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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

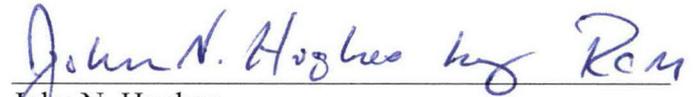
IN THE MATTER OF:

JOINT APPLICATION OF SENTRA  
CORPORATION, A WHOLLY OWNED  
SUBSIDIARY OF BLUE RIDGE MOUNTAIN  
RESOURCES, INC., AND SENTRA  
RESOURCES LLC FOR THE TRANSFER  
AND ACQUISITION OF STOCK AND  
FINANCING

CASE NO. 2018-00107

**SENTRA CORPORATION, BLUE RIDGE MOUNTAIN RESOURCES, INC. AND  
SENTRA RESOURCES LLC'S RESPONSES TO COMMISSION STAFF'S POST  
HEARING REQUESTS FOR INFORMATION**

Respectfully submitted,



John N. Hughes  
Attorney at Law  
124 West Todd Street  
Frankfort, KY 40601  
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Frankfort, KY 40602-0634  
Telephone: (502) 223-3477  
Email: [rmoore@stites.com](mailto:rmoore@stites.com)

COUNSEL FOR JOINT APPLICANTS

**AFFIDAVIT OF WESLEY CLEARY**

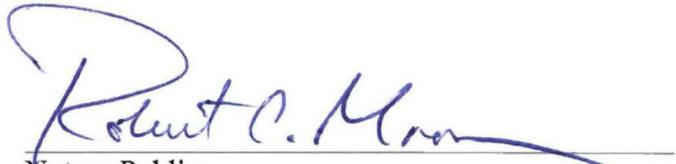
Affiant, Wesley Cleary, after being first sworn, deposes and says that his Answers to the Commission Staff's Post Hearing Information Requests are true and correct to the best of his knowledge and belief.

  
Wesley Cleary

COMMONWEALTH OF KENTUCKY

COUNTY OF FRANKLIN

This instrument was signed and sworn to by Wesley Cleary to be his act and deed on this the 3<sup>RD</sup> day of July, 2018.

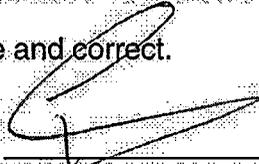
  
Notary Public

My Commission expires: \_\_\_\_\_

ROBERT C. MOORE  
NOTARY PUBLIC  
STATE AT LARGE, KENTUCKY  
COMM. #595798  
MY COMMISSION EXPIRES 02/22/2022

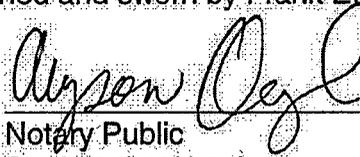
AFFIDAVIT

Affiant, Frank E. Day, after being first sworn, deposes and says he is authorized to on behalf of Sentra Corporation to file this response, that the statements included in the application as relate to Sentra Corporation are true and correct to the best of his knowledge and belief except as to those matters that are based on information provided to him and as to those he believes to be true and correct.



Frank E. Day

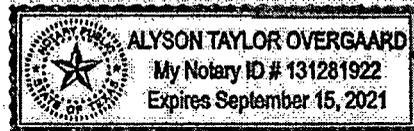
This instrument was produced, signed and sworn by Frank E. Day to be his act and deed the 27<sup>th</sup> day of June, 2018.



Notary Public

Registration Number: \_\_\_\_\_

My Commission expires: 9/15/21



**REQUEST NO. 1:** Refer to the Joint Application, Exhibit 1, Stock Purchase Agreement, paragraph 2.2, Purchase Price. Provide a detailed explanation of the basis for the \$250,000 stock purchase price.

**RESPONSE:** The parties expect to enter into a First Amendment to Stock Purchase Agreement ("First Amendment") pursuant to which the stock purchase price will be reduced to \$50,000. A copy of the First Amendment will be provided to the Commission upon its execution. The purchase price for the shares of stock was based upon the following factors: i) The Annual Report for Calendar Year 2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation states that Sentra Corporation system has 38 miles of gas main. Nineteen (19) miles of the main gas line is 2" or less Plastic PE pipe and nineteen (19) miles of the main gas line is over 2" through 4" Plastic PE pipe (See Item No. 1, Attachment 1). Ten (10) miles of the gas main was constructed between 1990-1999, ten (10) miles of gas main was constructed between 2000-2009 and eighteen miles of gas main was constructed between 2010-2018 (See Item No. 1, Attachment 1). Sentra Resources has assigned an estimated value of \$500,000 to this reported 38 miles of gas main gas based on life expectancy of pipe and the current age of the pipe; ii) The assets of Sentra Corporation include four (4) trucks, one (1) trailer, one backhoe, one trencher, one ditcher and several meters. These assets have been assigned a value of \$79,600 (See Item No. 1, Attachment 2); iii) The easements in which Sentra Corporation's gas main is located; and, iv) Sentra Corporation's Annual Report for 2017 filed with the Public Service Commission reflects that it had 137 residential customers and 68 commercial and industrial customers. Sentra Corporation has opportunity for growth in the number of its customers, particularly in the commercial and industrial customer category.

