

Jerome A. Kanney & Dennis L. Rohrer
347 THOMPSON ROAD
P. O. BOX 3385
PIKEVILLE, KY 41502-3385
(606) 437-6147

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FEB 09 2005

PUBLIC SERVICE
COMMISSION

APPLICATION

Case 2005-00073

Jerome A. Kanney and Dennis L. Rohrer jointly tender this Application pursuant to the requirements of KRS 278.020 (5) and (6) and request that the Public Service Commission enter its Order authorizing and approving the acquisition by Jerome A. Kanney and Dennis L. Rohrer of the corporate stock of Sigma Gas Corporation (Estill Branham, President) from Estill Branham, Barkley Sturgill, and Ruth Conley Clemmons.

<u>Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage Owned</u>
Jerome A. Kanney	500	50%
Dennis L. Rohrer	500	50%

Estill Branham, Barkley Sturgill and Ruth Conley Clemmons previously owned 100% of the stock of Sigma Gas Corporation, which has filed Chapter 7 bankruptcy.

Sigma Gas Corporation is currently in a Chapter 7 Bankruptcy proceeding filed in October 2004 (See Exhibit A). Kanney and Rohrer desire to take Sigma Gas Corporation out of bankruptcy and resume operations of the corporation. Because of the bankruptcy laws and procedures, it became necessary to purchase the stock of the existing shareholders in order to bring the existing corporation out of bankruptcy. Once the corporation's ownership transfer is approved by the PSC, Kanney and Rohrer can then file necessary paperwork with the Bankruptcy Court to amend the bankruptcy filing toward the goal of restoring Sigma Gas Corporation as a viable operating entity. Without the PSC stock transfer approval, Sigma Gas Corporation would likely cease to exist. This application demonstrates that the necessary requirements are in place to authorize a PSC order granting approval.

Sigma is a natural gas utility and a Kentucky Corporation located in Salyersville in Magoffin County and serves part of Floyd County and part of Johnson County. Sigma provides natural gas service to approximately 778 customers.

This Application

Pursuant to KRS 278.020 (6) the applicants hereby submit this application, made under oath, having knowledge of the matters set forth. Once the acquisition is approved, Kanney will be the President, Secretary and Treasurer of Sigma and Rohrer, the Vice President of Sigma.

Pursuant to 807 KAR 5:001:8 (3), the Applicants hereby attach a copy of Sigma's Articles of Incorporation thereto with Exhibit A.

Pursuant to 807 KAR 5:011:11, the Applicants hereby attach a "Form of Adoption Notice" as Exhibit B, that adopts, ratifies, and makes the rates, rules, classification and administrative regulations in effect at the time of such change of ownership and control.

Transfer of Sigma Stock

Pursuant to the requirements contained in KRS 278.020 (5) the Applicants hereby seek the Commission's approval of a transfer of all outstanding shares of Sigma from Estill Branham, Barkley Sturgill, and Ruth Conley Clemmons to Jerome A. Kanney and Dennis L. Rohrer (See Exhibit A).

Pursuant to KRS 278.020 (5), the applicants state they have the financial, technical and managerial abilities to provide reasonable natural gas service through Sigma to Sigma's current and potential customers. Written references from five banks and other knowledgeable individuals are included with this application to verify the applicants' financial, technical, and managerial abilities. See Exhibit C.

Mr. Jerome A. Kanney and Mr. Dennis L. Rohrer presently own and operate two natural gas utilities in the Commonwealth of Kentucky. The systems are Dema Gas Company, Inc. and Cow Creek Gas, Inc.

DEMA GAS COMPANY, INC.

Kanney and Rohrer were approved for the purchase of the stock Dema Gas Company, Inc., in case number 99-232. They have successfully operated this natural gas utility since 1999.

COW CREEK GAS, INC.

Kanney and Rohrer were approved for the transfer of a natural gas utility, Leslie Oil and Gas Company, to a new corporation, Cow Creek Gas, Inc., owned by them in case number 94-321. They have successfully operated this natural gas utility since 1995.

Current and potential customers who are or will be served by the Sigma gas distribution system will not be adversely affected by the transfer in ownership of Sigma. The operation of the Sigma gas distribution system will be steady and without interruption of service and will not adversely affect the service presently being rendered any customer or any future customer.

