

filed electronically in docket office on 07/21/15

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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

**SUPPLEMENTAL RESPONSE TO FIRST REQUEST OF THE CONSUMER
ADVOCATE AND
PROTECTION DIVISION OF THE ATTORNEY GENERAL'S OFFICE**

EXHIBIT 1-2

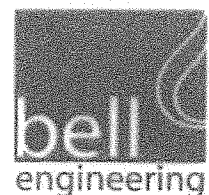


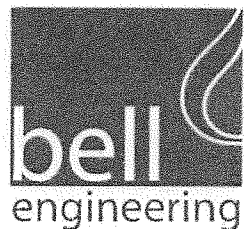
Gas Pipeline Replacement Cost Evaluation

B & W Pipeline, LLC

Cookeville, Tennessee

November 2013





December 12, 2013

Mr. Rafael E. Ramon de los Rios,
Controller
ENREMA
728 South Jefferson Avenue, Unit #4
Cookeville, Tennessee 38501

Re: Gas Pipeline Replacement Cost Evaluation
B & W Pipeline, LLC
Cookeville, Tennessee

Gentlemen:

Find attached two (2) completed reports of the replacement cost analysis for the B & W Pipeline. Your comments concerning the methodology for the use of the percentage of construction cost for "Miscellaneous Construction Items" and for "Project Costs" have been incorporated into the body of the report.

It has been our pleasure to assist you in this endeavor and trust that the completed report is that which will fulfill your expectations. Should you need additional copies of the report or have other questions concerning the report, please do not hesitate to call.

Also, should you have need for engineering services for other projects, please call. We will be happy to assist.

Sincerely,
BELL ENGINEERING

A handwritten signature in cursive script, appearing to read "Kelly G. Gillespie".

Kelly G. Gillespie, President, Project Manager

A handwritten signature in cursive script, appearing to read "Carroll R. Ramey".

Carroll R. Ramey, Associate

GAS PIPELINE REPLACEMENT COST EVALUATION
B & W Pipeline, LLC
728 South Jefferson Avenue, Unit #4
Cookeville, Tennessee 38501

On October 30, 2013, Bell Engineering was authorized by B & W Pipeline, LLC, to conduct a study to determine the replacement cost of their gas pipeline known as the B & W Gas Pipeline. The cost evaluation will estimate the cost to replace the entire length of pipeline from the B & W connection to the Spectra Energy transmission main, near Deer Lodge, Tennessee, to the Navitas master meter approximately one mile south of the Kentucky/Tennessee state line. The total length of this pipeline is approximately 48 miles.

It was also requested, as a part of this report, to estimate the "actual cash value" of the pipeline as it currently exists.

The methodology used for the accomplishment of these tasks is as follows:

1. Adjusting the cost of individual units of gas pipe from past projects to present day costs using the factors presented in the Engineering News Record (ENR) Index. The ENR Index is a publication of the construction industry which considers such factors as inflation, salary changes and material costs. ENR began publishing the data in this index in 1960.
2. The "Actual Cash Value" will be calculated using the present day replacement costs depreciated by the "age of the main".
3. As sections of the main were constructed in different time frames and of different materials, each section must be evaluated separately.
4. As the pipeline components are made up of both steel pipe and polyethylene pipe, and as the construction materials are different, the pipeline age used to estimate the "Actual Cash Value" will be different. For this study it was assumed the useful life of the pipe to be 50 years for steel pipe and 75 years for polyethylene pipe.
5. The study will consider the cost to replace the existing main in place. As such, the methodology used will be similar to completion of a preliminary study. In a preliminary study, the approximate length of a pipeline is known, but "miscellaneous construction items" are not known until completion of the final design. In the B & W case, the lengths of the pipeline are known, but the miscellaneous items of construction which would be necessary to replace the main are not known. These items include, but are not limited to, valves, cathodic protection, line markers, pavement replacement and similar items necessary for construction. It has been found historically, that such items can be estimated as a percentage of the main line construction cost. As the B & W pipeline crosses primarily rural areas, this percentage is estimated at 20%. Should the main be located in urban areas, for example, the percentage would be 30% to 35%.

6. Likewise, the percentage used for this report for "Project Development Costs", also 20%, covers such items as engineering fees, legal costs, company costs to administer the construction contracts, state natural gas rate regulatory soft costs, and administration costs associated with the requirements of other regulatory agencies. As the nature of the pipeline is primarily rural in nature, the percentage used would seem appropriate as compared to a location in an urban atmosphere of which the percentage would be approximately 30%.