Witness: Wesley Cleary

NOTICE: This report is required by 49 CFR Part 191. Failure to report can result in a civil penalty not to exceed 100,000 for each violation for each day that such violation persists except that the maximum civil penalty shall not exceed \$1,000,000 as provided in 49 USC 60122.		OMB NO: 2137-0629 EXPIRATION DATE: 5/31/2018
 U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration	Initial Date Submitted:	02/07/2017
	Form Type:	INITIAL
	Date Submitted:	

**ANNUAL REPORT FOR  
 CALENDAR YEAR 2016  
 GAS DISTRIBUTION SYSTEM**

A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a current valid OMB Control Number. The OMB Control Number for this information collection is 2137-0629. Public reporting for this collection of information is estimated to be approximately 16 hours per response, including the time for reviewing instructions, gathering the data needed, and completing and reviewing the collection of information. All responses to this collection of information are mandatory. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Information Collection Clearance Officer, PHMSA, Office of Pipeline Safety (PHP-30) 1200 New Jersey Avenue, SE, Washington, D.C. 20590.

**Important:** Please read the separate instructions for completing this form before you begin. They clarify the information requested and provide specific examples. If you do not have a copy of the instructions, you can obtain one from the PHMSA Pipeline Safety Community Web Page at <http://www.phmsa.dot.gov/pipeline/library/forms>.

<b>PART A - OPERATOR INFORMATION</b>	<b>(DOT use only)</b>	<b>20176251-30454</b>
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1. Name of Operator	SENTRA CORPORATION
2. LOCATION OF OFFICE (WHERE ADDITIONAL INFORMATION MAY BE OBTAINED)	
2a. Street Address	120 Prosperous Place Suite 201
2b. City and County	Lexington
2c. State	KY
2d. Zip Code	40509
3. OPERATOR'S 5 DIGIT IDENTIFICATION NUMBER	31831
4. HEADQUARTERS NAME & ADDRESS	
4a. Street Address	120 PROSPEROUS PLACE, SUITE 201
4b. City and County	LEXINGTON, US
4c. State	KY
4d. Zip Code	40509
5. STATE IN WHICH SYSTEM OPERATES	KY
6. THIS REPORT PERTAINS TO THE FOLLOWING COMMODITY GROUP (Select Commodity Group based on the predominant gas carried and complete the report for that Commodity Group. File a separate report for each Commodity Group included in this OPID.)	
Natural Gas	
7. THIS REPORT PERTAINS TO THE FOLLOWING TYPE OF OPERATOR (Select Type of Operator based on the structure of the company included in this OPID for which this report is being submitted.):	
Privately Owned	

**PART B - SYSTEM DESCRIPTION**

1.GENERAL	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	0	0	0	0	38	0	0	0	0		38
NO. OF SERVICES	0	0	0	0	219	0	0	0	0		219



MILES OF MAIN	0	0	0	0	0	0	0	10	10	18	38
NUMBER OF SERVICES	0	0	0	0	0	0	0	50	150	19	219

**PART C - TOTAL LEAKS AND HAZARDOUS LEAKS ELIMINATED/REPAIRED DURING THE YEAR**

CAUSE OF LEAK	MAINS		SERVICES	
	TOTAL	HAZARDOUS	TOTAL	HAZARDOUS
CORROSION FAILURE				
NATURAL FORCE DAMAGE				
EXCAVATION DAMAGE			1	
OTHER OUTSIDE FORCE DAMAGE				
PIPE, WELD OR JOINT FAILURE				
EQUIPMENT FAILURE				
INCORRECT OPERATIONS				
OTHER CAUSE				

