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April 22, 2014

RECEIVED

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PUBLIC SERVICE COMMISSION

VIA HAND DELIVERY

Mr. Jeff DeRouen Executive Director Kentucky Public Service Commission 211 Sower Boulevard Frankfort, KY 40601

> RE: Joint Application of Magnum Hunter Resources Corporation, NGAS Hunter, LLC, Magnum Hunter Production, Inc. and Sentra Corporation for Approval of Proposed Reorganization, Case No. 2014-43

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten copies of the Response of Sentra Corporation to the Information Request of Commission Staff in this case. Please confirm your receipt of this filing by placing the stamp of your office with the date received on the enclosed additional copies of this letter and the Response.

If you have any questions regarding this filing, please let me know.

Sincerely yours,

WYATT, TARRANT & COMBS, LLP

Frank Mellon,

Francis J. Mellen, Jr.

Enclosures



Mr. Jeff DeRouen April 22, 2014 Page 2

cc: Kentucky Attorney General, Office of Rate & Utility Intervention

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 1

- Q-1. What are the specific financial goals of this corporate reorganization for Magnum Hunter Resources Corporation ("MHR"), NGAS Hunter, LLC ("NGAS"), Magnum Hunter Production, Inc. ("MHP"), and Sentra? Provide details.
- A-1. Sentra is currently a third-tier indirect subsidiary of MHR. The corporate reorganization will cause Sentra to become a first-tier direct subsidiary of MHR. The reorganized corporate structure will assist MHR, NGAS and MHP in achieving MHR's stated goal of the possible divesture of certain non-core properties. See the Joint Application filed herein at page 7.

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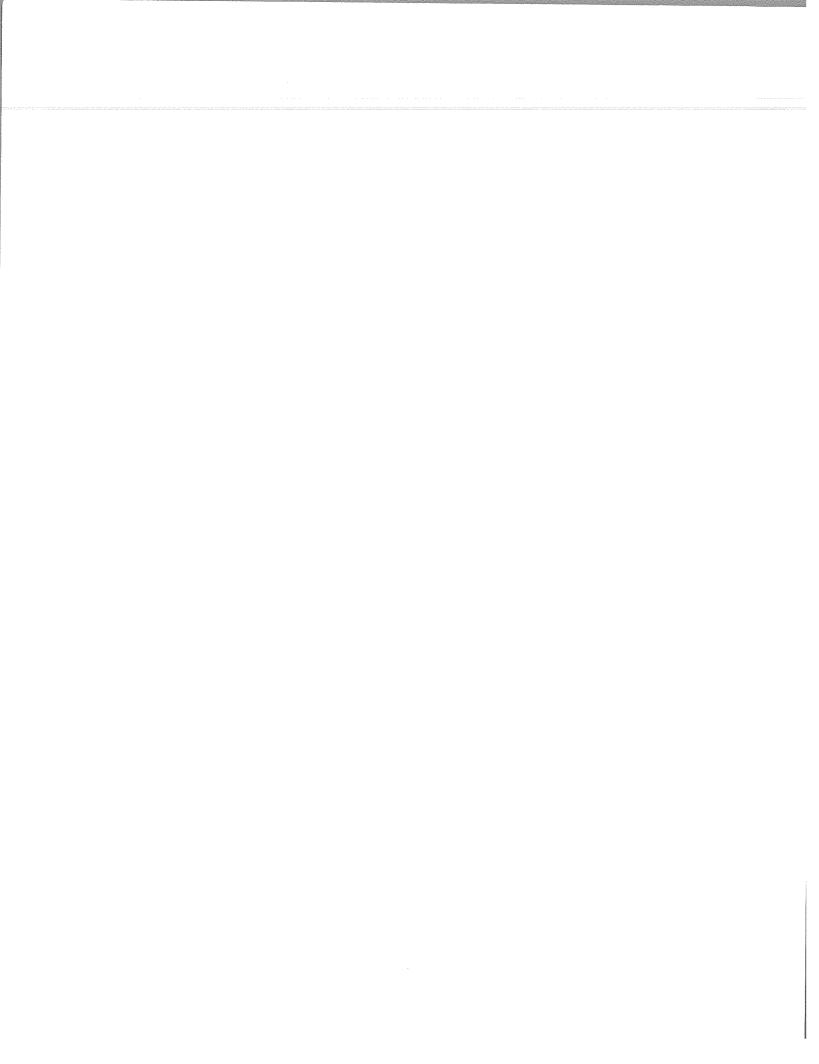
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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 2

