

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SENTRA)	CASE NO.
CORPORATION FOR AUTHORIZATION TO)	2020-00112
ENTER INTO BUSINESS LOAN AGREEMENT)	

ORDER

On April 7, 2020, Sentra Corporation (Sentra) filed an application (Application) seeking Commission authority to enter into a Business Loan Agreement in the principal amount of \$150,000 issued by Edmonton State Bank in Tompkinsville, Kentucky. There are no Intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Sentra is an investor-owned local gas distribution company furnishing gas to 209 residential and commercial customers in Monroe County, Kentucky, including the city of Fountain Run, Kentucky, and is subject to the jurisdiction of the Commission under KRS 278.010(3)(b) and KRS 278.040.

Sentra has a pending application for rate adjustment in Case No. 2020-00102,¹ which was filed on April 3, 2020, wherein it proposed an increase in base rates for residential customers to \$10.5273/Mcf and non-residential base rates to \$10.5273/Mcf (first 50 Mcf) and \$8.5273 (over 50 Mcf).²

¹ Case No. 2020-00102, *Electronic Application of Sentra Corporation for an Alternative Rate Adjustment* (filed Apr. 15, 2020).

² *Id* at 2.

Sentra intends to use the proceeds from the proposed Business Loan Agreement to refinance a Promissory Note from Edmonton State Bank dated June 21, 2019, with a maturity date of June 21, 2021, in the amount of \$50,000 with an interest rate of 6.50 percent.³ Sentra will also use the Business Loan Agreement to pay off a Line of Credit from Edmonton State Bank dated October 10, 2019, in the amount of \$100,000 with an interest rate of 6.00 percent.⁴ The planned Business Loan Agreement will have a lower, 5.99 percent fixed rate of interest than the two above described loans, will mature five years after its execution, and will have fixed monthly payments of \$2,889.22.⁵

The Commission has reviewed the proposed refinancing and finds Sentra's proposal to be reasonable due to the lower effective interest rate realized over the period of the loan. Additionally, the Commission finds that although the net present value savings is only \$18.77,⁶ it provides Sentra stability through a consistent monthly payment during the term of the loan. However, in the event that the new interest rate on the proposed refinancing is higher than the interest rate set forth in the Application, or other fees associated with the loan exceed the estimated costs, Sentra should not proceed with the refinancing unless the net present value of the refinancing results in positive cash flow.

After consideration of the evidence of record and being sufficiently advised, the Commission finds that:

³ Application, Attachment C.

⁴ *Id.*, Attachment D.

⁵ *Id.*, Attachment B.

⁶ Case No, 2020-00112, Sentra Corporation's Responses to Commission Staff's First Request for Information, Amortization Schedules at 4–7.

1. The proposed Business Loan Agreement from Edmonton State Bank is for lawful objects within the corporate purposes of Sentra, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Sentra should execute its note as security for the proposed loan in the manner described in its Application.

3. The Commission directs Sentra to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085⁷ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency.

4. The proceeds from the proposed loan should be used only for the lawful purposes set out in Sentra's Application

IT IS THEREFORE ORDERED that:

1. Sentra is authorized to enter into a Business Loan Agreement with Edmonton State Bank up to \$150,000, but no more than the total amount needed to pay off the indebtedness as identified in the Application.

2. Sentra shall execute the Business Loan Agreement as authorized herein.

3. Sentra shall comply with all matters set out in finding paragraphs 2 through 4 as if they were individually so ordered.

⁷ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

4. Any documents filed in the future pursuant to finding paragraph 4 shall reference this case number and shall be retained in the post-case correspondence file.

5. This case is closed and removed from the Commission's docket.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

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By the Commission



ATTEST:



Executive Director

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