

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SENTRA CORPORATION)	CASE NO.
FOR RATE ADJUSTMENT PURSUANT TO)	2016-00384
807 KAR 5:076)	

ORDER

On December 7, 2016, the Commission established a procedural schedule to ensure the orderly review of Sentra Corporation's ("Sentra") application for rate adjustment pursuant to 807 KAR 5:076. The procedural schedule required Commission Staff ("Staff") to conduct a field review and to issue a report containing its findings by March 29, 2017. At Sentra's request, the field review originally scheduled for February 15, 2017, was rescheduled to April 19, 2017.

In order to expedite the processing of Sentra's requested rate increase, the Commission finds that pursuant to 807 KAR 5:076, Section 11, a Staff report will not be issued in this proceeding, and that the information needed in this case should be obtained from the application and through Staff's information requests. Sentra or any party to this proceeding may request a formal hearing pursuant to the procedural schedule appended hereto.

IT IS HEREBY ORDERD that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. a. The information requested in Appendix B to this order shall be filed by the date set forth in Appendix A. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with an original and ten copies in paper medium.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Sentra shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which Sentra fails or refuses to furnish all or part of the requested information, Sentra shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

f. When filing a paper containing personal information Sentra shall, in accordance with 807 KAR 5:001, Section 4(10), redact the paper so that personal information cannot be read.

3. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

4. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
MAR 03 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director 

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00384 DATED **MAR 03 2017**

Sentra shall file responses to the requests for
information contained in Appendix B no later than..... 03/21/2017

Supplemental requests for information to Sentra
shall be filed no later than 03/28/2017

Sentra shall file responses to supplemental
requests for information no later than 04/11/2017

A request for a formal hearing or statement
that this case may be submitted based on
the existing record shall be filed no later than..... 04/18/2017

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00384 DATED **MAR 03 2017**

1. Provide a test year billing analysis that confirms that, based on the test year bills and Mcf sales, current rates produce \$81,890 in base rate revenue, proposed rates produce \$209,819 in base rate revenue, and the amount of base rate revenue increase is \$127,929. The information should be provided in Excel spreadsheet format with all columns and rows unprotected and accessible

2. Refer to the Schedule of Adjusted Operations – Gas Utilities. Provide detailed explanations for the following:

- a. Miscellaneous Service Revenues of \$21,589.
- b. Other Gas Revenues of \$48,094.
- c. State whether either of these results from non-recurring charges

listed in Item 3 below.

3. Sentra's tariff contains the following Non-Recurring Charges:

<u>Title</u>	<u>Charge</u>
Reconnect fee, Residential	\$ 40
Reconnect fee, Commercial	\$ 80
Reconnect after disconnect for nonpayment of bill	\$ 15
Late Payment	5%
Returned check fee	\$ 15

- a. Confirm that Sentra is not charging any other fees.
- b. Provide the number of instances that each Non-Recurring Charge

above was charged in 2015.

c. Confirm that Sentra is aware that its tariff should be revised to reflect the current language of KRS 278.460 regarding the requirement for utilities to pay interest on deposits at a rate calculated annually by the Commission.

4. Provide a copy of Magnum Hunter Resources' ("MHR") current organization chart, showing the relationship between Sentra and any affiliated companies. Include the relative positions of all entities and affiliates with which Sentra routinely has business transactions.

5. List all joint or shared costs that MHR incurred during the calendar years 2015 and 2016 that are allocated to Sentra and the other affiliates. For each cost, list the vendor, total expense amount, amounts allocated per affiliate, and the basis for allocation.

6. Describe the procedures MHR used to allocate joint and shared costs among its affiliates for the calendar years 2015 and 2016.

7. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

8. Provide Sentra's general ledger and trial balance for the calendar years 2015 and 2016 in paper medium and Excel spreadsheet format with all columns and rows unprotected and accessible

9. Provide copies of Sentra's cash receipts and cash disbursement journals for the calendar years 2015 and 2016.

10. Provide Sentra's aged schedule of accounts receivable at December 31, 2014; December 31, 2015; and December 31, 2016.

11. Provide Sentra's schedule of accounts payable by vendor at December 31, 2014; December 31, 2015; and December 31, 2016.