- Q-2. Refer to page 1 of the Application, which states, "The proposed reorganization will cause MHR, which now indirectly owns and controls Sentra through NGAS and MHP, to own and control Sentra as a direct, wholly-owned subsidiary."
 - a. Explain whether there will be a change of MHR's management structure once Sentra is a direct, wholly owned subsidiary, and, if so, describe.
 - b. State whether there will be any change in the dividend policies of MHR or Sentra after the proposed reorganization and, if so, state the effect it will have on Sentra's ratepayers.
 - c. State what benefits and/or cost savings are expected for Sentra's ratepayers as a result of the new structure.
- A-2. (a) There will not be a change of MHR's management structure once Sentra is a direct, wholly owned subsidiary.
- (b) There will not be any change in the dividend policies of MHR or Sentra after the proposed reorganization.
- (c) The reorganized corporate structure is not anticipated to have any financial or other impact on Sentra's ratepayers.



CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 3

- Q-3. Provide the following information concerning the costs of this corporate reorganization:
 - a. The total cost incurred as of the date of this Order by MHR;
 - b. The total cost incurred as of the date of this Order by NGAS;
 - c. The total cost incurred as of the date of this Order by MHP;
 - d. The total cost incurred as of the date of this Order by Sentra;
 - e. The current estimated total cost of the corporate reorganization to be borne by MHR;
 - f. The current estimated total cost of the corporate reorganization to be borne by NGAS;
 - g. The current estimated total cost of the corporate reorganization to be borne by MHP; and,
 - h. The current estimated total cost of the corporate reorganization to be borne by Sentra.
- A-3. The corporate reorganization will be accomplished by the preparation and filing of appropriate corporate documents by MHR's internal legal counsel. The costs of internal legal counsel for such work are part of such counsel's regular duties and have not been separately calculated. The only other costs of the corporate reorganization will be the costs of outside legal counsel in connection with this proceeding before the Commission. To date, those costs have been approximately \$5,000 and they are expected to be no more than \$7,500 in total. All costs of the corporate reorganization have been and will be borne by MHR.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 4

- Q-4. Refer to page 4 of the application, and the reference to MHR as "being engaged in the exploration for and the exploitation, acquisition, development and production of crude oil and natural gas in the United States and Canada," and the comment that the "business operations of MHR are currently focused primarily in three North American shale resource opportunities "
 - a. What experience does MHR have in the business of natural gas distribution?
 - b. Does MHR currently own any distribution systems for retail sales of natural gas? If so, describe.
 - c. Does MHR currently operate any distribution systems for retail sales of natural gas? If so, describe.
- A-4. (a) MHR's natural gas operations are midstream operations conducted through MHR's majority-owned subsidiary Eureka Hunter Holdings, LLC, which conducts its operations primarily through its two subsidiaries, Eureka Hunter Pipeline, LLC, which owns and operates a gas gathering system in West Virginia and Ohio, and TransTex Hunter, LLC, which is engaged primarily in the business of treating natural gas at the wellhead for third party producers in Texas and other states.
 - (b) MHR has owned Sentra as an indirect subsidiary since April 2011.
 - (c) MHR has operated Sentra as an indirect subsidiary since April 2011.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 5

- Q-5. Identify and describe in detail the current credit ratings for MHR, NGAS, MHP, and Sentra. Attach any credit audits or other reports that have been done in anticipation of this corporate reorganization.
- A.- 5 MHR has credit ratings by Moody's, Standard and Poors and D&B. NGAS, MHP and Sentra are not rated. No credit audits or other reports have been done in anticipation of the corporate reorganization.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 6

- Q-6. Refer to page 6 of the application. It states the following: The business operations of NGAS, MHP and Sentra are conducted through MHR's Appalachian Basin Division, which is led by James W. Denney [sic], Ill. Mr. Denny has been employed by MHR since 2008, and has extensive experience in the oil and gas industry. Describe the business operations of NGAS and MHP.
- A-6. NGAS conducts drilling operations primarily on properties located in the Southern Appalachia portion of MHR's Appalachian Basin operations. These properties consist of approximately 313,000 net acres in this area. MHP conducts exploration and production operations on approximately 250,000 net acres in the Southern Appalachain Basin. MHP also operates 13 compressor stations and approximately 600 miles of gathering lines under contract with Seminole Energy Services.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 7

Responding Witness: James W. Denny, III

Q-7. Refer to page 6 of the application, which states: "The proposed reorganization does not trigger the need for any prior approval under the federal Natural Gas Act ("NGA") because Sentra, as a local distribution company, is expressly exempt from jurisdiction under the NGA." Are either NGAS or MHP subject to the NGA?