NUMBER OF KNOWN SYSTEM LEAKS AT END OF YEAR SCHEDULED FOR REPAIR : 0

**PART D - EXCAVATION DAMAGE**

1. TOTAL NUMBER OF EXCAVATION DAMAGES BY APPARENT ROOT CAUSE: 0

a. One-Call Notification Practices Not Sufficient: 0

b. Locating Practices Not Sufficient: 0

c. Excavation Practices Not Sufficient: 0

d. Other: 0

2. NUMBER OF EXCAVATION TICKETS : 0

**PART E-EXCESS FLOW VALUE(EFV) DATA**

NUMBER OF EFV'S INSTALLED THIS CALENDER YEAR ON SINGLE FAMILY RESIDENTIAL SERVICES: 1

ESTIMATED NUMBER OF EFV'S IN THE SYSTEM AT THE END OF YEAR: 12

**PART F - LEAKS ON FEDERAL LAND**

TOTAL NUMBER OF LEAKS ON FEDERAL LAND REPAIRED OR SCHEDULED TO REPAIR: 0

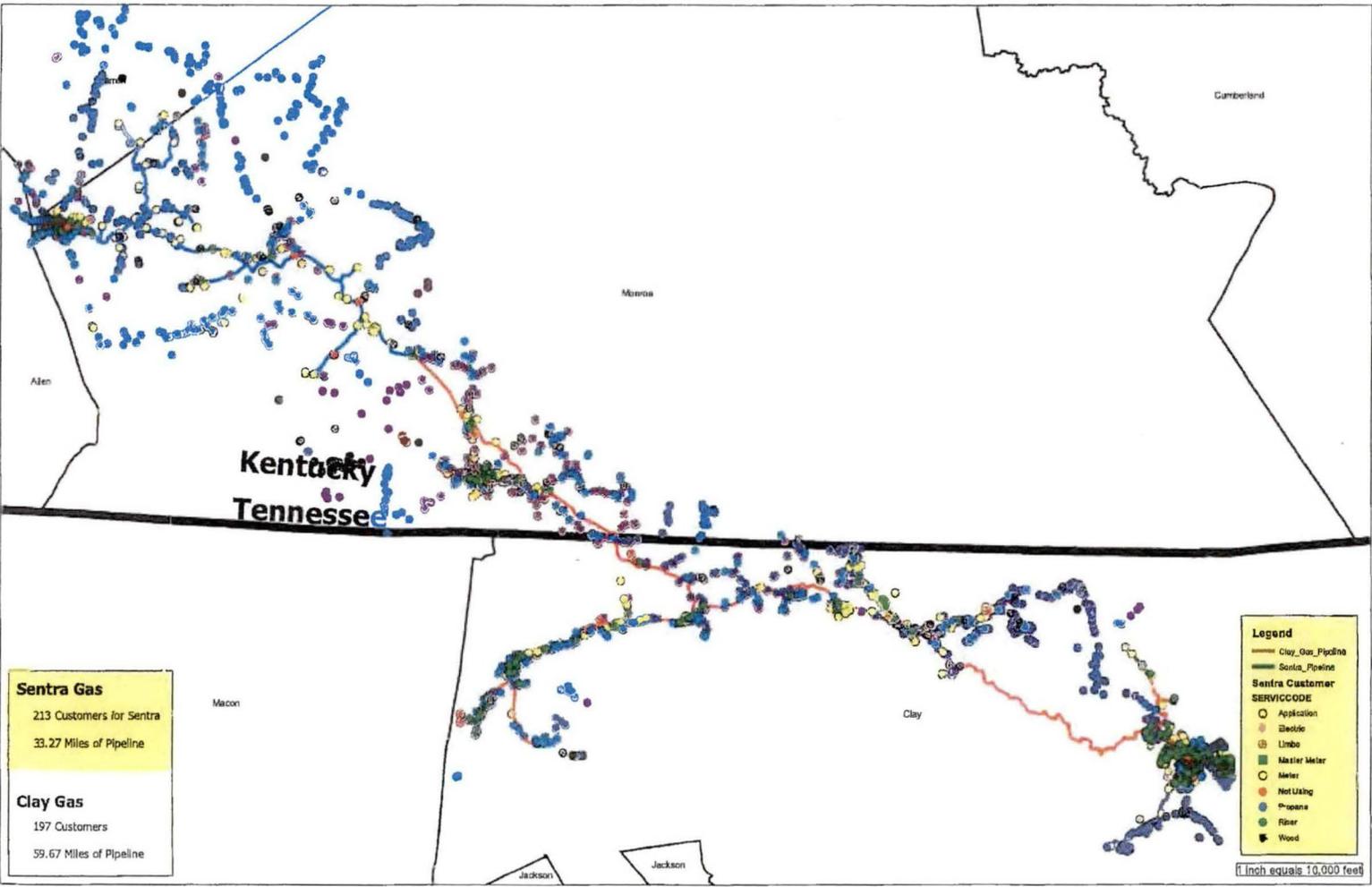
**PART G-PERCENT OF UNACCOUNTED FOR GAS**

UNACCOUNTED FOR GAS AS A PERCENT OF TOTAL INPUT FOR THE 12 MONTHS ENDING JUNE 30 OF THE REPORTING YEAR.  
 INPUT FOR YEAR ENDING 6/30: 3%

