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November 13, 2018

VIA HAND DELIVERY

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Blvd.
Frankfort, KY 40602-0615

RE: 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, Kentucky Public Service Commission, Case No. 2018-00107 ("Joint Application")

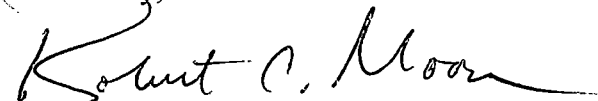
Dear Ms. Pinson:

Pursuant to the Commission's Order entered in the above-referenced case on July 12, 2018, I am enclosing for filing a copy of the Cost Allocation Manual of Sentra Corporation in effect as of November 12, 2018. Please note that for each USoA account and subaccount, a report will be filed in 2019 that identifies whether the account contains costs attributable to regulated operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified, and will contain a description of the methodology used to apportion each of these costs. The allocation methodology will be consistent with the provisions of KRS 278.2203.

The quarterly Purchased Gas Adjustment applications in conformity with Sentra's Purchased Gas Cost Adjustment tariff will be filed with the Commission on or before the 1st day of January, April, July, and October.

Please contact me should you wish to discuss this matter.

Yours truly,


Robert C. Moore

RCM/pjt
Enclosure
cc: Tierra Brown via electronic mail

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Sentra Corporation
Cost Allocation Manual

Introduction

Sentra Corporation (Sentra) is a small natural gas distribution company located in Monroe County, Kentucky. Sentra operates a pipeline which spans from the Gamaliel area to Fountain Run. The pipeline attaches to the Texas Eastern Pipeline in Gamaliel, KY on one end, and eventually connects to another pipeline owned by Clay Gas Utilities (Clay Gas) in Clay County, Tennessee. Because of Sentra's connection with Clay Gas's line, Sentra's field employees provide meter-reading and administrative services to Clay Gas, as well.

Administrative and accounting services are provided to Sentra by employees who allocate their costs/rates between the following companies: Sentra Corporation, Cleary Construction, Inc., Rock Solutions, LLC, Cleary Group, LLC, and Precision Engineering, LLC. Because of these intercompany relationships, Sentra has developed this cost allocation manual (CAM) to ensure that costs charged to Sentra are only those for the regulated activity (supplying natural gas to the public) and that rates charged by Sentra remain "fair, just and reasonable" pursuant to KRS 278.030. Sentra strives to operate independently of the aforementioned companies, and this CAM will enable it to do so.

This CAM is developed pursuant to the Kentucky Public Service Commission's July 12, 2018 Order entered in case 2018-00107.

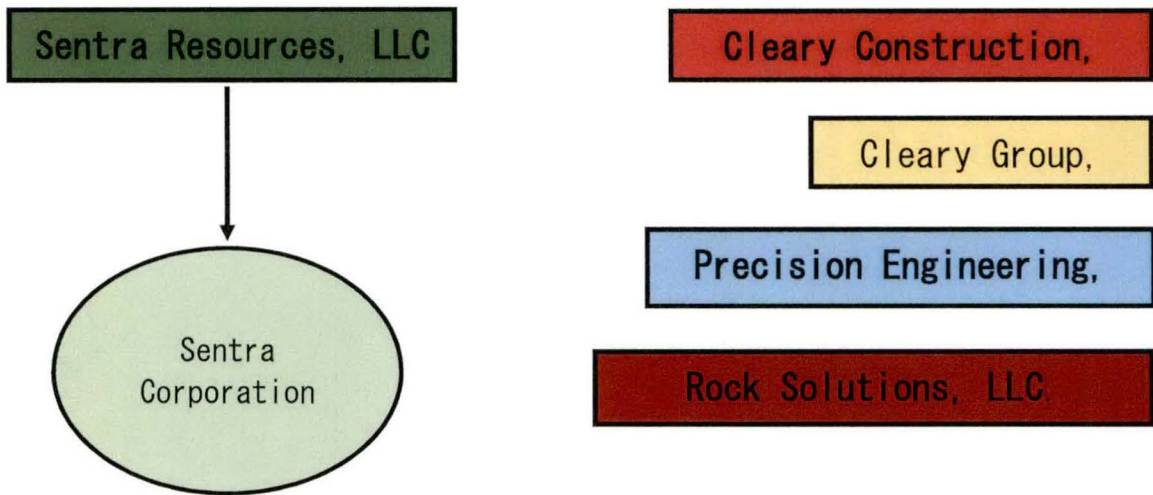
Sentra uses the Uniform System of Accounts prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act. Further, Sentra uses the fully distributed cost allocation method to allocate its costs.

Any interested persons may obtain a copy of the Cost Allocation Manual from Sentra's main office at 112 Orchard Lane, Tompkinsville, KY 42167.

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I. Corporate Structure



Sentra Resources, LLC is a member-managed LLC which owns the operating utility, Sentra. The LLC is formed by three individuals with extensive experience in managing the four companies located on the right side of the diagram. These individuals are Darren Cleary, Dan Bryant, and Wesley Cleary. The four companies on the right are only related to Sentra Resources, LLC or Sentra Corporation by common ownership by these individuals.

II. Regulated Versus Unregulated Activities

Regulated Activities

The regulated activities performed by Sentra are all operations involved in supplying/distributing natural gas to its customers. This involves field operations, office operations, and all expenses incurred to operate the natural gas utility.

Non-regulated Activities

Non-regulated activities or services performed by Sentra are its meter reading services provided to Clay Gas, which include administrative and field services which are specifically allocated to this unregulated activity on an hourly basis.

Direct Costs

Direct costs are costs that can be directly traced and allocated to Sentra; costs that benefit only Sentra.