A-7. No.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 8

- Q-8. Refer to page 7, second full paragraph of the application, which states, "MHR has identified a number of non-core properties for possible divestiture in 2014." Confirm that Sentra is not included in this possible divestiture.
- A-8. Sentra is included in the possible divestiture. That is the reason for including Sentra in the corporate reorganization.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 9

- Q-9. State the expected impact of the corporate reorganization on Sentra's future ability to engage in financing arrangements with MHR, NGAS, MHP, or any affiliate of same.
- A-9. There is not anticipated to be any such impact.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 10

- Q-10. Provide the following:
 - a. The number of shares of stock authorized for Sentra;
 - b. The par value of the shares;
 - c. The number of shares that have been issued;
 - d. The number of shares that are currently outstanding; and
 - e. A statement or statements regarding whether this transfer of Sentra's stock, pursuant to this corporate reorganization, will modify any of the above.
- A-10. (a) 1,000 shares.
 - (b) No par value.
 - (c) 1,000.
 - (d) 1,000.
 - (e) No.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No.11

- Q-11. Will this corporate reorganization require any change in branding or signage for Sentra?
 - a. If yes, provide a description and cost estimate of the required changes, and state whether the cost of the required changes will be passed on to Sentra's ratepayers.
 - b. If no, is it anticipated that changes will be made voluntarily? If so, describe the changes and the anticipated cost to Sentra's ratepayers.
- A-11. (a) None.
 - (b) No changes will be made.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 12

- Q-12. Refer to page 8, paragraph 3, of the application, which states: "Sentra will continue the employment of its current employees located in Kentucky."
 - a. List all of Sentra's current employees by name and business address, and state whether each is employed full time by Sentra.
 - b. Describe the current job duties of each Sentra employee. Will these job duties change after the proposed reorganization? Describe any anticipated changes.
 - c. Which of these employees will continue to work for Sentra after the proposed corporate reorganization?
- A-12. (a) Johnny D. Jones and Wendell L. Scott. All employees have a business address of 120 Prosperous Place, Suite 201, Lexington, KY 40509. All employees are full-time employees.
- (b) Field and Maintenance Coordinator and Field and Maintenance Tech, respectively. These job duties will not change.
- (c) Sentra will continue the employment of its current employees located in Kentucky.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 13

- Q-13. Provide the following information as of the date of this Order:
 - a. The total number of MHR employees;
 - b. The total number of NGAS employees;
 - c. The total number of MHP employees;
 - d. The total number of Sentra employees;
 - e. A current listing of senior executive officers of MHR;
 - f. A current listing of senior executive officers of NGAS;
 - g. A current listing of senior executive officers of MHP; and
 - h. A current listing of senior executive officers of Sentra.
- A-13. (a) Approximately 71 full-time employees.
 - (b) Approximately 69 full-time employees.
 - (c) Approximately same as above.
 - (d) 2 full-time employees of MHP are allocated to Sentra.
- (e) Gary C. Evans, Chief Executive Officer; Joseph C. Daches, Chief Financial Officer; James W. Denny III, Executive Vice President of Operations; R. Glenn Dawson, President of Williston Basin Division; H.C. Ferguson III, Executive Vice President of Exploration; Don L. Kirkendall, Senior Vice President of Eureka Hunter Pipeline, LLC; and Paul M. Johnston, Senior Vice President and General Counsel.

