

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 16 2017

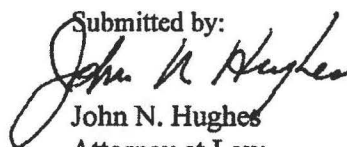
PUBLIC SERVICE
COMMISSION

APPLICATION OF SENTRA CORPORATION
FOR AN ADJUSTMENT OF RATES
PURSUANT TO 807 KAR 5:076

)
)
) CASE NO. 2016-00384

SENTRA CORPORATION'S RESPONSE TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Submitted by:



John N. Hughes
Attorney at Law
124 W. Todd St.
Frankfort, Kentucky 40601
502-227-7270
jnhughes@johnnhughespsc.com

AFFIDAVIT

STATE OF TEXAS

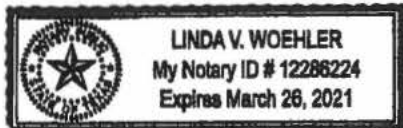
COUNTY OF DALLAS

Affiant, Frank E. Day, Vice President & Corporate Counsel, Blue Ridge Mountain Resources, Inc. , appearing personally before me a notary public for and of the State of Texas and after being first sworn, deposes, states, acknowledges, affirms and declares that he is authorized to submit this Response on behalf of Sentra Corporation and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry and as to those matters that are based on information provided to him, he believes to be true and correct.



Frank E. Day

This instrument was produced, signed, acknowledged and declared by Frank E. Day to be his act and deed the 15th day of May, 2017.



Notary Public

Registration Number: 12286224

My Commission expires: 3-26-21

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

1. Clarify whether Sentra's current Commercial customer charge is \$5.00 or \$10.00.

Response:

Sentra's current Commercial customer charge is \$5.00.

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

2. Refer to Sentra's response to the Commission's March 3, 2017 Order ("March 3, 2017 Order") Item 2.a. Explain what constitutes "Gas recovery Sales."

Response:

The Gas recovery sales is the actual cost of natural gas sold, which is measured in thousand cubic feet (MCF).

3. Refer to Sentra's response to March 3, 2017 Order, Item 3.b.

a. State whether Sentra reconnected any customers, experienced returned checks, or had customers who paid late during 2015. If so, provide the number incidents of reconnections and returned checks, and the amount that would have collected through late-payment penalties.

Response:

During 2015, Sentra reconnected five customers and had one returned check. The amount that would have been collected would have been \$215.00 in reconnect fees and returned checks.

b. If Sentra reconnected customers, experienced returned checks, or had late payments, explain why it did not charge the approved charges, and state whether it intends to charge for these activities In the future.

Response:

During 2015, Sentra reconnected five customers, experienced one returned check and Sentra's customers made 41 late payments. Under Sentra's tariff, Sentra is permitted to charge \$40 for each residential reconnect, \$80 for each commercial reconnect, \$15 for each returned check and 5% as a late payment penalty. The permitted fees for 2015 would have totaled approximately \$768.84. Given the immaterial amount of these potential fees, Sentra elected not to charge them as the administrative cost of doing so would likely have been greater than the amount collected.

In the future, Sentra does intend to charge these reconnect, returned check and late payment fees. However, Sentra does not expect that the aggregate fees charged and collected will be material.

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

4. Refer to Sentra's response to the March 3, 2017 Order, Item 12. Using a table format, provide the following actual full-year salary information for each employee, identified by employee number and job title, for the years 2012 through 2016 (in gross dollars – not hourly or monthly rates). The employee salary information for each year shall be provided in a separate table.

Response:

Attached.

	<u>MP4942 - Regulatory</u>		<u>T08627 -</u>		<u>R08769 - System</u>		
<u>2016</u>	<u>Compliance Officer</u>		<u>Manager</u>		<u>Operator</u>		
					<u>G18492</u>		
Regular	\$	19,200.00	\$	40,154.23	\$	23,908.50	\$ -
Overtime	\$	-	\$	977.69	\$	860.63	\$ -
PTO	\$	-	\$	2,906.32	\$	3,024.00	\$ -
Holiday	\$	-	\$	1,538.64	\$	972.00	\$ -
Bereavement	\$	-	\$	-	\$	-	\$ -
Bonus	\$	1,500.00	\$	2,000.00	\$	1,300.00	\$ -
Total	\$	20,700.00	\$	47,576.88	\$	30,065.13	\$ -