The following table presents a list of the pipeline materials, their length and the approximate date of their installation:

<u>PIPE</u>	<u>LENGTH</u>	<u>YEAR INSTALLED</u>
6 Inch Medium Density Polyethylene	21,120 Ft.	1982
6 Inch Steel	79,200 Ft.	1981-1982
6 Inch High Density Polyethylene	10,250 Ft.	2013
6 Inch High Density Polyethylene	72,336 Ft.	1988-1989
6 Inch Steel	40,128 Ft.	1988
8 Inch Steel	11,088 Ft.	1986-1987
8 Inch High Density Polyethylene	20,064 Ft.	1986-1987

The individual pipe values, as adjusted to the Engineering News Record Index are as follows:

6 Inch Medium Density Polyethylene	\$26.00 /L.F.
6 Inch High Density Polyethylene	\$28.00 /L.F.
8 Inch High Density Polyethylene	\$32.00 /L.F.
6 Inch Steel	\$42.50/ L.F.
8 Inch Steel	\$54.00 /L.F.

Opinion of probable replacement costs for this system, by section, is shown as follows:

Section 1 – 6 Inch Medium Density Poly.	21, 120 Ft.	@ \$26.00/L.F.	\$549,120.00
Pressure Regulating Station @ Spectra Connection			\$ 50,000.00

Metering Station @ Spectra Connection		<u>\$ 20,000.00</u>
Subtotal		\$619,120.00
Miscellaneous Construction Items @ 20% of Subtotal		\$123,824.00
Total Opinion of Construction Cost		\$742,944.00
Miscellaneous Project Development Costs @ 20%		<u>\$148,589.00</u>
Total Opinion of Probable Replacement Costs (Section 1)		\$891,533.00
Section 2 – 6 Inch Steel	79,200 Ft. @ \$42.50/L.F.	\$3,366,000.00
In-Line Metering Station		<u>\$ 18,000.00</u>
Subtotal		\$3,384,000.00
Miscellaneous Construction Items @ 20% of Subtotal		\$ 676,800.00
Total Opinion of Probable Construction Cost		\$4,060,800.00
Miscellaneous Project Development Costs @ 20%		<u>\$ 812,160.00</u>
Total Opinion of Probable Replacement Costs (Section 2)		\$4,872,960.00
Section 3 – 6 Inch High Density Poly.	10,250 Ft. @ \$28.00/L.F.	\$287,000.00
Miscellaneous Construction Items @ 20%		<u>\$ 57,400.00</u>
Total Opinion of Probable Construction Cost		\$344,400.00
Miscellaneous Project Development Costs @ 20%		<u>\$ 68,880.00</u>
Total Opinion of Probable Replacement Costs (Section 3)		\$ 413,280.00
Section 4 – 6 Inch High Density Poly.	72,336 Ft. @\$28.00/L.F.	\$2,025,408.00
In-Line Metering Station		<u>\$ 18,000.00</u>
Subtotal		\$2,043,408.00
Miscellaneous Construction Items @ 20% of Subtotal		<u>\$ 408,682.00</u>
Total Opinion of Probable Construction Cost		\$2,452,090.00
Miscellaneous Project Development Costs @ 20%		<u>\$ 490,418.00</u>
Total Opinion of Probable Replacement Costs (Section 4)		\$2,943,508.00
Section 5 – 6 Inch Steel	40,128 Ft. @ \$42.50/L.F.	\$1,625,184.00
Miscellaneous Construction Items @ 20%		<u>\$ 325,037.00</u>
Total Opinion of Probable Construction Cost		\$1,950,221.00
Miscellaneous Project Development Costs @ 20%		<u>\$ 390,044.00</u>
Total Opinion of Probable Replacement Costs (Section 5)		\$2,340,265.00

Section 6 – 8 Inch Steel	11,088 Ft. @ \$54.00/L.F.	\$598,752.00
Miscellaneous Construction Items @ 20%		<u>\$119,750.00</u>
Total Opinion of Probable Construction Cost		\$718,502.00
Miscellaneous Project Development Costs @ 20%		<u>\$143,700.00</u>
Total Opinion of Probable Replacement Costs (Section 6)		\$862,202.00

Section 7 – 8 Inch High Density Poly.	20,064 Ft. @ \$32.00/L.F.	\$642,048.00
Byrdstown Master Meter		\$ 18,000.00
Albany Master Meter		<u>\$ 18,000.00</u>
Subtotal		\$ 678,048.00
Miscellaneous Construction Cost @ 20%		<u>\$ 135,610.00</u>
Total Opinion of Probable Construction Cost		\$813,658.00
Miscellaneous Project Development Cost @ 20%		<u>\$162,732.00</u>
Total Opinion of Probable Replacement Costs (Section 7)		\$ 976,390.00

SUMMARY

TOTAL OPINION OF PROBABLE REPLACEMENT COSTS

Section 1	\$ 891,533.00
Section 2	\$4,872,960.00
Section 3	\$413,280.00
Section 4	\$2,942,508.00
Section 5	\$2,340,265.00
Section 6	\$862,202.00
Section 7	<u>\$976,390.00</u>

TOTAL OPINION OF PROBABLE REPLACEMENT COST	\$13,299,138.00
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DEPRECIATED VALUES