Kanney and Rohrer, through Sigma, plan to contract with Sue Crum and Kim Crisp, the present bookkeepers, to continue to do the monthly financial bookkeeping work. Sue and Kim have experience with the Public Service Commission's rules and regulations. This will assure current customers and potential customers a high level of experience in the Sigma staff that they will be working with and assure continuity.

Management Personnel

In light of continuity of services with Sigma's existing accounting operations and employees familiar with the detailed system operations, and the added managerial expertise of Kanney and Rohrer and their existing employees as set forth herein, Sigma would have the managerial ability to provide reasonable services as required by KRS 278.020 (5).

Kanney and Rohrer have received coverage in the statewide press, the local press, and an industry newsletter. Newspaper articles regarding Kanney and Rohrer's being awarded the "Excellence in Entrepreneurship" award, and being "Pike County's Local Leaders", and the Kentucky Oil and Gas Association Newsletter "Member Spotlight: Jerome A. Kanney and Dennis Rohrer – Interstate Natural Gas" and "Natural gas spurs drilling boom – Wells give boost to eastern Kentucky", are attached hereto and incorporated herein by reference along with other awards and recognition as Exhibit D.

Jerome A. (Jerry) Kanney

Jerry has over 16 years experience in the oil and gas industry as joint owner with Denny Rohrer of Interstate Natural Gas Company. Since Jerry and Denny teamed up in 1989, they have started or purchased and made successful a number of other gas businesses including Interstate Natural Gas Company, Crossrock, Inc. (a drilling company), Dema Gas Company, Inc. and Cow Creek Gas, Inc. Both Dema Gas and Cow Creek Gas are natural gas utilities in the Commonwealth of Kentucky providing natural gas service to residential and business customers in the Knott and Floyd areas, respectively.

Jerry and Denny received the 2004 "Excellence in Entrepreneurship Award" from Eastern Kentucky University. Interstate Natural Gas Company was selected by the Pike County Chamber of Commerce as the "Business of the Year" for 2004.

Mr. Kanney has also been very active in Pikeville and surrounding areas in civic and charitable causes. Jerry is currently Chairman of the Pikeville Area Family YMCA, serves as vice chairman of the board for the Big Sandy Community and Technical College (formerly Mayo Technical School & Prestonsburg Community College) Foundation, serves on the board of the Pikeville Rotary Club, and was named the Accountant Advocate for Small Business in Kentucky by the U. S. Small Business Administration for 1986. He is active in St. Francis Church and serves as vice-chairman of its parish council. He has been active in Special Olympics in the past. He was selected as Rotarian of the year for 2002 and is president-elect of the 115-member Pikeville Rotary Club. He serves on the board of the Pike County Chamber of Commerce and previously served as its chairman. He is a member of the board of The Mountain Comprehensive Care Center and Kentucky Opry.

Jerome A. Kanney is also a Kentucky CPA who owns and operates a CPA firm in Pikeville, Kentucky. The firm, started in 1981, provides accounting, and tax services for the companies that are jointly owned by Mr. Rohrer and Mr. Kanney. Jerry previously was employed for approximately four years by Pikeville National Bank and Trust Company (renamed Community Trust Bank) as Auditor and as Vice - President - Commercial Loans. Jerry was hired to develop and implement a professional internal

audit department for the Bank. After accomplishing this goal, he then transferred to the commercial loan department, rising to the level of vice president. Jerry started his career working for Ernst & Young, CPA's (formerly Ernst & Ernst – a big 8 firm), in Saginaw, Michigan. He received auditing and tax experience during his four years with the firm.

See various awards and information regarding Jerry which are attached hereto and incorporated herein by reference as Exhibit E.

Dennis L. (Denny) Rohrer

Dennis Rohrer is an oil and gas production specialist in treatment, production and production equipment. Denny has twenty-five years experience in the oil and gas industry and is currently working primarily in eastern Kentucky and surrounding areas. He researched and initiated the nitrogen frac as it is used by most companies today. He also researched and initiated the foamed acid treatment that has been very successfully used in the eastern Kentucky area.

