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Secretary
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Commonwealth of Kentucky
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Daniel E. Logsdon Jr.
Vice Chairman

Robert Cicero
Commissioner

May 19, 2016

PARTIES OF RECORD

Re: Case No. 2016-00139

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter.

If you have any questions, please contact Virginia Gregg, Commission Staff Attorney, at 502-782-2584.

Sincerely,

A handwritten signature in blue ink that reads "Aaron D. Greenwell".

Aaron D. Greenwell
Acting Executive Director

VG/ph

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Virginia Gregg, Staff Attorney

DATE: May 16, 2016

RE: Case No. 2016-00139
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., Pursuant to KRS 278.274, and the Structure of the Purchased Gas Adjustment Clause Contained in its Filed Tariff

Pursuant to the Commission Staff's ("Staff") May 2, 2016 Notice, an informal conference ("IC") was held in this matter on May 12, 2016, at the Commission's offices in Frankfort, Kentucky for the purpose of discussing the issues in this case. Sentra Corporation ("Sentra"), by and through D. Michael Wallen, Senior Vice President of Operations, had requested the IC. A list of attendees is attached hereto.

The IC began with Jack Hughes, counsel for Sentra, stating that Sentra anticipated filing an application for an increase in its base rates through the alternative rate filing ("ARF") procedure available to small utilities, in the near future. According to Mr. Wallen, the anticipated timeframe for the filing of Sentra's ARF application is July or August 2016. Mr. Wallen explained that Sentra's parent company, Magnum Hunter Resources, Inc., ("MHR") had emerged from bankruptcy under Chapter 11 on May 6, 2016, that it is now a private company owned by its creditors, and that as of May 12, 2016, the date of the IC, MHR had replaced its entire board of directors. Larry Cook, Assistant Attorney General, Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, asked if there was a reason for the bankruptcy that could be shared publicly. Mr. Wallen explained that the bankruptcy was caused by MHR's debt balance as well as the continuing low commodity price of natural gas, and that Sentra was specifically not included in the bankruptcy. Mr. Wallen stated that because of the low cost of natural gas, Sentra had reduced the amount it was charging its residential and commercial customers from a total rate of \$14.67 to \$12.00 per Mcf beginning in December of 2015, and to \$9.50 per Mcf in April of 2016. Sentra likewise reduced its total rate for its industrial customers from \$13.85 to \$12.00 and then to \$9.50 in December and April, respectively. Sentra acknowledged that both of these reductions in rates were made without the Commission's knowledge or approval and without a change in its tariff.

Staff observed that this case was opened by the Commission specifically to investigate issues surrounding Sentra's gas cost from its affiliated supplier and the wording of its Purchased Gas Adjustment clause which requires Sentra to file for a change in its gas cost rates only in the event of an increase in the wholesale cost of gas from its supplier. Staff stated that Sentra's base rates and eventual ARF filing would be addressed in a separate proceeding.

Sentra provided information concerning its infrastructure, including the 8-inch pipeline which was specifically constructed by Clay Gas Utility District for Sentra's use in serving approximately 20 chicken farms. It also described the purchase of natural gas from Greystone, LLC for its own use as well as for resale to Clay Gas Utility District, which has experienced difficulty in securing credit due to its own bankruptcy.

Sentra agreed to resubmit its responses to Items 3 and 4 of Appendix B to the Commission's Order of April 8, 2016. Sentra stated that it would submit a new PGA clause for its tariff, pursuant to which it would file quarterly to reflect both increases and decreases in its gas cost, which will be based on pricing in the wholesale market.

Finding that there were no further questions, the conference was adjourned.

Attachment

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) CASE NO.
CHARGED BY ITS AFFILIATE, MAGNUM HUNTER) 2016-00139
PRODUCTION, INC., PURSUANT TO KRS 278.274,)
AND THE STRUCTURE OF THE PURCHASED GAS)
ADJUSTMENT CLAUSE CONTAINED IN ITS FILED)
TARIFF)

Informal Conference – May 12, 2016

Please sign in:

NAME

REPRESENTING

Larry Cook	Attorney General (via phone)
Virginia Gregg	PSC Legal
Sheila Macker	Sentra Corp.
Michael Waller	Sentra Corp.
Jack Kuper	" "
Jeff Shaw	PSC - FIN. ANALYSIS
Liah Faulkner	PSC - FA
Matthew Baer	PSC - FA

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