<u>2015</u>							
Regular	\$	-	\$	38,017.23	\$	25,272.00	\$ 480.00
Overtime	\$	-	\$	320.55	\$	637.88	\$ -
PTO	\$	-	\$	4,274.00	\$	1,944.00	\$ 160.00
Holiday	\$	-	\$	1,538.64	\$	972.00	\$ -
Bereavement	\$	-	\$	683.84	\$	-	\$ -
Bonus	\$	-	\$	-	\$	-	\$ -
Restricted Stock	\$	-	\$	15.68	\$	15.68	\$ -
Total	\$	-	\$	44,849.94	\$	28,841.56	\$ 640.00

<u>2014</u>							
Regular	\$	-	\$	38,381.78	\$	19,628.42	\$ 5,440.00
Overtime	\$	-	\$	299.61	\$	-	\$ 60.00
PTO	\$	-	\$	3,156.40	\$	2,076.80	\$ -
Holiday	\$	-	\$	1,657.12	\$	830.72	\$ 160.00
Bereavement	\$	-	\$	-	\$	-	\$ -
Bonus	\$	-	\$	-	\$	-	\$ -
Restricted Stock	\$	-	\$	176.28	\$	176.28	\$ -
Total	\$	-	\$	43,671.19	\$	22,712.22	\$ 5,660.00

<u>2013</u>							
Regular	\$	-	\$	38,341.12	\$	23,820.64	\$ -
Overtime	\$	-	\$	1,369.36	\$	408.87	\$ -
PTO	\$	-	\$	2,611.44	\$	1,833.12	\$ -
Holiday	\$	-	\$	1,289.92	\$	914.56	\$ -
Bonus	\$	-	\$	-	\$	-	\$ -
Total	\$	-	\$	43,611.84	\$	26,977.19	\$ -

<u>2012</u>							
Regular	\$	-	\$	36,224.64	\$	23,070.72	\$ -
Overtime	\$	-	\$	148.20	\$	56.16	\$ -
PTO	\$	-	\$	3,143.36	\$	1,393.92	\$ -
Holiday	\$	-	\$	1,246.40	\$	787.20	\$ -
Bonus	\$	-	\$	1,307.64	\$	825.88	\$ -
Total	\$	-	\$	42,070.24	\$	26,133.88	\$ -

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

5. Refer to Sentra's response to the March 3, 2017 Order, Item 14. Using a table format, provide the following actual full-year benefit information for each employee, identified by employee number and job title, for the years 2012-2016 (in gross dollars – not hourly or monthly rates). The employee benefit information for each year shall be provided in a separate table.

Response:

Attached.

<u>2016</u>	<u>MP4942 - Regulatory Compliance Officer</u>	<u>T08627 - Manager</u>	<u>R08769 - System Operator</u>	<u>G18492</u>
Medical				
Company	\$ -	\$ 10,102.86	\$ 6,412.14	\$ -
Employee	\$ -	\$ 1,401.24	\$ 501.90	\$ -
Dental				
Company	\$ -	\$ 435.12	\$ -	\$ -
Employee	\$ -	\$ 189.84	\$ -	\$ -
Vision				
Company	\$ -	\$ 126.00	\$ 41.52	\$ -
Employee	\$ -	\$ 29.28	\$ -	\$ -
Life & AD&D				
Company	\$ -	\$ 123.00	\$ 55.56	\$ -
Employee	\$ -	\$ -	\$ -	\$ -
Retirement Plan				
Cost paid by plan not company or employee				

<u>2015</u>				
Medical				
Company	\$ -	\$ 9,679.32	\$ 6,176.40	\$ -
Employee	\$ -	\$ 1,342.44	\$ 509.43	\$ -
Dental				
Company	\$ -	\$ 435.12	\$ -	\$ -
Employee	\$ -	\$ 189.84	\$ -	\$ -
Vision				
Company	\$ -	\$ 126.00	\$ 41.52	\$ -
Employee	\$ -	\$ 29.28	\$ -	\$ -
Life & AD&D				
Company	\$ -	\$ 111.00	\$ 55.56	\$ -
Employee	\$ -	\$ -	\$ -	\$ -
Retirement Plan				
Cost paid by plan not company or employee				