- (f) Gary C. Evans, Chief Executive Officer; Joseph C. Daches, Senior Vice President and Treasurer; James W. Denny III, President; Richard S. Farrell, Senior Vice President; J. Michael Wallen, Senior Vice President; and Paul M. Johnston, Senior Vice President and General Counsel.
- (g) Gary C. Evans, Chief Executive Officer; Joseph C. Daches, Senior Vice President and Treasurer; James W. Denny III, President; Richard S. Farrell, Senior Vice President; J. Michael Wallen, Senior Vice President; and Paul M. Johnston, Senior Vice President and General Counsel.
- (h) Gary C. Evans, Chief Executive Officer; Joseph C. Daches, Senior Vice President and Treasurer; James W. Denny III, President; Richard S. Farrell, Senior Vice President; J. Michael Wallen, Senior Vice President; Don L. Kirkendall, Senior Vice President; and Paul M. Johnston, Senior Vice President and General Counsel.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 14

- Q-14. Provide the following information for the anticipated corporate reorganization:
 - a. The total estimated number of MHR employees;
 - b. The total estimated number of NGAS employees;
 - c. The total estimated number of MHP employees;
 - d. The total estimated number of Sentra employees;
 - e. A listing of senior executive officers of MHR;
 - f. A listing of senior executive officers of NGAS;
 - g. A listing of senior executive officers of MHP; and,
 - h. A listing of senior executive officers of Sentra.
- A-14. The corporate reorganization is not anticipated to result in any change in any of the information provided in the answer to Question 13.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 15

- Q-15. For each of the concerns listed below, state how MHR and Sentra will address the following concern:
 - a. MHR's ability to adjust the capital structure of Sentra in a manner that could adversely affect its cost of capital and financial integrity;
 - b. MHR's refusal to provide necessary capital to Sentra, which could impair its ability to provide utility services;
 - c. The guaranteeing of the debt of affiliates and of MHR by Sentra, which could jeopardize Sentra's financial position and resources;
 - d. The need for the Commission to have open access in Kentucky to the books and records of MHR and its other affiliates and subsidiaries; and
 - e. The ability of the Commission to monitor significant transfers of Sentra's assets to business ventures of MHR and other major transactions.
- A-15. The corporate reorganization will cause Sentra, which is currently a third-tier indirect subsidiary of MHR, to become a first-tier direct subsidiary of MHR. This change in the corporate structure is not anticipated to have any impact on any of the matters listed in this Question.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 15

Responding Witness: James W. Denny, III

Q-15. Provide copies of all reports submitted by financial advisors to MHR, NGAS, MHP, or Sentra related to the corporate reorganization.

A-15. None.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 16

- Q-16. Provide the following information concerning the board of directors of MHR, NGAS, MHP, and Sentra, if known, as of the date of this Order:
 - a. The names and occupations of each board member;
 - b. How long the current board members have served on the respective board of directors;
 - c. How the members of the board are selected and eligibility requirements that a candidate must satisfy if any; and
 - d. When the term expires for each board member.
- A-16. (a) The directors of MHR are Gary C. Evans, the Chief Executive Officer of MHR; J. Raleigh Bales, a Certified Public Accountant; Vincent Carrillo, a petroleum geophysicist; Rocky L. Duckworth, a Certified Public Accountant and retired partner of KPMG LLP; Stephen C. Hurley, the former President of Hunt Oil Company; Joe L. McClaugherty, a Senior Partner of the McClaugherty & Silver, P.C. law firm; and Jeff Swanson, the CEO and President of GrailQuest Corporation. The directors of NGAS are Gary C. Evans, the Chief Executive Officer of MHR and Joseph C. Daches, the Chief Financial Officer of MHR. The directors of MHP are Gary C. Evans, the Chief Executive Officer of MHR and Joseph C. Daches, the Chief Financial Officer of MHR and Joseph C. Daches, the Chief Financial Officer of MHR and Joseph C. Daches, the Chief Financial Officer of MHR and Joseph C. Daches, the Chief Financial Officer of MHR.
- (b) The years of experience of the directors on the four boards range from 20 years to 40 years.
 - (c) Annually; no specific eligibility requirements.



CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 17

Responding Witness: James W. Denny, III

Q-17. Provide copies of any filings or applications regarding this proposed corporate reorganization that have been filed with the U.S. Securities and Exchange Commission by or on behalf of MHR, NGAS, MHP, or Sentra.

A.17. None.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 18

Responding Witness: James W. Denny, III

Q-18. Provide the proposed journal entries that will be recorded on the books of MHR, NGAS, MHP, and Sentra to reflect this corporate reorganization using estimated dollar amounts if actual amounts are not known at this time.

A-18. The corporate reorganization is not anticipated to result in any journal entries on the books of the Joint Applicants.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 19

Responding Witness: James W. Denny, III

Q-19. Given that the application contains no provision for passing any corporate reorganization savings on to Sentra ratepayers in the form of reduced rates, explain how this corporate reorganization can be considered to be in the public interest.