**PART H - ADDITIONAL INFORMATION**

**PART I - PREPARER**

Sheila Thacker, Operator (Preparer's Name and Title)	<u>(859)263-6722</u> (Area Code and Telephone Number)
sthacker@mhrproduction.com (Preparer's email address)	<u>(859)263-4228</u> (Area Code and Facsimile Number)



**Schedule 3.13(a)**  
**Title to Assets**

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Vehicles and Equipment:

12,000 2013 White Chevy Silverado – VIN 1GC1KVCGXDF232046\*  
5,000 2009 Red Ford Ranger – VIN 1FTZR45E89PA51288\*  
10,000 2007 Chevy – VIN 1GCEK140X7Z527386\*  
9,000 1997 Chevy Yellow DUMPTRK – VIN 1GBM7H1J8VJ114563\*  
6,000 Trailer - 1998 STIG T12232D – VIN 1S9FT1223WK066792\*  
15,000 Backhoe 1997 Case Backhoe 580L – Serial No. JJG0148580  
5,000 1997 Vemeer Trencher LM-42  
5,000 1998 Vemeer Ditcher 5750  
800 House meter (3 in good condition; 20 to be rebuilt)  
8,400 AL800 Commercial meter (12 in good condition; 2 to be rebuilt)  
900 AL1000 Commercial meter (1)  
2,000 AL5000 Industrial meter (2)  
500 AL 425 meter (3)

38 Miles of pipe estimated at a value of \$500,000 based on life expectancy of pipe and current age of pipe.

Total \$79,600 \* - Titled in the name of Magnum Hunter Production, Inc. ("MHP"), a wholly owned subsidiary of Seller. At Closing, Seller shall cause MHP to assign the vehicle to Buyer.

Easements and Rights-of-Way:

List of Easements and Rights-of-Way begins on the next page.

Sentra pipeline located on easements.

**REQUEST NO. 2:** Provide a detailed three-year Business Plan for Sentra that includes profit and loss statements with projected revenues, costs, and net income and associated balance sheets. The first year of the business plan is to include 12 monthly forecasted activity periods and a totaled annual amount. Years two and three include only annual forecasted activity. The associated balance sheets provide for all three years as of the December 31 year-end totals only. Include all basis and assumptions used to develop the business plan projections.

**RESPONSE:** See the Business Plan attached as Item No. 2, Attachment 1.

Witness: Wesley Cleary

# Sentra Resources LLC

## Sentra Corporation Purchase Request

July 2, 2018

Sentra Resources, LLC  
2006 Edmonton Road  
Tompkinsville, KY 42167



with assistance from the WKU Small Business Development Center

## Project Summary

Sentra Resources LLC, a Kentucky Limited Liability Company is seeking approval from the Public Service Commission to purchase Sentra Corporation, a small natural gas distribution company serving communities in Monroe County Kentucky. Sentra Resources LLC is a newly formed Kentucky company formed primarily by key principals of Cleary Construction Company. Sentra Corporation is a small subsidiary of Blue Ridge Mountain Resources, a Texas based independent exploration and production company engaged in the development of onshore natural gas and oil. Purchase price is \$50,000 which includes 38 miles of gas lines valued at \$500,000 and \$79,600 of equipment.

### Background

Sentra Corporation is a small gas distribution company serving the very small rural communities of Gamaliel and Fountain Run Kentucky located in Monroe County near the Tennessee border. Collectively these two communities had 529 residents as of the census estimate in 2017.

Sentra has about 137 residential customers and 69 industrial customers. There are an estimated 164 households, of which 52% are served by Sentra.

	Population	Households
Gamaliel	312	156
Fountain Run	217	108
Total	529	264
Served by Sentra		137
% Served		52%

The 137 residential customers generate an average of \$794/year or \$108,778 in annual revenues. The 69 industrial companies average \$2463 / year or \$278,735 in annual revenues. Thus the industrial customers represent 72% of total revenues. Poultry Houses represent one of the key customers. In 2017 there were 39 poultry houses using Sentra Corporation gas representing 57% of the industrial customer base.

Small communities like Gamaliel and Fountain Run are simply too small to be served by large utilities. They depend on small more entrepreneurial companies like Sentra Corporation to provide natural gas. Unfortunately Sentra Corporation has not been able to sustain profits over the past few years and is now seeking to exit the market.

Over the past few years Sentra Corporation has struggled operationally and financially with the gas distribution business. It has failed to manage operational costs and secure needed rate adjustments to maintain any level of profitability. Sentra Corporation had an operating loss of \$61,645 in 2017 and now seeks to exit the market.