<u>2014</u>				
Medical				
Company	\$ -	\$ 6,750.00	\$ 4,347.00	\$ -
Employee	\$ -	\$ 1,728.00	\$ 55.71	\$ -
Dental				
Company	\$ -	\$ 414.00	\$ 288.00	\$ -
Employee	\$ -	\$ 126.00	\$ -	\$ -
Vision				
Company	\$ -	\$ 94.50	\$ 54.00	\$ -
Employee	\$ -	\$ 40.50	\$ -	\$ -
Life & AD&D				
Company	\$ -	\$ 58.50	\$ 58.50	\$ -
Employee	\$ -	\$ -	\$ -	\$ -
Retirement Plan				

Cost paid by plan not company or employee

2013

Medical

Company	\$	-	\$	8,019.00	\$	5,364.00	\$	-
Employee	\$	-	\$	2,430.00	\$	-	\$	-

Dental

Company	\$	-	\$	535.80	\$	371.04	\$	-
Employee	\$	-	\$	164.94	\$	-	\$	-

Vision

Company	\$	-	\$	126.00	\$	72.00	\$	-
Employee	\$	-	\$	54.00	\$	-	\$	-

Life & AD&D

Company	\$	-	\$	78.00	\$	78.00	\$	-
Employee	\$	-	\$	-	\$	-	\$	-

Retirement Plan

Cost paid by plan not company or employee

2012

Medical

Company	\$	-	\$	4,793.00	\$	3,255.00	\$	-
Employee	\$	-	\$	1,538.00	\$	-	\$	-

Dental

Company	\$	-	\$	230.00	\$	145.00	\$	-
Employee	\$	-	\$	125.98	\$	-	\$	-

Vision

Company	\$	-	\$	31.50	\$	18.00	\$	-
Employee	\$	-	\$	46.00	\$	-	\$	-

Life & AD&D

Company	\$	-	\$	52.00	\$	52.00	\$	-
Employee	\$	-	\$	-	\$	-	\$	-

Retirement Plan

Cost paid by plan not company or employee

- 6. Refer to Sentra's response to the March 3, 2017 Order, Item 16.**
a. Provide any supporting calculations or documentation for the 20 percent allocation factor.

Response:

Based on interviews with the employees that provide shared services, it was determined that, on average, those employees devote approximately one business day per week providing services for Sentra. This equates to a 20 percent allocation factor (*i.e.*, $1/5 = 20\%$).

- b. Given that this is a less-than-arm's-length transaction, provide documentation to show that an administrative salary expense of \$18,000 is reasonable.**

Response:

Based on a 20% allocation for two employees, the administrative salary expense of \$18,000 equates to an annual salary of \$45,000 per employee (*i.e.*, $\$18,000 / 20\% = \$90,000$; $\$90,000 / 2 = \$45,000$). This rate is consistent with the average wage of an Administrative Assistant level 1b in the energy sector (mean of \$44.3 thousand) and substantially lower than the average wage of an Administrative Assistant level IV in the energy sector (mean of \$73.8 thousand). Please see the attached reports.

- c. Explain whether Sentra is allocated 20 percent of these employees' salaries only or of salaries, benefits, and other labor overhead.**

Response:

Sentra is allocated 20 percent of those employees' salaries, bonuses, payroll taxes, and benefits including health and life insurance.

- d. Explain why MHR did not allocate administrative salaries to Sentra prior to 2016.**

Response:

On December 15, 2015 Magnum Hunter Resources Corporation (n/k/a Blue Ridge Mountain Resources, Inc.) and certain of its wholly-owned subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United State Bankruptcy Court for the District of Delaware. Sentra did not file a petition for relief under Chapter 11.

Following the Debtors' emergence from bankruptcy on May 6, 2016, new members of MHR's management team conducted a review of certain of MHR's cost allocation procedures and determined that MHR was not allocating any administrative or overhead costs to Sentra. Failure to allocate such administrative and overhead costs to Sentra prior to 2016 was an oversight.