Shared/Indirect

Shared or Indirect Costs are costs which cannot be directly traced and allocated to Sentra. These costs might benefit other entities, as well as Sentra. These costs are computed using rates and percentages to ensure fair cost allocation among the different entities.

USoA account and subaccounts

A report that identifies whether an account contains costs attributable to regulated operations and nonregulated operations will be prepared pursuant to KRS 278.2205(2)(f). The report will identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these costs shall be included and the allocation methodology shall be consistent with the provisions of KRS 278.2203.

III. Direct Costs

1. Salary

- a. Each employee maintains a time sheet which accounts for the time they spend working for Sentra versus the time they spend working for any other company. Only time spent on Sentra is paid for by Sentra. There are direct time sheets attached to this CAM.
- b. Field employees also maintain a time sheet that accounts for the time that they spend working for Clay Gas, and this time is billed back to Clay Gas monthly. There are daily work reports attached to this CAM.

- c. FICA, Unemployment, Worker's Compensation, Health Insurance and Annual Leave costs are also allocated to Sentra for employee time spent on Sentra duties.
- 2. Pipeline
 - a. Expenses for adding to or improving the pipeline are completely allocated to Sentra Corporation.
- 3. Natural Gas
 - a. The cost of the natural gas is completely allocated to Sentra.
- 4. Gas Transportation Fee
 - a. The cost of transporting the natural gas by Clay Gas is completely allocated to Sentra.
- 5. Odorant Expense
 - a. The cost of odorizing the natural gas is completely allocated to Sentra.
- 6. Rent Expense
 - a. Rental space for Sentra's office is a direct expense completely allocated to Sentra.
- 7. Equipment
 - a. Equipment used by Sentra in the field is completely allocated to Sentra (tools, vehicles, etc.).
 - b. Office equipment used by Sentra is completely allocated to Sentra for all time spent working on Sentra matters.
- 8. Machinery
 - a. Any machinery used by Sentra is completely allocated to Sentra (heavy machinery, earth moving machinery, etc.).
- 9. Equipment/Machinery Rental
 - a. In situations where it is not feasible for Sentra to buy machinery or equipment, it will be rented at fair market rates, with rental costs being solely allocated to Sentra.
- 10. Consulting or Contracting Fees
 - a. Any consulting or contracting work performed specifically for Sentra will be completely allocated to Sentra.
 - b. This includes professional attorney and consulting fees.
- 11. Materials/Supplies
 - a. Materials used strictly for Sentra are completely allocated to Sentra (piping).
- 12. Billing software
 - a. CUSI Billing Software costs are completely allocated to Sentra.
- 13. Office Expenses
 - a. The costs of phone lines, internet, paper, envelopes, etc. are completely allocated to Sentra.
- 14. Credit Cards
 - a. Employee credit cards supplied for acquiring business expenses are completely allocated to Sentra.
- 15. Employee Cellular Phone
 - a. Field employee cell phone bills are completely allocated to Sentra as they are required to be on call at all hours.
- 16. Storage

- a. Storage used by Sentra is solely used for Sentra and thus completely allocated to Sentra.
- 17. General Liability Insurance
 - a. General liability insurance obtained for Sentra is completely allocated to Sentra.
- 18. Miscellaneous Expenses
 - a. Other miscellaneous expenses incurred by the company are allocated to Sentra where applicable or where possible.

IV. Indirect/Shared Costs

- 1. Office Expense
 - a. Office supplies such as paper, postage, etc. are sometimes shared between Sentra and Cleary Construction, Inc, Rock Solutions, LLC. etc. The cost of these shared office supplies is de minimis. However, an effort is made to allocate these costs to Sentra when applicable.
- 2. Vehicle Expenses
 - a. Vehicle expenses are shared with Clay Gas, who pay a rate for each mile used during work performed for Clay Gas.
- 3. Utilities
 - a. Utility costs for Sentra are shared when they do not specifically benefit Sentra alone. These costs are shared based on a percentage of those entities benefitted.

V. Conclusion

Sentra's CAM will enable it to ensure that costs charged to Sentra are only those for its regulated activity (supplying natural gas to the public) and that rates charged by Sentra remain "fair, just and reasonable" pursuant to KRS 278.030. Employees of the company understand that all costs shall remain reasonable in order to maintain reasonable rates for our customers. A primary objective of Sentra is to provide honest, efficient and dependable service to its valued customers.

Final Card

SAMPLE

Employee Johnny Jones

Supervisor: _____

Pay Period Ending
Date: 10-21-18

Day	Date	Regular	Overtime	PTO	Holiday	Other	Total	Notes
Monday	10-8-18	8						
Tuesday	10-9-18	8						
Wednesday	10-10-18	8						
Thursday	10-11-18	8						
Friday	10-12-18	8						
Saturday	10-13-18							
Sunday	10-14-18							
Monday	10-15-18	8						
Tuesday	10-16-18	8						
Wednesday	10-17-18	8						
Thursday	10-18-18	8						
Friday	10-19-18	8						
Saturday	10-20-18							
Sunday	10-21-18							
Total hours		80						

SAMPLE

DAILY WORK ORDER REPORT

Date: 10-15-18 Operating Company: Santa ~~Hours: 8~~ Johnny
 Hours: 0 Kyle
 Operating Company: CLAY GAS Hours: 4

Job Information: Checked Pressure & Regulators
For Clay Gas. Worked on Paper
work in office. Put 54 miles on
truck for Clay Gas.

Jobs Performed by: Name: Johnny Jones Hours: 4
 Name: _____ Hours: _____
 Name: _____ Hours: _____

Materials Used: _____

Comments: Checked System for Service

Meter Number: _____ Meter Reading: _____
 Meter Listing Name and Address: _____

Signature: [Signature] Date: 10-15-18