From 1980 to 1985 Mr. Rohrer was employed by United Recoveries, Inc., and was responsible for successfully drilling 14 gas and oil wells in Pike and Floyd Counties and has drilled approximately 175 wells since the formation of Interstate Natural Gas Company. He currently resides in Pikeville and is heavily involved in different charitable and service organizations such as the YMCA (past chairman), Pike County Chamber of Commerce (executive committee), Rotary Club, and the St. Francis Church (past chairman of the parish council). Denny received the 2004 "Excellence in Entrepreneurship Award" from Eastern Kentucky University. Interstate Natural Gas Company was selected by the Pike County Chamber of Commerce as the "Business of the Year for 2004. He has been very active in Special Olympics in the past. In 2001, the Kiwanis Club of Pikeville selected Denny as its Citizen of the Year.

Denny has received training in the following areas:

Installing and servicing gas service lines, meters, and regulator sets (11/17/99)
M-1 Perform leakage and patrolling surveys on gas pipeline facilities (11/15/00)

See various awards and information regarding Denny which are attached hereto and incorporated herein by reference as Exhibit F.

Michael Burke

Michael Burke is controller of Interstate Natural Gas Company. Michael has been with the company since 2001. His prior experience is very similar to Mr. Kanney's, in that he started his career with Ernst & Young (formerly Ernst & Ernst) and was a senior accountant. He also spent approximately 9 years with The First National Bank of Pikeville, Bank One and Matewan National Bank as controller and chief financial officer before going to work in the energy industry. In 1997 he joined Sunny Ridge Mining Company as Controller and chief financial officer until the Company was sold to AEI in 1999. He then became the controller of Black Mountain Resources, a coal company operating in Harlan and Letcher Counties.

See various awards and information regarding Michael which are attached hereto and incorporated herein by reference as Exhibit G.

Melissa Hopkins

Melissa Hopkins is the office manager for Interstate Natural Gas Company. Melissa has been working for Interstate for over thirteen years and has extensive experience in the oil and gas industry. Melissa has experience as a land agent, office manager, bookkeeper, and various other aspects of the oil and gas business. Melissa is a member of The Appalachian Association of Professional Landmen. She has been a frequent volunteer for the Pikeville Area Special Olympics. Melissa is currently the logistics chairperson for American Cancer Society's "Relay for Life".

Joe Meglen

Joe Meglen is a geologist that has been consulting for Interstate Natural Gas Company for several years. Joe came on board full-time in June 2003. Joe worked for two and half years with the Kentucky Geological Survey of The University of Kentucky.

While at the Kentucky Geological Survey, Joe helped compile and produce the Oil and Gas Map of the Pikeville 30 x 60 Minute Quadrangle, Big Sandy District, Kentucky. Also, Joe was involved in the composition of the Atlas of Major Appalachian Gas Plays that was funded by the U.S. Department of Energy, compiled by the Appalachian Oil and Natural Gas Research Consortium, edited by the U.S. Geological Survey, and with contributions by the Kentucky Geological Survey, Ohio Department of Natural Resources, West Virginia Geological and Economic Survey, and other various geologic survey departments.

Joe worked for five years with Jefferson Gas, a gas distribution and PSC company and was heavily involved in training for pipeline safety, PSC regulations and standards, and OSHA regulations for the company. Joe is involved in the exploration for natural gas and oil. He has found several prospective locations that have been submitted to land agents to procure leases and rights of way. Joe is also putting various maps on the computer and using global positioning systems to locate wells and pipelines on these maps.

John Rediford

John Rediford is a graduate of the University of Kentucky with a major in electrical engineering. John has 26 years experience in the oil and gas industry with Equitable Resources. He joined Interstate Natural Gas Company as of March 2004 and is currently handling the compression, analysis, and processing of natural gas.

See various awards and information regarding John which are attached hereto and incorporated herein by reference as Exhibit H.

James Glass

James serves as project manager for Jerry and Denny's companies. He is a graduate of the University of Arkansas with a degree in marketing and management. James has over twenty years experience in retail with JC Penney's

and Lowe's. James' experience includes supervision of up to 150 employees and responsibility for a \$38,000,000 budget.

See various awards and information regarding James which are attached hereto and incorporated herein by reference as Exhibit I.

