

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE GAS COSTS OF SENTRA )	
CORPORATION PURSUANT TO KRS 278.2207, THE )	
WHOLESALE GAS PRICE IT IS CHARGED BY ITS )	
AFFILIATE, MAGNUM HUNTER PRODUCTION, INC., )	CASE NO.
PURSUANT TO KRS 278.274, AND THE STRUCTURE )	2016-00139
OF THE PURCHASED GAS ADJUSTMENT CLAUSE )	
CONTAINED IN ITS FILED TARIFF )	

ORDER

On April 8, 2016, the Commission issued an Order (“Opening Order”) which established this proceeding to investigate the reasonableness of the wholesale price of gas charged by Magnum Hunter Production, Inc. to Sentra Corporation (“Sentra”), as well as Sentra’s Purchased Gas Adjustment (“PGA”) clause included in its approved tariff. In response to issues raised in the Opening Order, and following an Informal Conference attended by representatives of Sentra, Commission Staff, and the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“Attorney General”), on May 20, 2016, Sentra submitted a proposed Gas Cost Recovery (“GCR”) tariff intended to replace its current PGA clause. The proposed GCR tariff was submitted through the Commission’s electronic Tariff Filing System (“TFS”).

Having reviewed the proposed GCR tariff, and in light of its relevance to the primary issues raised in this proceeding, as well as the rights of the Attorney General as an intervenor, and being otherwise sufficiently advised, we find that the proposed GCR

tariff should be included in the record of this docketed proceeding. The Commission also finds that the effective date of the proposed tariff should be suspended pursuant to KRS 278.190(2) for five months from its proposed July 1, 2016 effective date. Finally, the Commission finds that the Attorney General should be given the opportunity to issue data requests regarding the proposed tariff, to provide comments regarding the tariff for the Commission's consideration, or to indicate its lack of objection to the proposed GCR tariff. Following any questioning or filing of comments by the Attorney General, the Commission may elect to issue an interim Order in this proceeding acting on the proposed tariff, which the Commission notes is identical in most respects to the approved GCR tariffs of Kentucky Frontier Gas LLC and Delta Natural Gas Company, Inc.

IT IS THEREFORE ORDERED that:

1. The proposed GCR tariff, attached hereto and incorporated herein as an Appendix to this Order, is included in the record of this proceeding and is suspended for five months from July 1, 2016, up to and including December 1, 2016.
2. Within 14 days of the date of this Order, the Attorney General shall file any requests for information, comments, or a statement regarding its lack of objection to the proposed tariff, to which Sentra shall respond within 14 days of the date of the Attorney General's filing.
3. Nothing shall prevent the Commission from issuing further Orders with regard to Sentra's proposed GCR tariff prior to the end of the suspension period.

By the Commission

ENTERED  
JUN 10 2016  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

*Caron D. Greenwell*  
Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00139 DATED **JUN 10 2016**

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**RULES & REGULATIONS**

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V. PURCHASED GAS COST ADJUSTMENT **T**  
A. PROCEDURE

The Company shall file a Quarterly Report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCR) and shall be filed at least thirty (30) days prior to the beginning of each calendar quarter. The GCR shall become effective for billing with the final meter readings of the first billing cycle of each calendar quarter.

The gas cost recovery rates are comprised of:

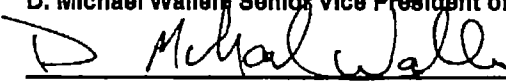
EGC - the Expected Gas Cost component, on a dollar per MCF basis, which represents the average expected cost of gas supplies and may include fixed price, forward price and indexed price purchases. The purchases are reduced by any amounts injected into underground storage. The EGC includes withdrawals from underground storage at the average unit cost of working gas. The EGC includes the uncollectible gas costs portion of bad debt. In an effort to mitigate price volatility, the Company may contract with gas suppliers at fixed prices, at locked-in prices for gas to be delivered at future dates (forward price) and at index-based prices. These efforts can include the monthly or periodic layering of forward purchase volumes to help moderate the volatility of gas prices. The Company may consider published futures prices as well as price trends and price expectations at the time such decisions are made. Depending upon the circumstances, this volume can be up to the annual projected system requirements including storage needs.

RA - The supplier Refund Adjustment, on a dollar per MCF basis, which reflects refunds received from suppliers during the reporting period, plus interest at the average 90 day commercial paper rate for the calendar quarter. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.

AA - The Actual Adjustment, on a dollar per MCF basis, compensates for difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter.

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DATE OF ISSUE            June 1, 2016  
DATE EFFECTIVE        July 1, 2016  
ISSUED BY                D. Michael Wallen, Senior Vice President of Operations

  
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Issued by Authority of an Order of the  
Public Service Commission of KY  
In Case No.

**RULES & REGULATIONS**

**BA** - The Balancing Adjustment, on a dollar per MCF basis, which compensates for any under or over collections which have occurred as a result of prior adjustments.

**B. BILLING CALCULATION**

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following:  $GCR = EGC + RA + AA + BA$

**C. DEFINITIONS**

"Average Expected Cost" means the cost of gas supplies, for injections/withdrawals into storage and the uncollectible gas costs portion of bad debt. Cost of gas supplies include associated transportation and storage charges, and propane which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes during the twelve month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.

"GCR" means the quarterly updated gas cost recovery rate applicable to the monthly consumption of customers (sum of the expected gas cost component plus the supplier refund adjustment plus the actual adjustment plus the balancing adjustment; i.e.,  $GCR = EGC + RA + AA + BA$ ).

"Calendar Quarters" means each of the four three-month periods of (1) August, September and October; (2) November, December and January; (3) February, March and April; and (4) May, June and July.

"Reporting Period" means the three (3) month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas recovery rates; i.e., the calendar quarter preceding that during which the most recent Quarterly Report was filed.

**DATE OF ISSUE**            June 1, 2016  
**DATE EFFECTIVE**        July 1, 2016  
**ISSUED BY**                D. Michael Wallen, Senior Vice President of Operations



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Sentra Corporation

For Entire Service Area  
PSC No. 2 Sheet Original No. 27B  
Canceling PSC No. 1 sheets 27-28

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**RULES & REGULATIONS**

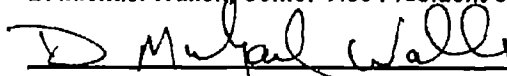
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**D. INTERIM GAS COST ADJUSTMENT**

Should any significant change in supplier rate occur between the regularly-scheduled quarterly adjustments, the Company may apply to the Commission for an interim purchased gas cost adjustment.

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**ISSUED BY** D. Michael Waller, Senior Vice President of Operations

  
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