A-19. KRS 278.020(5) does not define "public interest" for purposes of a corporate reorganization that is not within the exemption for corporate reorganizations that is provided in KRS 278.020(6). However, the Commission has approved similar corporate reorganizations when the reorganization should be transparent to the utility's customers and the holding company that will own the utility after the reorganization will have the financial, technical, and managerial ability to operate the utility and continue to provide service. See, e.g., In the Matter of Application of CitiPower, LLC for Approval of Reorganization Proposal, Case No. 2004-0044, Order dated April 14, 2005. The present corporate reorganization satisfies this test.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 20

Responding Witness: James W. Denny, III

Q-20. Explain how local considerations are included in this corporate reorganization.

A-20. The corporate reorganization will cause Sentra, which is currently a third-tier indirect subsidiary of MHR, to become a first-tier direct subsidiary of MHR. This change in the corporate structure is being made to assist MHR in achieveing its stated goals regarding the possible divestiture of certain non-core properties. The change in corporate structure does not in itself have any local considerations.

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CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 21

Responding Witness: James W. Denny, III

Q-21. Refer to page 1, paragraph 1 of the application, which states: "The proposed reorganization will cause MHR, which now indirectly owns and controls Sentra through NGAS and MHP, to own and control Sentra as a direct, wholly-owned subsidiary." How will this transfer of direct ownership and a control specifically benefit Sentra?

A-21. The corporate reorganization will in itself provide neither a benefit nor a detriment to Sentra. The purpose of the corporate reorganization is to assist MHR in achieving its stated goals regarding the possible divestiture of certain non-core properties.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 22

Responding Witness: James W. Denny, III

Q-22. Are measurable savings expected to be achieved by this change in direct ownership? If so, how will Sentra's ratepayers benefit? If no measurable savings are expected, state the rationale for this reorganization.

A-22. No measurable savings are expected to be achieved for Sentra and/or its ratepayers by this change in direct ownership. The corporate reorganization will in itself provide neither a benefit nor a detriment to Sentra. The purpose of the corporate reorganization is to assist MHR in achieving its stated goals regarding the possible divestiture of certain non-core properties.

CASE NO. 2014-00043

Response to the Information Request of Commission Staff Dated April 8, 2014

Question No. 24

Responding Witness: James W. Denny, III

Q-24. What measurable savings will be achieved by MHP, NGAS, and MHP by this corporate reorganization? If no measurable savings are expected, state the rationale for this reorganization.

A-24. No measurable savings are expected to be achieved for Sentra and/or its ratepayers by this change in direct ownership. The corporate reorganization will in itself provide neither a benefit nor a detriment to Sentra. The purpose of the corporate reorganization is to assist MHR in achieving its stated goals regarding the possible divestiture of certain non-core properties.

COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

ln	the	M	atter	of:

THE JOINT APPLICATION OF)	
MAGNUM HUNTER RESOURCES	,	
CORPORATION, NGAS HUNTER,)	
LLC, MAGNUM HUNTER)	CASE NO. 2014-00043
PRODUCTION, INC. AND SENTRA	,	
CORPORATION FOR APPROVAL)	
OF AN ACQUISITION OF	,	
OWNERSHIP AND CONTROL OF A)	
UTILITY)	
	,	

VERIFICATION OF JAMES W. DENNY, III

STATE OF TEXAS)
) SS
COUNTY OF HARRIS)

The undersigned, James W. Denny, III, being duly sworn, deposes and says he is the President of Sentra Corporation, that he has personal knowledge of the matters relating to such Applicant set forth in the Response of Sentra Corporation to the Information Request of Commission Staff filed in this proceeding, and the information contained therein is true and correct to the best of his information, knowledge and belief.

James W. Denny, III

Subscribed and sworn to before me, a Notary Public in and before said County and State this 20^{10} day of April, 2014.

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THE STATE OF THE STATES

2-29-14

Notary Public

My Commission Expires:

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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing Response of Sentra Corporation to Information Request of Commission Staff was served by U.S. Mail, postage prepaid, on April 22, 2014 on the Kentucky Attorney General, Office of Rate & Utility Intervention, 1024 Capital Center Drive, Frankfort, KY 40601.

Counsel for Applicants

Gram Thollen to

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