- e. Identify any other affiliates that are allocated administrative salaries by MHR. Include the amounts allocated and the basis for the allocation.**

Response:

MHR is a holding company that provides administrative services to all of its operating subsidiaries, including human resources, in-house legal, financial and tax accounting, accounts payable, treasury and information technology services. Generally, MHR does not formally allocate administrative or overhead costs to its operating subsidiaries because such allocations are not necessary. MHR prepares its financial statements on a consolidated basis and such allocations would simply be eliminated in consolidation. Further, management does not believe that such allocations are necessary to analyze the performance of MHR's operating subsidiaries.

Sentra is unique because it is a regulated entity and has different financial reporting requirements than MHR's other operating subsidiaries. Also, a proper allocation of administrative and overhead costs to Sentra affects its financial results that are used to determine the rates that Sentra is permitted to charge its customers. For these reasons, and as noted in the response to Item 6.d., management has determined that proper allocations of administrative and overhead costs to Sentra are necessary.

220.108.430 Administrative Assistant Ib

Specialization: All Incumbents

Requires a general knowledge of departmental procedures, practices and office routine. Possesses good office and computer skills including word processing, spreadsheets, graphics software, and filing. May provide assistance to a more senior Administrative Assistant in a large department.

Incumbents in the same position: 541

Year over Year % Increase (Mean): 0.7%

(Compensation Data Displayed in \$000s)	Distinct Orgs	Num Orgs	Num Obs	10th %ile	25th %ile	Median	Mean	75th %ile	90th %ile
Actual Annual Cash Compensation									
Base Salary – Inc Weighted (All)	100	117	1,139	32.7	36.4	41.4	42.9	48.6	56.3
Base Salary – Org Weighted (All)	100	117	N/A	34.2	37.1	40.9	41.5	45.5	49.2
Bonus/STI Granted (\$ Amount) Recv	60	66	377	1.1	2.2	3.3	3.7	5.0	7.0
Bonus/STI Granted (% of Base) Recv	60	66	377	2.5	5.0	8.5	8.9	10.8	17.5
Other Non-Guaranteed Cash Payments (\$ Amt) Recv	8	*9	32	0.2	0.5	0.8	1.6	2.8	4.8
Total Cash Comp – Inc Weighted (All)	100	117	1,139	33.3	37.4	42.8	44.2	49.8	56.4
Total Cash Comp – Org Weighted (All)	100	117	N/A	34.5	37.7	42.4	43.1	47.3	52.5

Incentives and Eligibility	Num Orgs	Num Obs	% of Obs Ellg
Bonus/STI	82	463	41
Other Guaranteed Cash	6	134	12
Other Non-Guaranteed Cash	24	292	26
LTI	24	322	28
Overtime	83	909	80

Target Annual Cash Compensation

Bonus/STI Threshold (% of Base) Eligible	8	*8	82	1.5	1.5	3.0	3.1	3.5	6.0
Bonus/STI Target (% of Base) Eligible	56	62	332	3.0	5.0	7.0	7.8	10.0	13.0
Bonus/STI Maximum (% of Base) Eligible	29	32	190	10.0	14.0	14.0	16.4	25.0	26.0
Target Total Cash Compensation	83	99	1,008	33.1	37.0	42.5	43.5	49.1	56.2

FLSA Status		
Exempt		1.3%
Nonexempt		98.7%

Estimated Total Direct Compensation

Total Perquisite Value (\$ Amount)	11	11	41	0.3	0.4	0.6	1.1	1.9	2.6
Total LTI (\$ Amount) – Recv	8	8	34	0.5	1.7	2.8	2.9	4.0	5.1
Target Total Direct Comp (\$ Amount) – Recv	5	*5	19	–	–	51.1	50.5	–	–
Target Total Direct Comp (\$ Amount) – All	83	99	1,008	33.1	37.1	42.5	43.6	49.4	56.3
Total Direct Comp (\$ Amount) – Recv	8	8	34	44.2	46.4	49.3	51.6	54.1	62.6
Total Direct Comp (\$ Amount) – All	100	117	1,139	33.3	37.4	43.0	44.3	49.9	56.4

Other Guaranteed Cash

Other Guaranteed Cash Payments (\$ Amount) Recv	0	0	0	–	–	–	–	–	–
---	---	---	---	---	---	---	---	---	---

*More than 25% of the rates within the sample are supplied by one organization

220.108.400 Administrative Assistant IV

Specialization: All Incumbents

Reporting to a Senior Manager or Top Executive, this level is responsible for complex and confidential secretarial/administrative assignments. Requires detailed understanding of the operations of the department and company. Relieves superior(s) of administrative detail and more complex routine tasks. Makes independent decisions regarding planning, organizing and scheduling work for self and frequently coordinates work for several other clerical/secretarial positions. Assignments require advanced computer skills in word processing, spreadsheet, graphics and database software.