James Meade

James is an accountant for Jerry and Denny's companies. He is a graduate of Eastern Kentucky University with a degree in Business Administration, Accounting. James has over twelve years experience in the accounting field. James served in the United States Army as a finance specialist for four years.

See various awards and information regarding James which are attached hereto and incorporated herein by reference as Exhibit J.

Operating Personnel

Kevin Garrett

Kevin has been with Interstate since 1998. He is currently supervisor of the staff of five employees. Kevin has received training in the following areas:

- H-1 Install domestic gas meters and regulator sets (11/14/01)
- H-2 Install domestic gas service lines (11/14/01)
- L-2 Purging gas lines (9/10/02)
- M-1 Perform leakage and patrolling surveys on gas pipeline facilities (11/15/00)
- M-1 Perform leakage and patrolling surveys on gas pipeline facilities (2/5/02)
- M-2 Locate and mark underground pipeline facilities (2/6/02)
- M-3 Test domestic gas service lines (11/14/01)
- M-4 Inspect and Test Pressure Limit Stations, Relief Devices and pressure regulating stations (11/13/02)
- M-5 Maintain line valves in gas transmission/distribution piping (9/10/02)
- M-7 Prevent accidental ignition (9/11/02)
- M-10 Abandon/deactivate gas pipeline systems (9/10/02)
- Investigating gas leaks and odors in buildings (11/14/00)
- Monitoring potentially hazardous atmosphere (11/14/00)
- Installing and servicing gas service lines, meters, and regulator sets (11/17/99)
- Test procedures for orifice meter secondary elements (9/9/02)
- Identifying procedures/processes basic to producing, transporting, and distributing natural gas (4/15/03)
- Identifying basic properties of fuel gas (4/15/03)
- Adjusting gas burners for proper combustion (4/16/03)
- Measuring and regulating natural gas in a distribution system (4/16/03)

See various certificates and information regarding Kevin which are attached hereto and incorporated herein by reference as Exhibit K.

Randy Iricks

Randy has been with Interstate since 1999. Randy has been an employee for over four years. He has had the following training:

H-1 Install domestic gas meters and regulators sets (4/16/02)
H-2 Install domestic gas service lines (4/16/02)
L-2 Purging gas lines (9/10/02)
M-1 Perform leakage and patrolling surveys on gas pipeline facilities (2/5/02)
M-2 Locate and mark underground pipeline facilities (2/6/02)
M-3 Test domestic gas service lines (9/10/02)
M-4 Inspect and test pressure limit stations, relief devices and pressure regulating stations (11/13/02)
M-5 Maintain line valves in gas transmission/distribution piping (9/10/02)
M-7 Prevent accidental ignition (9/11/02)
M-10 Abandon/deactivate gas pipelines (9/13/02)
Test procedures for orifice meter secondary elements (9/2/02)
Identifying procedures/processes basic to producing, transporting, and distributing natural gas (4/15/03)
Identifying basic properties of fuel gas (4/15/03)
Adjusting gas burners for proper combustion (4/16/03)
Measuring and regulating natural gas in a distribution system (4/16/03)

See various certificates and information regarding Randy which are attached hereto and incorporated herein by reference as Exhibit L.

Jackie Whitt

Jackie came to work for Interstate in 2000 and has many years of experience. Jackie has training in the following areas:

H-1 Install domestic gas meters and regulator sets (11/14/01)
H-2 Install domestic gas service lines (11/14/01)
L-2 Purging gas lines (9/10/02)
M-1 Perform leakage and patrolling surveys on gas pipeline facilities (2/5/02)
M-2 Locate and mark underground pipeline facilities (2/6/02)
M-3 Test domestic gas service lines (11/24/01)
M-4 Inspect and test pressure limit stations, relief devices and pressure regulating stations (11/13/02)
M-5 Maintain line valves in gas transmission/distribution piping (9/10/02)
M-7 Prevent accidental ignition (9/11/02)
M-10 Abandon/deactivate gas pipeline systems (9/10/02)
Recognizing and identifying hazardous materials (2/10/96)
Identifying factors affecting gas measurement (11/2/94)
Using instruments in gas leakage surveys (11/3/94)
Locating electrical shorts and open couplings in cathodic protected piping systems (11/2/94)
Surveying for natural gas leaks (12/8/95)
Inspecting the installation of pipelines (9/16/97)
Joining polyethylene pipe (9/17/97)

See various certificates and information regarding Jackie which are attached hereto and incorporated herein by reference as Exhibit M.