Sentra Resources LLC

Sentra Resources is a newly formed Kentucky based Limited Liability Company. It was formed primarily by key principals of Cleary Construction Inc. for the purchase and on-going operation of Sentra Corporation. Sentra Resources LLC is owned and operated by experienced professionals who will be able to leverage their expertise and skilled professionals from other successful businesses from which they are affiliated, one of which is Cleary Construction, Inc.

Cleary Construction was founded in 1985 in Monroe County KY where both Gamaliel and Fountain Run are located. Initially the company focused on paving, chip sealing, dozer and end loader work. The company continued to grow, adding water, sewer and gas line installation and service. Today the company works in five different states including both Kentucky and Tennessee where the 38 miles of Sentra Pipeline is located. They have over 110 employees and are very successful and deeply committed to serving their local communities in Monroe County.

Cleary Construction works on the Sentra Corporation Gas lines that run through Kentucky and Tennessee and it has helped to maintain their performance and safety. Cleary is very familiar with the entire gas line system and is prepared to continue to assist in maintaining and improving the network of gas lines if awarded competitively bid contracts. It is a profitable and well-managed company with extensive experience in natural gas pipe lines.

Project Description

Sentra Resources LLC is a newly created limited liability company affiliated with Cleary Construction Inc. located in Monroe County KY. Sentra Resources proposes to purchase Sentra Corporation, a subsidiary of Blue Ridge Mountain Resources Inc. for \$50,000. The purchase includes \$79,600 of existing equipment and 38 miles of existing gas pipeline. The estimated value of the pipeline given its life expectancy and condition is \$500,000.

Purchase Price	\$50,000
Assets Acquired	
Equipment (See Attachment)	\$79,600
Gas Lines @ Current Value	\$500,000
Total Assets Acquired	\$579,000

Sentra Resources is also committed to investing \$50,000 annually to maintaining and improving the gas line network. Because Cleary's core business involves laying and maintaining natural gas lines, including those of Sentra Corporation, the company is ideally suited to upgrading the line and improving customer service if awarded competitively bid contracts.

Financial Overview

Complete and detailed projections are attached. There are three key assumptions behind the projections:

1. Existing Rate remains unchanged
2. Existing 3.7 mcf rate remains unchanged
3. Debt service for the full \$50,000 loan is included.

	Financial Summary		
	2019	2020	2021
Revenues	\$279,000	\$284,580	\$290,272
Cost of Revenues	\$178,560	\$182,131	\$290,270
Total Operating Expenses	\$ 68,133	\$ 78,982	\$ 82,317
Net Income before Interest and Taxes	\$ 32,307	\$ 25,467	\$22,180
Net Income after Interest and Taxes	\$ 20,232	\$ 11,025	\$ 3,777

These assumption are conservative. Sentra Resources plans to submit an application for rate adjustment to reflect current operating costs. An allocation manual will be submitted that will include transparency of wage rates and other costs. In addition, the 3.7 mcf of gas reflects usage during 2017 which was a much warmer winter than is normal.

To maintain and improve the gas line, an annual on-going investment of \$50,000 is planned. The impact of this investment is to create a modest negative cash flow. A rate increase will be requested of the PSC once control of Sentra Corporation is secured and current operating cost defined. This rate increase will be required to eliminate the negative cash flow and support company investment in customer service.