Incumbents in the same position: 422

Year over Year % Increase (Mean): 2.1%

(Compensation Data Displayed in \$000s)	Distinct Orgs	Num Orgs	Num Obs	10th %ile	25th %ile	Median	Mean	75th %ile	90th %ile
Actual Annual Cash Compensation									
Base Salary – Inc Weighted (All)	128	156	900	52.3	59.5	66.9	67.4	75.0	82.9
Base Salary – Org Weighted (All)	128	156	N/A	55.4	61.4	67.3	68.6	74.9	83.4
Bonus/STI Granted (\$ Amount) Recvg	94	111	702	1.6	2.9	5.1	6.7	7.9	12.1
Bonus/STI Granted (% of Base) Recvg	94	111	702	2.6	4.5	7.3	10.5	11.1	16.1
Other Non-Guaranteed Cash Payments (\$ Amt) Recvg	7	*8	17	0.6	0.8	2.5	2.5	3.8	5.3
Total Cash Comp – Inc Weighted (All)	128	156	900	54.7	62.0	70.8	72.7	81.4	92.6
Total Cash Comp – Org Weighted (All)	128	156	N/A	57.7	63.3	72.1	73.5	83.3	91.6

Incentives and Eligibility	Num Orgs	Num Obs	% of Obs Ellg
Bonus/STI	127	764	85
Other Guaranteed Cash	6	16	2
Other Non-Guaranteed Cash	19	103	11
LTI	36	248	28
Overtime	101	564	63

FLSA Status	%
Exempt	15.8%
Nonexempt	84.2%

Target Annual Cash Compensation									
Bonus/STI Threshold (% of Base) Eligible	20	25	197	1.5	2.0	3.0	3.6	5.0	6.0
Bonus/STI Target (% of Base) Eligible	84	101	593	4.0	5.0	7.0	8.0	10.0	14.0
Bonus/STI Maximum (% of Base) Eligible	46	60	366	6.0	10.5	14.0	15.2	18.5	20.0
Target Total Cash Compensation	106	131	729	53.5	61.4	69.6	70.1	78.6	88.2

Estimated Total Direct Compensation									
Total Perquisite Value (\$ Amount)	14	14	63	0.2	0.6	1.2	1.4	2.1	2.7
Total LTI (\$ Amount) – Recvg	20	*21	127	2.9	3.6	4.1	7.5	9.2	15.7
Target Total Direct Comp (\$ Amount) – Recvg	16	*17	99	67.0	71.9	80.6	87.0	98.7	118.1
Target Total Direct Comp (\$ Amount) – All	106	131	729	53.5	61.8	70.0	71.2	79.2	90.0
Total Direct Comp (\$ Amount) – Recvg	20	*21	127	67.9	73.8	86.5	89.1	96.9	119.2
Total Direct Comp (\$ Amount) – All	128	156	900	54.9	62.2	71.5	73.8	82.3	95.8

Other Guaranteed Cash									
Other Guaranteed Cash Payments (\$ Amount) Recvg	0	0	0	–	–	–	–	–	–

*More than 25% of the rates within the sample are supplied by one organization

7. Refer to Sentra's response to the March 3, 2017 Order, Item 17.

a. Provide any supporting calculations or documentation for the determination of 20 hours per month and \$50 per hour for administrative charges.

Response:

Sentra management conducted interviews of MHR corporate personnel and concluded that, on average, MHR corporate personnel devote approximately 20 hours per month in providing services to Sentra. \$50 per hour represents a reduced blended effective hourly rate of such MHR corporate personnel, weighted by the various MHR administrative departments providing such services.

Attached as Exhibit 7.a. is management's calculation to arrive at a rate of \$50 per hour.

b. Given that this is a less-than-arm's-length transaction, provide documentation to show that general and administrative expenses of \$12,000 per year are reasonable.

Response:

See Response to Item 7.a., including Exhibit 7.a.

c. Explain why MHR did not allocate administrative expenses to Sentra prior to 2016.