Sue Crum – Proposed contract accountant

Graduate of Pikeville College, business major
Twenty years experience in the offices of the gas distribution PSC companies of Auxier Road Gas and Sigma Gas Corporation preparing of the public service company annual report, preparing financial statements, preparing Public Service Company property tax returns, assisting customers with any problems, resolving complaints and general office management.

Kim Crisp – Proposed contract accountant

Graduate of Pikeville College, business major
Twenty years experience in the offices of the gas distribution and public service companies Auxier Road Gas and Sigma Gas Corporation preparing of the public service company annual report, preparing financial statements, preparing Public Service Company property tax returns, assisting customers with any problems, resolving complaints and general office management.

Fred Ballard

Fred is a GPS/GIS technician that is currently mapping all of Interstate Natural Gas Company's pipelines by utilizing a global positioning system and integrating it into a GIS system. Fred is a graduate of Eastern Kentucky University with a BS in construction design. Fred could map all of the pipelines owned by Sigma Gas Corporation with the use of the GPS system to get exact locations of the pipelines. This would be beneficial to the Salyersville and Magoffin County areas.

See various awards and information regarding Fred which are attached hereto and incorporated herein by reference as Exhibit N.

The Public Interest Analysis under KRS 278.020 (6)

Reasons that it is in the public's interest for Jerome A. Kanney and Dennis L. Rohrer to own Sigma Gas Corporation

1. Jerry and Denny's companies explore for and produce natural gas and oil, which are vitally important for Kentucky and for our country. This would help to insure a sufficient and stable supply of gas to the customers of Sigma Gas Corporation. Jerry and Denny also own Dema Gas Company, Inc. and Cow Creek Gas, Inc. which are natural gas utilities distributing gas to homes and businesses in Knott and Floyd counties. Jerry and Denny plan to expand more in the Salyersville-Magoffin County and the Floyd County area. If wells were drilled in this area, not only would it provide for stability to the gas supply for Sigma customers but it would also be a good stimulus to the economy in the area. Each natural gas well drilled and completed can cost up to \$200,000. Since the supplies and service work are provided by local companies in eastern Kentucky this money spent will be turned over several times resulting in an economic impact of nearly \$600,000 per well.
2. Interstate's sales have steadily increased since its inception. Sales have increased significantly since 1998. This indicates that Jerome A. Kanney and

Dennis L. Rohrer have achieved a level of expertise in the gas business that is required to provide Sigma customers with the level of service that they need.

3. Jerry and Denny have provided safe and stable employment in eastern Kentucky for the past 16 years. Employment has gone from 0 employees in 1989 to 50 employees today for Jerry and Denny's companies. The addition of Sigma would increase overall employment.
4. Sigma can provide work for several full time and part time contractors.
5. Jerry and Denny are very supportive of civic and charitable activities in eastern Kentucky.
6. The various companies have provided its owners Jerome A. (Jerry) Kanney and Dennis L. (Denny) Rohrer with the time and resources to be involved in and in the leadership of many civic and charitable organizations. This involvement includes the YMCA, Chambers of Commerce in Pike and Floyd counties and the Tug Valley, Rotary Club, Special Olympics, Kiwanis Club, Big Sandy Community and Technical College, Kentucky Opry, St. Francis School, Kentucky Oil and Gas Association, the Kentucky Gas Association, and The Society of Professional Engineers.
7. Jerry and Denny's companies are growing rapidly and they are aggressively returning profits back into their companies to insure progressive growth into the future.
8. The major portion of parts and supplies used by Interstate and related companies comes from local suppliers and business people.
9. Jerry and Denny's companies have bought over 20 new and used vehicles from local dealers and individuals in the past few years.
10. Jerry and Denny's companies have purchased 8 bulldozers and 9 excavators during the past three years from Kentucky based companies and individuals.
11. One of Jerry and Denny's companies has purchased numerous state of the art computer systems from a local independent computer specialist in the past three years.
12. Jerry and Denny's companies get their phone service from a company headquartered in Kentucky.
13. Internet service is provided by a company headquartered in Kentucky.
14. The Companies secure the majority of their insurance from a company that was originated in Kentucky.

