If so, when

and at what cost, and how was that cost recorded on B&W's books? If not, explain fully why not.

- e) Provide all related documents and communications for your responses to (a) – (d) above.

**RESPONSE:**

21. Refer to the Transportation Agreement between B&W Pipeline, LLC and Gasco Distribution Systems, Inc. that was Exhibit 2 in the B&W Pipeline, LLC, Petition for a Certificate of Convenience and Necessity in Docket No. 13-00151, and answer the following:

- a) Is that document the current transportation agreement between B&W Pipeline and Navitas, or has that been superseded, amended or replaced?
- b) If the transportation agreement between B&W Pipeline and Navitas has been superseded, amended or replaced, identify and provide a complete copy of the current gas transportation agreement between B&W Pipeline and Navitas and all amendments thereto.
- c) Identify each receipt point into the B&W Pipeline including the Primary Receipt Point and each Alternative Receipt Point, and identify the quantities of gas that were delivered into the B&W Pipeline at each receipt point during each period, 2012, 2013 and 2014 and to date, by month, in 2015.
- d) For gas received into the B&W Pipeline from each Alternative Receipt Point during each year 2012, 2013, 2014, and to date in 2015, please identify the quantity of such gas that is produced from the wells that were

at one point on the books of B&W Pipeline and which were transferred to Rugby Energy, LLC and which are currently owned, controlled or operated by Rugby Energy, LLC.

- e) For 2013, 2014 and 2015 to date, identify the quantities of gas shrinkage at each receipt point and the related percent, and identify each instance where the shrinkage at each receipt point exceeded the ten percent (10.0%) provided for in the transportation agreement.
- f) Were there any Force Majeure events in 2014 and if so identify the dates and quantity of gas affected by each such Force Majeure event.
- g) Provide all related documents and communications for your responses to (a) – (f) above.

**RESPONSE:**

22. Provide the financial statements, general ledger and trial balances of Enrema, LLC for 2013, 2014 and each month of 2015.

**RESPONSE:**

23. Refer to the response to CAPD 1-9 and the invoices in Exhibit CAPD 1-9a for the legal fees totaling \$59,002.96 that were charged to account 52111 Expenses, Overhead Expenses, Management Expenses, Professional Services, Legal Fees.

- a) Please confirm that the invoices for such legal fees in Exhibit CAPD 1-9a are accurate and complete (and if not provide complete invoices).

- b) Please explain why legal fees related to B&W Pipeline's Certification were recorded as expense rather than capitalized as an organizational cost or an intangible asset.
- c) Over what period does B&W Pipeline anticipate operating the pipeline for transportation of natural gas and what is the basis for that operating life expectation? Explain fully.
- d) What specific work was performed by PennStuart for the \$988.45, \$1,014 and \$4,318 amounts that were addressed to Enrema, LLC re: "B&W Pipeline, LLC - General"? Explain the specific work and provide the written work product.
- e) Provide all related documents and communications for (a) – (d) above.

**RESPONSE:**

24. Refer to B&W's filing at Company Exhibit Schedule 5 and to the expenses recorded in account 52111, Legal Fees during the test year for Bradley Arant Boult Cummings, LP, and to the expenses recorded in account 52112, Accounting Fees (CPA) for WHN Consulting, and to the invoices provided in response to CAPD 1-9 for such costs.

- a) Explain why the legal fees recorded in the 2014 test year in account 52111, Legal Fees for Bradley Arant Boult Cummings, LP, and the expenses recorded in the 2014 test year in account 52112, Accounting Fees (CPA) for WHN Consulting, both of which have amounts listed in invoices provided in response to CAPD 1-9, were not netted against the \$12,000 amount for rate case cost amortization expense.

- b) Were any of the legal fees recorded in 2014 in account 52111, Legal Fees, during the test year for Bradley Arant Boult Cummings, LP, and the expenses recorded in 2014 in account 52112, Accounting Fees (CPA) for WHN Consulting for rate case work? If so, identify all such amounts related to rate case work and if the total amounts from those firms recorded in those accounts during 2014 was not for rate case work, explain in detail what the test year charges from Bradley Arant Boult Cummings, LP and from WHN Consulting were for.
- c) Provide all related documents and communications for your responses to (a) and (b) above.