**Sentra Corporation**  
**Income Statement Proforma (As Estimated)**  
**Data for Year Ended:**

	<b>2019</b>												<b>Total 2019</b>	<b>Total 2020</b>	<b>Total 2021</b>
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>			
Revenues	\$ 55,000	\$ 45,000	\$ 35,000	\$ 30,000	\$ 15,000	\$ 10,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 12,000	\$ 22,000	\$ 40,000	\$ 279,000	\$ 284,580	290,272
Cost of Revenues	<u>35,200</u>	<u>28,800</u>	<u>22,400</u>	<u>19,200</u>	<u>9,600</u>	<u>6,400</u>	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	<u>7,680</u>	<u>14,080</u>	<u>25,600</u>	<u>178,560</u>	<u>182,131</u>	<u>185,774</u>
Gross Profit	19,800	16,200	12,600	10,800	5,400	3,600	1,800	1,800	1,800	4,320	7,920	14,400	100,440	102,449	104,498
General & Admin. Expenses	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	64,800	66,744	68,746
Depreciation (Equipment & Intangibles)	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>278</u>	<u>3,333</u>	<u>10,238</u>	<u>13,571</u>
Total Expenses	5,678	5,678	5,678	5,678	5,678	5,678	5,678	5,678	5,678	5,678	5,678	5,678	68,133	76,982	82,317
Net Income Before Interest & Taxes	14,122	10,522	6,922	5,122	(278)	(2,078)	(3,878)	(3,878)	(3,878)	(1,358)	2,242	8,722	32,307	25,467	22,180
Interest Expense LOC	(367)	(367)	(367)	(367)	(367)	(367)	(367)	(367)	(367)	(367)	(367)	(367)	(4,400)	(5,088)	(5,500)
Interest Expense LTD	(208)	(205)	(202)	(199)	(196)	(193)	(190)	(187)	(183)	(180)	(177)	(173)	(2,293)	(6,423)	(11,899)
Taxes (Current or Deferred)	<u>(2,845)</u>	<u>(2,090)</u>	<u>(1,334)</u>	<u>(957)</u>	<u>176</u>	<u>554</u>	<u>929</u>	<u>931</u>	<u>930</u>	<u>400</u>	<u>(357)</u>	<u>(1,718)</u>	<u>(5,382)</u>	<u>(2,931)</u>	<u>(1,004)</u>
Net Income After Taxes	\$ 10,703	\$ 7,861	\$ 5,019	\$ 3,600	\$ (664)	\$ (2,084)	\$ (3,505)	\$ (3,501)	\$ (3,498)	\$ (1,505)	\$ 1,342	\$ 6,464	\$ 20,232	\$ 11,025	3,777
Depreciation (Equipment & Intangibles)	278	278	278	278	278	278	278	278	278	278	278	278	3,333	10,238	13,571
LTD Borrowings on Expansion	50,000	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000	50,000
Principal Payment on Expansion LTD	(944)	(944)	(944)	(944)	(944)	(944)	(944)	(944)	(944)	(944)	(944)	(944)	(11,328)	(16,992)	(22,656)
Increase (Pay Down) on LOC	-	-	-	-	-	10,000	-	-	-	-	-	-	10,000	15,000	-
Change in AR AP Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	(300)	(5,200)
Purchase of Fixed Assets	<u>(50,000)</u>	-	-	-	-	-	-	-	-	-	-	-	<u>(50,000)</u>	<u>(75,000)</u>	<u>(50,000)</u>
Cash Flow Pre Distributions	10,036	7,195	4,353	2,933	(1,330)	7,250	(4,172)	(4,167)	(4,164)	(2,171)	676	5,798	22,237	(6,029)	(10,508)
Distributions for Owner Note Payments	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(575)</u>	<u>(6,900)</u>	<u>(6,900)</u>	<u>(6,900)</u>
Net Cash Flow After Distributions	\$ 9,461	\$ 6,620	\$ 3,778	\$ 2,358	\$ (1,905)	\$ 6,675	\$ (4,747)	\$ (4,742)	\$ (4,739)	\$ (2,746)	\$ 101	\$ 5,223	\$ 15,337	\$ (12,929)	(17,408)

**Sentra Corporation**  
**Balance Sheet Pro Forma (As Estimated)**  
**Information at Year-ended:**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Assets</b>				
Cash	\$ 40,000	55,337	\$ 42,408	25,000
Receivables	60,000	67,000	73,700	78,500
Total Current Assets	100,000	122,337	116,108	103,500
Fixed Assets (15 Yr Pipeline, 7 year truck)	-	50,000	125,000	175,000
Accumulated Depreciation	-	(3,333)	(13,571)	(27,142)
Net Plant Assets	-	46,667	111,429	147,858
<b>Total Assets</b>	<b>\$ 100,000</b>	<b>169,004</b>	<b>\$ 227,537</b>	<b>251,358</b>
<b>Liabilities &amp; Equity</b>				
Accounts Payable	\$ 15,000	21,000	\$ 28,000	33,000
Accrued Expenses	5,000	6,000	5,400	-
Line of Credit	75,000	85,000	100,000	100,000
Total Current Liabilities	95,000	112,000	133,400	133,000
Long Term Debt	-	38,672	71,680	99,024
Total Liabilities	95,000	150,672	205,080	232,024
Common Stock (Initial Balance Sheet estimated to include Receivables at \$5,000 more than Payables)	5,000	5,000	5,000	5,000
Retained Earnings	-	20,232	24,357	21,234
Distributions for Owner (Sentra Resources, LLC) Loan Payments	-	(6,900)	(6,900)	(6,900)
Total Equity	5,000	18,332	22,457	19,334
<b>Total Liabilities &amp; Equity</b>	<b>\$ 100,000</b>	<b>169,004</b>	<b>\$ 227,537</b>	<b>251,358</b>
	\$ -	-	\$ -	-
<b>Capital Purchase Projections</b>				
Fixed Assets		\$ -	\$ 25,000	-
Pipeline Improvements and Expansion		\$ 50,000	\$ 50,000	50,000

Assumptions:

1. This proforma is built on current revenue model and no rate increase has been factored in
2. The winter months of 2017 were milder than average winters in the area
3. Long term debt was obtained each year to fund estimated \$50,000 of pipeline expansion
4. Capital Expansion of approximately \$50,000 each year will be performed in winter months in 2019, 2020 and 2021
5. New vehicle purchase is predicted for \$25,000 in 2020
6. Distributions of \$6,900 annually are reflected to fund the loan payments which will be made by the owner of Sentra Corporation (Sentra Resources, LLC)

**REQUEST NO. 3:** Provide details for the 38 miles of Sentra's main gas distribution pipelines.

Per the testimony of Dan Bryant, it was indicated that there were three separate segments of pipeline that have been replaced in the increments of approximately ten miles, ten miles, and 18 miles.

- a. Provide the age/ages of the separate segments of pipelines.
- b. Provide the estimated book value of the separate segments of pipelines.
- c. Provide the estimated replacement value of the separate segments of the pipelines.
- d. Provide the type of pipe, i.e. steel, PVC, of each segment.
- e. Provide the estimated condition and the expected useful life of the pipe in each segment.

**RESPONSE:** The Annual Report for Calendar Year 2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation states that Sentra Corporation system has 38 miles of gas main. Nineteen (19) miles of the main gas line is constructed of 2" or less Plastic PE pipe and nineteen (19) miles of the main gas line is constructed of over 2" through 4" Plastic PE pipe (See Item No. 1, Attachment 1). Ten (10) miles of the gas main was constructed between 1990 – 1999, ten (10) miles of gas main was constructed between 2000 – 2009 and eighteen miles of gas main was constructed between 2010 – 2018 (See Item No. 1, Attachment 1). Sentra Resources has assigned an estimated value of \$500,000 to this reported 38 miles of gas main gas based on life expectancy of pipe and the current age of the pipe. The replacement cost of the 38 miles of gas main (As stated in the Annual Report for Calendar Year

Witness: Wesley Cleary

2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation) is estimated to be \$1,600,000 at eight dollars (\$8.00) per foot.

a. The Annual Report for Calendar Year 2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation states that ten (10) miles of the gas main was constructed between 1990 – 1999, ten (10) miles of gas main was constructed between 2000 – 2009 and eighteen miles of gas main was constructed between 2010 – 2018 (See Item No. 1, Attachment 1).

b. Sentra Resources has assigned an estimated value of \$500,000 to this reported 38 miles of gas main based on the life expectancy of the pipe and the current age of the pipe.

c. The replacement cost of the 38 miles of gas main (as stated in the Annual Report for Calendar Year 2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation) is estimated to be \$1,600,000 at eight dollars (\$8.00) per foot.

d. The Annual Report for Calendar Year 2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation states that Sentra Corporation system has 38 miles of gas main, and that nineteen (19) miles of the main gas line is 2" or less Plastic PE pipe and nineteen (19) miles of the main gas line is over 2" through 4" Plastic PE pipe (See Item No. 1, Attachment 1).

e. Based upon the statement in the Annual Report for Calendar Year 2016 Gas Distribution System submitted by Sentra Corporation to the U.S. Department of Transportation that unaccounted for gas was three percent (3%) of total input for the 12 months ending on June 30 of the reporting year, the estimated condition of the pipe in all three (3) segments is good. The expected useful life of the HDPE pipe in each segment is a minimum of fifty (50) years.

Therefore, the ten (10) miles of the gas main constructed between 1990 – 1999 is estimated to have a minimum additional useful life of approximately twenty-five (25) years, the ten (10) miles of gas main constructed between 2000 – 2009 is estimated to have a minimum additional useful life of approximately thirty-five (35) years, and the eighteen miles of gas main constructed between 2010 – 2018 is estimated to have a minimum additional useful life of approximately forty-five (45) years.

**REQUEST NO. 4:** Refer to Joint Application, Exhibit 1, Schedule 3.8.

a. Provide the specific items that comprise the \$50,120 Accrued Liability balance reflected on Sentra Corporation's Balance Sheet dated December 31, 2017.

b. Provide a detailed explanation of the \$4,590 Miscellaneous Expense listed on Sentra Corporation's Statement of Operations for the month ended December 31, 2017.

c. Provide the general categories and their associated amounts that are included in the \$40,136 Cost of Sales and \$8,993 General and Administrative Operating Expenses listed on the Sentra Corporation Statement of Operations for the month ended December 31, 2017.