15. Jerry and Denny expanded their office space in Pikeville. The new expansion has more than doubled the office space for the Company. The office space expansion was completed in December 2002.
16. Jerry and Denny started Crossrock, Inc. to drill all gas wells for Interstate Natural Gas Company and for other companies. Crossrock purchased a Schramm rotary drill and all related equipment to start drilling gas wells in September 2003. The cost of the drill and related equipment was nearly \$2,000,000. Today Crossrock, Inc. employs 7 people at high paying jobs. The demand for drilling services has been very high and the drilling company has drilled 81 wells for Jerry and Denny's companies and for non-related companies as of January 31, 2005.
17. One of Jerry and Denny's companies hired a full-time geologist in 2003 to help with the exploration for natural gas. The geologist has helped locate numerous potential areas for drilling. These prospects have been submitted to the land department for lease acquisition and procurement of drilling rights. Some of the Magoffin and Floyd county prospects are located along the Sigma Gas Corporation pipelines.
18. Interstate uses Sexton Land & Title Company based in Knott County, Kentucky for most of its oil & gas leasing and right-of-way work. Sexton Land & Title Company now employs 5 people that devote materially all of their time to Interstate Natural Gas Company. Ken Carty, a resident of Magoffin County, leases in the Magoffin and Morgan County areas.
19. One of Jerry and Denny's companies has also hired an electrical engineer. The engineer comes with many years of experience in the gas industry and provides invaluable help with the gathering, compression, processing, transport and distribution of gas produced by company.
20. Jerry and Denny's primary financial institution is Community Trust Bank. CTBI is headquartered in eastern Kentucky and is the largest bank holding company headquartered in Kentucky. They also maintain relationships with First Commonwealth Bank in Prestonsburg, Classic Bank in Paintsville, Citizens National Bank in Paintsville, Family Bank in Paintsville, BB&T Bank in Pikeville, and Kentucky National Bank of Pikeville.
21. Jerry and Denny regularly encourage their employees to volunteer at civic and charitable activities and allow them to participate during business hours.
22. Jerry and Denny sponsor eight employees membership in the Pikeville Rotary Club. Jerome A. Kanney is president-elect of the Pikeville Rotary Club and was Rotarian of the year for 2002. The other Interstate employees are very active in the Pikeville Rotary Club as well.
23. Jerry and Denny sponsor employee memberships to the Pikeville Area Family YMCA for all of its employees. The employee only has to pay a nominal monthly fee for membership. Jerome A. Kanney has been chairman of the

board of the Pikeville Area Family YMCA for eight straight years. Dennis L. Rohrer is also on the Board of YMCA and has served as chairman for three years. Several Interstate employees are actively involved in leadership roles at the YMCA. Interstate has pledged the earnings from two gas wells to provide financial support to the Pikeville Area Family YMCA for its new building addition. Interstate Natural Gas Company with its owners Jerry Kanney and Dennis Rohrer have been and continue to be the most benevolent supporters of the Pikeville Area Family YMCA.