The primary difference between replacement cost and actual cash value is the deduction for depreciation. There are likely several methods for calculating the depreciated value of the B & W pipeline. For the purpose of this report, the depreciation will be calculated on the basis of comparing the expected life of the pipeline materials against the amount of time since they were constructed. For this report, the expected life of steel pipe will be 50 years; the expected life of the polyethylene pipe will be 75 years. This comparison is depicted in the following table:

SECTION	PIPE	YEAR INSTALLED	AGE	DEPRECIATION AMOUNT	REPLACEMENT COST	CASH VALUE
1	Poly	1982	31 yrs.	31/75 – 41.3%	\$891,533.00	\$523,033.00
2	Steel	1982	31 yrs.	31/50 – 62.0%	\$4,872,960.00	\$1,851,725.00
3	Poly	2013	0 yrs	0%	\$413,280.00	\$413,280.00
4	Poly	1988	25 yrs	25/75 – 33.3%	\$2,942,508.00	\$1,962,653.00
5	Steel	1988	25 yrs	25/50 – 50.0%	\$2,340,265.00	\$1,170,132.00
6	Steel	1987	26 yrs	26/50 – 52.0%	\$862,202.00	\$413,857.00
7	Poly	1987	26 yrs	26/75 – 34.7%	\$976,390.00	<u>\$637,908.00</u>
TOTAL OPINION OF PROBABLE CASH VALUE						\$6,972,588.00

EXHIBIT 1-18



Operator Fee Calculations - FY 2013 - 2014
(B&W Pipeline, LLC) - Class AB-PI (No well-related/ Non-regulated business Costs)

PERSONNEL COST

EMPLOYEE NAME	TITLE	GROSS ANNUAL SALARY	SOCIAL SECURITY (6.2%)	MEDICARE (1.45%)	ADDITIONAL MEDICARE TAX	PAYROLL PROCESSING FEES	HEALTH INS. (COMPANY)	TOTAL ANNUAL COST	MONTHLY AVERAGE	DEDICATION	MONTHLY CHARGE
Frank D. Cash	Pipeline Operator	\$ 91,560.00	\$ 5,676.72	\$ 1,327.62	\$ -	\$ 180.00	\$ 8,732.76	\$ 107,477.10	\$ 8,956.43	50%	\$ 4,478.21
Rafael E. Ramon	Controller	\$ 96,000.00	\$ 5,952.00	\$ 1,392.00	\$ -	\$ 180.00	\$ 5,273.76	\$ 108,797.76	\$ 9,066.48	10%	\$ 906.65
Marcelo M. Recchia	General Manager	\$ 240,000.00	\$ 14,880.00	\$ 3,480.00	\$ 360.00	\$ 180.00	\$ 5,457.96	\$ 264,357.96	\$ 22,029.83	5.00%	\$ 1,101.49
											\$ 6,486.35

VEHICLE AND ASSOCIATED COST

PER MONTH	DEDICATION	MONTHLY CHARGE
Vehicle Wear and Tear (Depreciation)	50%	\$ 134.82
Fuel & Maintenance	50%	\$ 276.59
Vehicle Insurance	50%	\$ 74.37
		\$ 485.78

Vehicle Model:	2012 Ford F-150
Purchase Price:	\$ 16,178.32
Life Expectancy:	5 Years
Annual Depreciation:	\$ 3,235.66
Monthly Contribution:	\$ 269.64

INSURANCE AND OTHER ORGANIZATIONAL COST

CONCEPT	PER MONTH	DEDICATION	MONTHLY CHARGE
Workers Compensation (Frank Cash)	\$ 241.22	50%	\$ 120.61
Workers Compensation (Rafael E. Ramon)	\$ 46.08	10%	\$ 4.61
Workers Compensation (Marcelo M. Recchia)	\$ 134.00	5%	\$ 6.70
General Liability & Umbrella (Pipeline)	\$ 7,762.42	55%	\$ 4,269.33
			\$ 4,401.25

SUMMARY OF CHARGES

PERSONNEL COST	\$ 6,486.35
VEHICLE AND ASSOCIATED COST	\$ 485.78
INSURANCE AND OTHER ORGANIZATIONAL COST	\$ 4,401.25
Total Charges	\$ 11,373.37

Assumed Operator Fee for the Period \$ 11,375.00

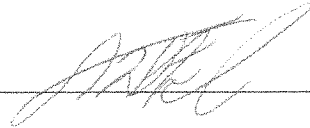
EXHIBIT 1-35

VERIFICATION

STATE OF FLORIDA)

COUNTY OF MIAMI-DADE)

I, RAFAEL RIVERO, being duly sworn, state that I am the Controller for Enrema, LLC; that I am authorized to make this verification on behalf of B&W Pipeline, LLC; that I have read the foregoing discovery responses and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.



SWORN to and subscribed before me,
this 24th day of July, 2015.



Notary Public

My Commission Expires: 5/1/2017