Response:

See Response to Item 6.d.

d. List in detail the administrative expenses that MHR is recovering through the administrative expense allocation to Sentra.

Response:

MHR is recovering the costs of providing administrative services, including human resources, in-house legal, financial and tax accounting, accounts payable, treasury and information technology services.

e. Identify any other affiliates that are allocated administrative expenses by MHR. Include the amounts allocated, and the basis for the allocation.

Response:

See Response to Item 6.e.

AFFIDAVIT

STATE OF TEXAS

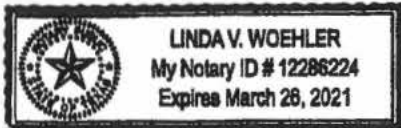
COUNTY OF DALLAS

Affiant, Frank E. Day, Vice President & Corporate Counsel, Blue Ridge Mountain Resources, Inc. , appearing personally before me a notary public for and of the State of Texas and after being first sworn, deposes, states, acknowledges, affirms and declares that he is authorized to submit this Response on behalf of Sentra Corporation and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry and as to those matters that are based on information provided to him, he believes to be true and correct.



Frank E. Day

This instrument was produced, signed, acknowledged and declared by Frank E. Day to be his act and deed the 15th day of May, 2017.



Notary Public

Registration Number: 12286224

My Commission expires: 3-26-21

8. Refer to Sentra's response to the March 3, 2017 Order, Item 18.

a. Provide a schedule listing each payment Sentra made in the test year to MHR regulatory contract services and the hours spent by MHR providing those services.

Response:

MHR did not provide regulatory contract services. Payments were made to an individual for performing work for Sentra, as shown in the attached schedule. Detailed hours worked were not provided.

b. Explain in detail why MHR asked Sentra to hire the part-time regulatory compliance officer and state whether this employee is a current or former HMR (sic) employee.

Response:

MHR periodically reviews the status of its independent contractor relationships to ensure compliance with the Fair Labor Standards Act and Internal Revenue Service guidelines. Following MHR's emergence from bankruptcy, it was determined that the work performed by the affected individual should be expanded and subject to greater oversight by Sentra senior management and his responsibilities should be further defined and controlled by Sentra senior management. With these revisions, and out of an abundance of caution to not run afoul of regulatory requirements, it was determined that this individual should be reclassified as an employee. The individual is not a current or former employee of MHR.

c. Provide the weekly hours the part-time regulatory compliance officer works, the hourly wage rate, and an itemized list of the services that he/she provides to Sentra.

Response:

On average, the part-time regulatory compliance officer works approximately 32 hours per week at a wage rate of \$20.00 per hour. The part-time regulatory compliance officer is responsible for the following services:

- Conduct periodic internal reviews or audits to ensure that compliance procedures are followed.
- Deal with investigations that occur as a result of compliance issues to duly authorized enforcement agencies as appropriate or required for resolution.
- Prepare written policies and procedures related to compliance activities and operations for the general operation of the compliance program and its related activities to prevent illegal, unethical or improper conduct.
- File appropriate compliance reports with regulatory agencies.
- Ensure proper employee training is maintained on compliance related topics, policies and procedures.
- Keep informed regarding pending industry changes and practices and assess the potential impact of these changes on the organization.
- Verify all firm and regulatory policies and procedures have been documented.
- Manage day-to-day operations of the program.

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

- Provide reports on a regular basis, and as directed or requested, of the operation and progress of compliance efforts.

Effective April 26, 2017, the part-time regulatory compliance officer was no longer employed by Sentra. Sentra is currently seeking a replacement.

