

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

IN THE MATTER OF:

JUN 02 2016

PUBLIC SERVICE  
COMMISSION

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 )

Case No.  
2016-00139

**ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUESTS**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Data Requests to Sentra Corporation ["Sentra"] and Magnum Hunter Production, Inc. ["Magnum"] [hereinafter referred to collectively as "the companies" or "Joint Respondents"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for the companies with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all

information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in

which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,

ANDY BESHEAR  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Counsel certifies that an original and seven photocopies of the foregoing were served and filed by hand delivery to Aaron D. Greenwell, Acting Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Hon. John N. Hughes  
124 W. Todd St.  
Frankfort, KY 40601

Sentra Corporation  
120 Prosperous Place, Suite 201  
Lexington, KY 40509

Magnum Hunter Production, Inc.  
Magnum Hunter Production, Inc.  
120 Prosperous Place, Suite 201  
Lexington, KY 40509

this 2<sup>nd</sup> day of June, 2016



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Assistant Attorney General

*In the Matter of:* An Investigation of the Gas Costs of  
Sentra Corporation  
Case No. 2016-00139  
**Attorney General's Supplemental Data Requests**

1. State what position(s) D. Michael Wallen ("Mr. Wallen") holds with:
  - a. Sentra Corporation ("Sentra");
  - b. Magnum Hunter Resources, Inc. ("MHR");
  - c. Magnum Hunter Production, Inc. ("MHP");
  - d. Clay Gas Utility District; and/or
  - e. the entity referred to alternatively as "Greystone Energy, LLC," "Greystone, LLC," and/or "Greystone."
2. State the type of business organization that MHP is (i.e., corporation, partnership, etc.), and identify in what state(s) it is registered to do business.
3. Identify MHP's:
  - a. officers;
  - b. directors;
  - c. members;
  - d. principals;
  - e. shareholders and/or owners
4. Reference the response to AG 1-3. Should Sentra have identified MHP in its response? If not, why not?
5. Reference the response to PSC 1-1. State whether David Rutter, the stated owner of the entity referred to as "Greystone, LLC," has ever been an employee, officer, director, owner, member, partner, or principal of:
  - a. MHR;
  - b. MHP;
  - c. Sentra;
  - d. Daugherty Petroleum; and/or
  - e. NGAS Production Company.
6. State whether MHP provides natural gas and/or propane to any entities other than Sentra, including any outside the Commonwealth of Kentucky. If so, please identify them and in what state(s) they are registered to conduct business.
7. Reference the response to AG 1-7, in which the joint respondents state that "Magnum Hunter has a contract with Greystone Energy, LLC to purchase the

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gas for Sentra.” Reconcile this statement with the joint response to PSC 1-1 (a), in which joint respondents state that “D. Michael Wallen, Senior Vice President of Operations for MHP, contracts with Greystone for the purchase of natural gas for Sentra.” Clarify whether it is MHR or MHP that contracts with the entity referred to as “Greystone.”

8. Confirm that MHP conducts business at the same office as MHR and Sentra. If so confirmed:
  - a. Explain how costs for employee staffing, office space, and other administrative and general costs are split between Sentra and MHR.
  - b. Do joint respondents agree that their response to AG 1-10 should be amended to include cost-sharing with MHP? If not, why not?
  
9. Reference the Commission Staff's May 19, 2016 memorandum regarding the informal conference held in this matter on May 12, 2016. In light of the fact that Sentra's parent company MHR has emerged from Chapter 11 bankruptcy protection:
  - a. Does Sentra have any plans to either abandon its system, or curtail any portion of services? If so, please explain in full.
  - b. Does Sentra have any plans to file for a transfer of control pursuant to KRS Ch. 278? If so, when?
  - c. State what relationship Sentra will have with either MHR, or the new entity which emerged from Ch. 11 bankruptcy protection.
    - (i) Following MHR's May 6, 2016 release from bankruptcy, is Sentra Corporation still a wholly owned subsidiary of MHR?
  - d. If MHR and/or MHP has or have changed their respective names, please provide the new name(s).
  - e. Identify the creditors of MHR who now own that company.
  - f. State whether MHP was included in MHR's bankruptcy petition.
    - (i) Have any of MHP's assets been sold, or will they be sold, for the purposes of satisfying debts identified in MHR's bankruptcy petition?
    - (ii) Will MHP continue to stay in business? If so, in what type(s) of business will it engage?
  - g. Identify all other wholly-owned subsidiaries of MHR, or of the entity which emerged from MHR's Ch. 11 bankruptcy discharge.