24. Jerry and Denny hired a GPS/GIS technician to record the exact location of all the pipelines that they own. This could be very beneficial to have all of Sigma pipelines located and mapped based on a global positioning system and integrated with a GIS system.
25. Sigma Gas Corporation is presently in bankruptcy. Kanney and Rohrer have the financial, technical and management ability to restore Sigma to a viable operating entity. They additionally have the ability to add significant economic benefits to the Magoffin and Floyd County areas.
26. Kanney and Rohrer have several sources to provide natural gas to Sigma Gas Corporation, including Interstate Natural Gas Company. Once the transfer of the stock of Sigma Gas Corporation is approved, Sigma will have new opportunities for reliable gas supply. These would include obtaining gas supply through existing transportation contracts held by Interstate Natural Gas Company from Columbia Gas Transportation and Kentucky West Virginia Gas Company. Interstate and its affiliates currently supply gas to other PSC natural gas utilities including B & H Gas, Johnson County Gas, Cow Creek Gas, and Dema Gas.
27. Additionally, Interstate plans to drill a number of new wells along the Sigma line to provide available gas supply to Sigma's existing customers and Sigma and/or Interstate's new customers. The area will benefit significantly from new jobs created, royalties to mineral landowners, supplies purchased from area businesses, severance taxes on production, and local property taxes paid. Half of all natural gas severance taxes are returned to the county where the natural gas is produced.
28. According to the 2003 PSC filing, Sigma Gas Corporation has 778 total customers – 663 residential sales customers and 115 commercial and industrial sales customers in Magoffin and Floyd Counties at the end of the year. Sigma purchased 47,141 MCF of natural gas in 2003 (35,639 MCF from Alliance Energy and 11,502 MCF from Equitable Resources). Kanney and Rohrer intend to purchase more gas for Sigma customer use from Kentucky production! Logic would dictate that Kentucky would benefit from this intention. With an emphasis on using gas produced in eastern Kentucky, the local economy would benefit in many ways. As a result of using gas produced in eastern Kentucky, it should have no adverse affect on rates.

29. Since Sigma Gas Corporation is in bankruptcy, approval of the stock transfer to new owners would be in the best interest of the public. According to the October 2004 Bankruptcy filing, the Kentucky Government Office of Local Development (GOLD) has a secured debt of \$1,258,419.00, and no payments have been made on the debt since November 1999. Repayment ability would be greatly enhanced with the PSC approval of the stock transfer.

Effects on Service or Rates

Kanney and Rohrer anticipate retaining accounting, billing and collection services with contract accountants who currently provide this service for Sigma. Continuity would thus be maintained.

Kanney and Rohrer intend to continue the service provided by Sigma with existing personnel and/or personnel from Interstate Natural Gas Company and affiliates, and/or new employees.

As a result of Kanney and Rohrer's financial, technical, and managerial abilities as set forth herein, the public interest will be served by the proposed transfer of stock in as much as there will be an enhanced effect on existing service.

Kanney and Rohrer have agreed to adopt the current rates in effect.

Financial, technical, and management ability references – KRS 278.020 (5)

The financial, technical, and management ability of Kanney and Rohrer are verified with the following written letters which are included as Exhibit C.

Community Trust Bank – Pikeville 606-432-1414
Mark Gooch, President

First Commonwealth Bank – Prestonsburg 606-886-2321
Greg Wilson, President

Classic Bank – Paintsville 606-789-2111
Bob Bays, President

Citizens National Bank – Paintsville 606-789-4001
Dennis Dorton, President

Family Bank – Paintsville 606-437-6231
John Blackburn, President

George Edwards – President
Big Sandy Community and Technical College 606-886-3863

Jim Newman
President, The Elk Horn Coal Company, LLC – Prestonsburg 606-886-2330

Mike Corriveau
The Pikeville Area Family YMCA, Executive Director 606-433-9622

Other References

Additional references if needed, are as follows:

Bill Baird, attorney
Baird & Baird, Pikeville 606-437-6276

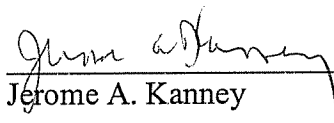
Charles Baird, attorney
Baird & Baird, Pikeville 606-437-6276

Harold Breahm, President
Elliott Contracting – Pikeville 606-437-7368

Jerry Green – Superintendent
Pikeville Independent Schools 606-432-8161

Wherefore, in as much as the Applicants have shown that they have the requisite financial, technical, and managerial ability to operate Sigma Gas Corporation and the public interest will be served by the consummation of the proposed transfer of ownership, the Applicants ask the Public Service Commission and the Commonwealth of Kentucky to enter an Order authorizing the transfer of ownership of Sigma Gas Corporation.


Verification


Jerome A. Kanney


Dennis L. Rohrer

COMMONWEALTH OF KENTUCKY
COUNTY OF ~~PIKE~~ Franklin

The foregoing application was sworn and subscribed to before me
by Jerome Kanney and by Dennis Rohrer this 9th February, 2005.


Notary Public, State at Large
My commission expires 11/30/08