Schedule of 2015 Payments to Contractor for Sentra Regulatory Services

Invoice_No	Invoice_Date	Check_No	Check_Date	Check_Amt
10615	1/8/2015	15	1/14/2015	\$ 742.04
CK150108	1/8/2015	13	1/14/2015	297.96
12015	1/15/2015	23	1/21/2015	702.04
CK150116	1/15/2015	21	1/21/2015	297.96
20315	1/23/2015	28	2/5/2015	742.04
CK150123	1/23/2015	27	2/5/2015	297.96
CK150213	2/13/2015	38	2/18/2015	702.04
CK150213	2/13/2015	36	2/18/2015	297.96
30315	2/27/2015	46	3/4/2015	742.04
CK150226	2/27/2015	42	3/4/2015	297.96
31715	3/13/2015	54	3/18/2015	702.04
CK150312	3/13/2015	51	3/18/2015	297.96
33115	3/26/2015	60	3/31/2015	702.04
CK150326	3/26/2015	59	3/31/2015	297.96
41415	4/9/2015	67	4/15/2015	742.04
CK150409	4/9/2015	65	4/15/2015	297.96
42815	4/22/2015	81	4/30/2015	702.04
CK150422	4/22/2015	72	4/30/2015	297.96
51215	5/8/2015	84	5/12/2015	742.04
CK150508	5/8/2015	82	5/12/2015	297.96
52615	5/21/2015	87	5/29/2015	702.04
CK150520	5/21/2015	86	5/29/2015	297.96
60915	6/5/2015	93	6/10/2015	742.04
CK150605	6/5/2015	91	6/10/2015	297.96
62315	6/18/2015	100	6/24/2015	742.04
CK150618	6/18/2015	98	6/24/2015	297.96
70715	7/2/2015	103	7/7/2015	742.04
CK150702	7/2/2015	101	7/7/2015	297.96
72115	7/16/2015	115	7/22/2015	702.04
CK150716	7/16/2015	114	7/22/2015	297.96
80415	7/30/2015	124	8/7/2015	742.04
CK150730	7/30/2015	122	8/7/2015	297.96
81815	8/12/2015	130	8/20/2015	702.04
CK150812	8/12/2015	126	8/20/2015	297.96
90115	8/28/2015	133	8/31/2015	742.04
CK150827	8/28/2015	131	8/31/2015	297.96
91515	9/10/2015	137	9/11/2015	702.04
CK150910	9/10/2015	135	9/11/2015	297.96
92915	9/28/2015	144	10/8/2015	702.04
CK150924	9/28/2015	141	10/8/2015	297.96
101315	10/13/2015	151	10/26/2015	742.04
CK151013	10/13/2015	146	10/26/2015	297.96
102715	10/26/2015	154	10/30/2015	702.04
CK151022	10/26/2015	153	10/30/2015	297.96
111015	11/4/2015	158	11/6/2015	742.04
CK151104	11/4/2015	155	11/6/2015	297.96
112415	11/19/2015	162	11/24/2015	702.04
CK151119	11/19/2015	160	11/24/2015	297.96
120815	12/2/2015	170	12/4/2015	742.04
CK151202	12/2/2015	168	12/4/2015	297.96
CK151217	12/17/2015	183	12/29/2015	702.04
CK151217	12/17/2015	180	12/29/2015	297.96
				<u>\$ 26,520.00</u>

9. Refer to Sentra's response to the March 3, 2017 Order, Item 19.

a. The schedules provided in response to 19.c. are difficult to follow and do not tie to the schedule provided in response to Item 19.e. Provide an itemized list of costs that are recovered by Magnum Hunter Production, Inc. or MKS Commercial Real Estate Services through allocation of rents to the affiliated and nonaffiliated companies for calendar years 2015 and 2016.

Response:

Rents are agreed upon with each tenant as provided in each relevant lease agreement. The Rent Schedule Information Sheet previously provided shows the annual rents due from each tenant; however, the monthly and annual reports are prepared on a cash basis. Therefore, there may be some timing differences in the collection of rent.

The building is managed by a third party, MKS Commercial Real Estate Services. The reports provided previously show all costs incurred by MKS Commercial Real Estate Services in managing the building during the years ended December 31, 2015 and 2016. Costs in excess of rental income are funded by Magnum Hunter Production, Inc., as owner of the building.

b. Explain whether 100 percent of the office costs are being recovered from the current tenants or are costs allocated to the tenants and to the vacant square footage.

Response:

Costs are not allocated directly to the tenants. Certain rental agreements provide for escalation of rent on an annual basis if certain operating expenses exceed a specified amount per rentable square footage. To the extent that certain of these operating expenses may be variable in nature based upon occupancy, those expenses are adjusted to the amount they would reasonably have been if 95% of the buildings were occupied.

c. Given that Sentra's service territory is in Monroe County, Kentucky, explain in detail the benefit that maintaining Sentra's office in Lexington provides to Sentra's ratepayers.