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- h. Does MHR, or the entity which emerged from MHR's Ch. 11 bankruptcy discharge, have any shareholders following the May 6, 2016 bankruptcy discharge? If so, identify them.
  - i. Is the new board of directors of MHR, or the entity which emerged from MHR's Ch. 11 bankruptcy discharge, identified in the joint response to AG 1-2? Clarify whether the individuals identified therein serve as directors of MHR, or the entity which emerged from MHR's Ch. 11 bankruptcy discharge.
  - j. Following MHR's May 6, 2016 bankruptcy discharge, has there been any change in Sentra's own officers or board members? If so, please identify fully.
  - k. On page 2 of the memorandum, reference is made to an 8-inch gas pipeline which Clay Gas Utility District ["Clay"] "specifically constructed" for Sentra in serving approximately 20 chicken farms.
    - (i) State whether Sentra is in debt to Clay for the cost of this pipeline, and if so, state the amount of that debt and the payment arrangements between Sentra and Clay.
    - (ii) Identify the sources from which Clay procures its gas supply. Has Sentra ever considered any type or sort of joint gas procurement with Clay? If not, why not?
    - (iii) Confirm that Clay Gas Utility District is located in Tennessee.
  - l. Provide a copy of MHR's Ch. 11 bankruptcy discharge order.
10. Regarding the joint response to AG 1-7, please confirm that the entity referred to as "Greystone Energy, LLC" does not appear in the records of the Kentucky Secretary of State.
- a. Provide the full and complete name of the entity referred to as "Greystone Energy, LLC," and its street address including city and state.
  - b. Identify in which state the entity referred to as "Greystone Energy, LLC" is registered to do business.
  - c. Confirm that the Kentucky Secretary of State office's public website identifies an entity known as "Greystone Equine, LLC," with a member named David Rudder, with an address of 600 The Grange Lane, Lexington, Kentucky 40511.
11. Reference the joint response to AG 1-8. Given that MHR has now filed for and been discharged in bankruptcy, and that until now Sentra has been relying upon



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MHR's "expertise" in procuring gas supply, does Sentra believe it would now be wise to issue an RFP for gas supply? If not, why not? Explain fully.

- a. If MHR is a party to this contract, please explain fully whether MHR's discharge in bankruptcy has now voided this contract.
- b. If MHP is a party to this contract, please explain whether MHR's discharge in bankruptcy has now voided or otherwise affected this contract.

12. Reference the joint Supplemental Response to PSC 1-4.

- a. Does Sentra purchase only gas from the Texas Eastern Interstate pipeline, or does Sentra pay other types of charges to Texas Eastern Interstate pipeline?
- b. Identify the types of charges Sentra is paying, the amounts thereof, and to what entity or entities.
- c. Does Sentra purchase gas from a supplier which contracts with Texas Eastern Interstate pipeline for the right to transmit gas on that pipeline?
- d. Identify all types of charges Sentra has paid to the entity referred to as "Greystone Energy, LLC" over the past five (5) years.
- e. Specify the amount of all charges paid to the entity referred to as "Greystone Energy, LLC" for the last six (6) months, broken down by the type of charge as specified in your response to subpart (d), above.

13. Reference the joint Supplemental Response to Appendix B of the Commission's Order dated April 8, 2016, item 8.

- a. Provide any and all support for why Sentra believes its current gas cost charged to its customers reflects current market conditions.

14. Reference the response to AG 1-11, Attachment 1.

- a. Explain the items dated 12-3-2014 regarding a management fee being paid to Clay Gas Utility District in the sum of \$31,617.00.
  - (i) Confirm that the funds for this management fee come from Sentra's ratepayers.
  - (ii) Explain how Sentra's ratepayers benefit from the company paying this management fee.

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- (iii) Explain whether there is any affiliation of any type or sort between Sentra, MHP or MHR and Clay Gas Utility District.
  - b. Explain why Sentra was making payments to Clay Gas Utility District, and identify the nature of all such payments.
  - c. Explain the entry dated 9-30-2014 regarding payment to "Greystone, LLC" for "Professional – Accounting."
    - (i) Explain why it is appropriate for Sentra's ratepayers to pay for this expense.
- 15. Reference the response to AG 1-14. State whether "Greystone" purchases gas from MHR, and/or MHP, for resale in Eastern Kentucky.
- 16. Reference the response to PSC 1-3 (b). Identify to what entity or person(s) Sentra pays the marketing fee, the amount thereof, the frequency with which it is paid, and the basis on which it is paid (i.e., on the basis of mcf, or other).
  - a. Provide a copy of any and all agreements governing this marketing fee.
  - b. Has Sentra conducted any due diligence regarding the appropriate sum to pay for a marketing fee, or has it relied solely on its past course of dealing with David Rudder and the entity referred to as "Greystone"?
    - (i) Provide copies of any due diligence Sentra may have conducted in this regard.
- 17. Reference the joint responses to the Commission Staff's first data requests, dated May 10, 2016. Joint Respondents did not provide any answer to item number 2. Please provide a response.
- 18. State whether William S. Daugherty, and/or William S. Daugherty II receive all or any portion of the marketing fee referenced in the joint response to PSC 1-3 (b).
- 19. State whether William S. Daugherty, or William S. Daugherty II, are owners, principals or members of:
  - a. Sentra;
  - b. MHP;
  - c. MHR;
  - d. "Greystone, LLC"; and/or
  - e. Clay Gas Utility District.