12. Provide Sentra's payroll and related tax information for the calendar year 2015 and supporting time records.

13. Provide job titles, job descriptions, and pay rates for each employee at December 31, 2014; December 31, 2015; and currently employed.

14. a. List and describe all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for each of the previous 3 years.

b. Identify and describe any employee benefits that will be paid to the new part-time employee.

15. Provide the minutes from Board of Director meetings for the calendar years 2015 and 2016.

16. Sentra proposes to increase its expenses by \$18,000 to reimburse MHR for administrative expenses.

a. Provide a schedule of the administrative expenses that comprise the \$18,000 reimbursement.

b. Separate the costs between the allocated and directly billed administrative expenses.

c. For the allocated administrative expenses, provide documentation to support the proposed allocation factors.

d. For the directly billed administrative expenses, provide supporting invoices.

17. MHR is proposing to charge Sentra \$1,000 per month for corporate "G&A," for an additional \$12,000 per year in administration charges.

a. Provide the definition of "G&A."

b. Provide a schedule of the administrative charges that comprise the \$12,000 reimbursement. Include documentation to support any proposed allocation factors.

18. Sentra proposes to increase its expenses by \$13,480 to reflect replacing the contract services provided by MHR with a part-time regulatory compliance officer.

a. Provide a copy of the referenced contract with MHR.

b. Explain in detail why Sentra hired a part-time employee rather than to rely on the contract with MHR.

c. State when the new part-time employee was or will be hired.

d. Provide the total annual salary for the new part-time employee.

19. Sentra is proposing to include office rent of \$1,500 per month that is to be paid to MHR for the use of "office space at its facility."

a. Provide a schedule listing by month the following costs incurred by MHR in calendar years 2015 and 2016: Office rent; Telephone; Utilities (Gas, Electricity, Etc.); Equipment; and Furnishings.

b. Identify all affiliated or nonaffiliated companies that share MHR's office.

c. Provide the rent/office overheads paid by each affiliated or nonaffiliated tenant during the calendar years 2015 and 2016.

d. Identify the total square footage of the office and the amount that is occupied by each affiliated or nonaffiliated tenant.

e. The office rent that Sentra will pay to MHR is considered a less-than-arms-length transaction;¹ provide documentation to show that the pro forma office rent of \$1,500 and the proposed annual rent of \$18,000 are reasonable.

20. Sentra states that it will finance the purchase of a new dump truck with a \$50,000 two-year term loan at an interest rate of 5 percent.

a. Provide the date that Sentra has or expects to purchase the new truck.

b. Provide documentation to support the \$50,000 purchase price for the new dump truck

c. Provide documentation to support the proposed financing terms.

d. Provide a loan amortization schedule for the financing of the dump truck.

e. Provide the depreciation life Sentra will use for the new dump truck and provide supporting documentation.

21. a. Provide a detailed breakdown of the proposed \$2,000 per year employee training and operator qualification classes and documentation to support the cost estimates.

b. Explain why Sentra did not incur any employee education costs in the test year.

¹ MHR and Sentra are affiliates pursuant to 278.010(18).

22. Sentra proposes to increase Distribution Expenses by \$18,411 to reflect the “insurance expense that MHR now charges Sentra for insurance on vehicles, pipelines, employees, etc.”

a. Identify the amount of insurance expense recorded by Sentra in the test year and provide documentation to support the projected increase of \$18,411.

b. Provide copies of the insurance policies for calendar years 2015 and 2016.

23. Provide Sentra's current depreciation rates, and the basis for how these rates were developed.

24. Refer to the 2015 Annual Report filed with the Commission.

a. Confirm that the only gas utility plant in service assets are 367 – Mains and 396 – Power Operated Equipment, and that all gas utility plant in service assets have been retired, or are no longer in service.

b. Explain why the Other Accounts Receivable amounts for 2013-2015 are negative, but the account balance was positive in 2012.

25. Explain what types or kinds of meters are installed on customers' premises, and how the cost of the meters is accounted for.

26. Explain whether Sentra has measuring and regulating equipment on its system. If so, provide a description of this equipment and how it is used, and how the cost of the measuring and regulating equipment is accounted for.

27. Provide the operating pressure of the natural gas delivered to residential customers, and commercial customers.

28. Provide the annual volume of lost and unaccounted for gas for 2012-2016.

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