Response:

Sentra's ratepayers are benefitted because maintaining Sentra's office in Lexington allows Sentra to reduce costs by using the services of the shared employees and the shared infrastructure (e.g., computer network and other office equipment). If Sentra were to establish an office in Monroe County, it would incur substantial costs in build out and infrastructure and have to hire additional employees, the costs of whom would not be shared with other affiliates of MHR. It is neither rationale nor practical to establish an additional office in Monroe County.

d. In response to Item 19.e., MHR states that the office rent allocation implies that Sentra is being allocated approximately 973 feet of office space. Provide documentation that Sentra requires or actually uses 973 feet of office space.

Response:

Magnum Hunter Production, Inc. occupies approximately 9,127 square feet of office space at the Lexington building and incurs approximately \$14,070 of base rental expense per month. This office space is shared with Sentra. The 973 square feet of office space referenced in Sentra's previous response is an inferred number based on the \$1,500 per month allocation to Sentra (i.e., $\$14,070 / 9,127 = \1.54

per sq. ft.; $\$1,500 / \$1.54 \text{ per sq. ft.} = 973 \text{ sq. ft.}$). There are three employees at the Lexington office that provide services to Sentra. Although 973 square feet is not an actual measurement of space, 973 square feet would translate to approximately 324 square feet of office space per employee, which is reasonable and consistent with standard layouts considering actual work space and common areas such as restrooms, copy rooms and break rooms.

e. Provide an analysis or study showing that the office rent being paid by Sentra for space in Lexington is comparable to the office rent being charged for similar square footage in Sentra's service territory.

Response:

See Response to Item 9.c. Sentra respectfully submits that this request is not relevant as it is neither rational nor practical to establish an additional office in Monroe County. Further, given the benefits to Sentra of shared expenses and employees for the Lexington office, there is no valid method of comparison of rental office costs and related administrative costs of establishing an office in Monroe County.

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

10. Refer to Sentra's response to the March 3, 2017 Order, Item 20. Provide independent documentation showing that a ten-year life for a dump truck is reasonable.

Response:

Useful life is determined based on management judgment considering the utility of the asset to the company. There is no single independent source for the useful life of a dump truck, because the useful life can be affected by frequency of use, maintenance habits, etc. IRS regulations suggest a useful life between 4-6 years; other entities use ranges from 10-12 years. For example, attached is a document on fleet management from a municipality in Pennsylvania that utilizes a 10-12 year useful life for dump trucks.

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

11. Refer to Sentra's response to the March 3, 2017 Order, Item 22. Explain why MHR did not allocate Insurance expenses to Sentra prior to 2016.

Response:

See Response to Item 6.d.

Case No. 2016-00384
Response to Order of May 1, 2017
Witness: Day

12. Refer to Sentra's response to the March 3, 2017 Order, Item 28. Explain why Sentra appears to have a negative Lost and Unaccounted for Gas.

Response:

Sentra does not have negative Lost and Unaccounted for Gas. In Sentra's response to the March 3, 2017 Order, Item 28 shows that "Sentra Usage" (*i.e.*, readings from the master meter) is greater than the "Meter reading total" (*i.e.*, readings from the Customer meters), indicating positive Lost and Unaccounted for Gas.

13. Refer to the Annual Report of Sentra Corporation to the Public Service Commission for the Calendar Year Ended December 31, 2016 at 28.

a. The reported balance in Account Number 434 – Extra Ordinary Income is \$922,668. Provide an itemized list of each item Sentra recorded in this account.

Response:

On December 15, 2015 Magnum Hunter Resources Corporation (and certain of its wholly-owned subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United State Bankruptcy Court for the District of Delaware. Sentra did not file a petition for relief under Chapter 11.

Upon the Debtors’ emergence from bankruptcy on May 6, 2016, all intercompany balances between both debtors and non-debtors were eliminated, per the confirmation order. As Sentra had a net intercompany payable at the time of emergence, the elimination of this item resulted in forgiveness of debt income of \$922,668. The Company used a convenience date of April 30, 2016 for all reorganization adjustments, including the elimination of intercompany balances.

b. For each item listed in Sentra’s response to Item 13.a, provide a detailed description and explain whether it will recur in the future.

Response:

See description above. Forgiveness of debt was related to the parent company’s emergence from bankruptcy and is not expected to be a recurring event.