**RESPONSE:**

**RESPONSE:** a) See Item No. 4, Attachment 1.

**RESPONSE:** b) See Item No. 4, Attachment 2.

**RESPONSE:** c) See Item No. 4, Attachment 3.

**Sentra Corporation**  
**Accrued Liabilities**  
**As of December 31, 2017**

<u>Account Name</u>	<u>Amount</u>	<u>Description</u>
Accrued LOE and Field Expense	46,012	Accrual for purchased gas
Other Payables	2,300	Customer deposits
Sales Tax Payable	<u>1,808</u>	
	50,120	

**Sentra Corporation**  
**Miscellaneous Expense**

In November 2017, an aged reconciling difference between Sentra's accounts receivable sub-ledger and the general ledger was written off to miscellaneous expense. In December 2017, this amount was reclassified from the miscellaneous expense account to bad debt expense (a component of general and administrative expense). 4,564

Correction of an error. Although Sentra was not a debtor, upon emergence from bankruptcy on May 6, 2016 Magnum Hunter Resources Corporation eliminated all intercompany balances between both debtors and non-debtors, 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. This forgiveness of debt income included \$26 in error, which was corrected in December 2017. 26

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4,590

**Sentra Corporation**  
**Statement of Operations**  
**For the Month Ended December 31, 2017**

	<u>December 31, 2017</u>
<b>REVENUES</b>	
SENTRA - SALES	\$ 33,356
<b>OPERATING EXPENSES</b>	
<b>Field Operations Expense (Cost of Sales)</b>	
7400.1 - Company Labor- Field CLEAR	9,292
7401.1 - Benefits- Field CLEARING	953
7402.1 - Payroll Taxes- Field CLEAR	828
7483 - Repairs & Maintenance	72
7490 - Utilities	40
7492 - Sentra Gas Purchased	52,633
7492.1 - Elimination of Sentra Gas	(15,232)
7495 - Vehicle and Fuel Expense	315
7498 - Misc. Field Operations Expen	436
Field Operations Expense	<u>49,337</u>
Field Operations Expense - Accrual	(9,202)
Total Field Operations Expense	<u>40,135</u>
<b>General and Administrative Expenses</b>	
906.001 Insurance	(1,134)
909.001 Professional Support	243
912.001 Rent Expense - Office	1,500
915.002 Computer Maintenance & Repairs	1,077
915.010 Miscellaneous Expense	(2,300)
917.001 Franchise Taxes	221
917.002 Property Taxes	2,522
918.001 Bad Debt Expense	6,864
Total General and Administrative Expenses	<u>8,993</u>
Total Operating Expenses	<u>49,128</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(15,772)</u>
<b>OTHER INCOME (EXPENSE)</b>	
955.001 Miscellaneous Expense	4,590
Total other income (expense), net	<u>4,590</u>
<b>NET INCOME (LOSS)</b>	<u><u>\$ (11,182)</u></u>

**REQUEST NO. 5:** Confirm that Blue Ridge Mountain Resources, Inc. will provide all requested information to Sentra Resources, LLC that is necessary for Sentra Resources, LLC to comply with Commission requests for information related to this transaction.

**RESPONSE:** To the extent that the requested information is available to Blue Ridge Mountain Resources, Inc., it will provide all requested information that is necessary for Sentra Resources, LLC to comply with Commission requests for information related to this transaction.

**REQUEST NO. 6:** Refer to the Joint Application which states, on unnumbered pages two and three, that upon closing of the contemplated transaction, “all stock of Sentra Corporation will be owned by Sentra Resources,” and that “Sentra Corporation will continue to own and operate the gas distribution system.” Also, refer to the response to the Commission Staff’s Second Request for Information, Item 6, which states that, “The members of Sentra Resources, which is regulated by the Public Service Commission . . . .”

a. Explain in detail why Sentra Resources LLC believes it will be regulated by the Commission as a result of owning the stock of Sentra, which is and will continue to be a regulated utility.

b. Provide examples of the Commission regulating the owner of the stock of a regulated utility.

**RESPONSE:**

a. Pursuant to the relevant language of KRS 278.020, no person or entity shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by transfer of stock, or otherwise, without prior approval by the Commission. Accordingly, the authority of Sentra Resources, LLC to purchase the shares of stock of Sentra Corporation is subject to the regulation of the Commission.

b. Please see PSC Case No. 2017-00204, Joint Application of Farmdale Development Corporation and Farmdale Sanitation District for the Approval of the Transfer of a Wastewater Treatment Plant to Farmdale Sanitation District, in which the Commission was required to approve the transfer. See also PSC Case No. 2017-00215, Joint Application of

Witness: Wesley Cleary

Coolbrook Utilities, LLC and Farmdale Sanitation District for the Approval of the Transfer of a Wastewater Treatment Plant to Farmdale Sanitation District, in which the Commission was required to approve the transfer. In both cases, Farmdale Sanitation District could not have purchased the assets of the utilities without prior authorization from the Commission.