**RESPONSE:**

25. Refer to the response to CAPD 1-7, which refers to the wells purchased from the previous owners and which have since been transferred to Rugby Energy, LLC, leaving B&W Pipeline with only the pipeline assets.

- a) Identify and provide the agreement to purchase the wells and the written documents used to transfer the wells.
- b) Identify and provide the analysis of the value of the purchased wells and show how the purchase cost assigned to the purchased wells was recorded on B&W Pipeline's books, and provide the related journal entries.
- c) Identify the quantity of gas that was produced from the gas wells in each year, 2010 through 2014 and by month in 2015.
- d) Identify the quantity of oil that was produced from the oil wells in each year, 2010 through 2014 and by month in 2015.



- e) Provide the best estimate of the remaining gas in the gas wells that were purchased from the previous owner, and identify and include any related documents in your response.
- f) Provide the best estimate of the remaining oil in the oil wells that were purchased from the previous owner, and identify and include any related documents in your response.
- g) Provide all related documents and communications for your responses to (a) – (f) above.

**RESPONSE:**

26. Refer to the response to CAPD 1-7, which states that FIR Energy purchased the assets of B&W Pipeline from the previous owner.

- a) Provide a complete copy of the purchase agreement and any appendices to the purchase agreement.
- b) Show how FIR Energy accounted for the purchase price and how the purchase price for the purchased assets was allocated between the gas pipeline and the other assets that were acquired from the previous owner. Provide all related documents and communications.

**RESPONSE:**

27. Were any legal, accounting, or professional fees, or appraisal fees, or other costs incurred by B&W Pipeline in the test year with respect to the wells referenced in the response to CAPD 1-7? If so, identify all such costs by account. Provide all related documents and communications.

**RESPONSE:**

28. Refer to the response to CAPD 1-11. How does B&W Pipeline account for the gas that it transports for each of the easement and rights-of-way agreement customers? Explain and show test year amounts by account. Provide all related documents and communications.

**RESPONSE:**

29. Refer to CAPD 1-14(b) and to B&W's response, which appears to provide information only for the pipeline and not for any gas gathering systems that are connected to the pipeline. Please provide all related documents and communications including but not limited to maps and descriptions of the gas gathering systems that are connected to the pipeline.

**RESPONSE:**

30. Provide the first and last name of each individual responding to these interrogatories and requests for production of documents. Affirm that the individual is authorized by B&W to respond on the Company's behalf.

**RESPONSE:**

31. Pursuant to Tenn. R. Civ. P. 33.01, affirm under oath that the responses contained herein are true, accurate, and complete. A verification is provided on the following page.

**RESPONSE:**

*[signature page follows]*

Respectfully submitted,



RACHEL A. NEWTON (#022960)  
Assistant Attorney General  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
(615) 532-5512

Dated: July 10, 2015.

## VERIFICATION OF INTERROGATORY RESPONSES

I, \_\_\_\_\_ (please print or type the name of the individual who responded to the interrogatories on behalf of B&W), being the authorized representative of B&W for the purpose of responding to these interrogatories and requests for production of documents and the individual identified in Question 30 above, being duly sworn, affirm that the interrogatory responses set forth above are true, accurate, and complete.

\_\_\_\_\_  
Signature of individual who responded to these  
interrogatories and identified above.

County of \_\_\_\_\_)

State of \_\_\_\_\_)

On this the \_\_\_\_ day of \_\_\_\_\_, 2015, personally appeared before me the above named \_\_\_\_\_ (please print or type name of person responding to these interrogatories on behalf of B&W and identified in Question 30) known to me personally or made known to me by satisfactory proof, who was duly sworn and on oath executed the above verification.

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

My commission expires:

\_\_\_\_\_

CERTIFICATE OF SERVICE

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

Henry Walker, Esq.  
Bradley Arant Boult Cummings, LLP  
1600 Division Street, Suite 700  
Nashville, TN 37203  
(615) 252-2363  
*Attorney for B&W Pipeline, LLC*

Klint Alexander, Esq.  
Baker, Donelson, Bearman,  
Caldwell & Berkowitz, P.C.  
211 Commerce Street, Suite 800  
Nashville, Tennessee 37201  
(615) 726-5600  
*Attorney for Navitas TN NG, LLC*

This the 10 day of July, 2015.

  
\_\_\_\_\_  
RACHEL A. NEWTON