

# City of Salyersville

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March 1, 2005

Public Service Commission  
211 Sower Blvd.  
Frankfort KY. 40601

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PUBLIC SERVICE  
COMMISSION

Attention: Jerry Weutcher

RE: Application for the transfer of Sigma Gas Corporation stock

Dear Mr. Weutcher

Jerome A. Kanney and Dennis L. Rohrer failed to obtain the prior approval of the PSC to purchase the stock of Sigma Gas Corporation pursuant to the requirements of KRS 278.020 (5) (6) and therefore their request should be denied. The City of Salyersville was approached and had the opportunity to purchase a portion of the corporate stock of Sigma Gas but due to the requirements of KRS 278.020 (5) (6) was unable to do so. The City of Salyersville realized that they must have PSC approval prior to any purchase of stock.

If the application is allowed to stand for review, the City of Salyersville pursuant to the requirements of KRS 278.020 (6) intends to show good cause why the transfer of the corporate stock of Sigma Gas Corporation to Jerome Kanney and Dennis Rohrer would not be in the best interest of the public.

Jerome A. Kanney and Dennis L. Rohrer's application for the purchase of the corporate stock of Sigma Gas Corporation should be denied on the grounds that Kanney and Rohrer have not demonstrated the ability to manage and provide the technical expertise to run and operate Sigma Gas Corporation pursuant to the requirements of KRS 278.020 (5)

After reviewing the application of Kanney and Rohrer, we the City of Salyersville truly, believe the best interest of the public will not be served if this application is approved. Below are several points we wish to be considered before the PSC's decision is made.

- In the application Kanney and Rohrer state that without the transfer of stock "Sigma Gas Corporation would likely cease to exist". It is correct that Sigma Gas Corporation would cease to exist, however this does not mean that the 778 customers would be without service. The City of Salyersville has been working closely with the Bankruptcy Court and the Department of Local Government to purchase the assets of the Sigma Gas Corporation. The City of Salyersville has in place the infrastructure to own and operate this company under the name of

Salyersville Utilities. They also have a verbal agreement, which will become a written contract, with Jefferson Gas to supply gas to the City of Salyersville.

- Kanney and Rohrer also states in the application that they own and operate two successful gas companies that supply both residential and commercial. In fact the two companies they own together have a total of 53 customers. According to the annual PSC report Dema Gas has 18 residential customers and zero (0) commercial and Cow Creek Gas has 35 residential and zero (0) commercial. Indeed these two small companies may be successful. The margin in the number of customers between the two owned companies and Sigma is much too great to predict the successful operation of this much larger company. The fact that Kanney and Rohrer do not have the experience in operating a large gas distribution company demonstrates Sigma would not have the managerial ability to provide reasonable service as required by KRS 278.020 (5).
- Sue Crum and Kim Crisp are the present bookkeepers for Sigma Gas. Kanney and Rohrer state that they plan on contracting with Ms. Crum and Ms. Crisp to continue to do the monthly financial bookkeeping work. It does not seem feasible to allow the bookkeepers of a bankrupted company to continue doing the financial bookkeeping of the newly owned company. The fact that Kanney and Rohrer have made the poor decision of keeping the same bookkeepers of a bankrupted company also demonstrates that Sigma would not have the managerial ability to provide reasonable service as required by KRS 278.020 (5).
- Sigma gas has transferred ownership 3 times in the last 15 years. The main reason for the transfer was that the previous owners relied totally on local gas wells to supply the gas to their customers. As history shows, gas can not be supplied using the local gas wells that are currently drilled. Kanney and Rohrer state that their main supply of gas will come from local wells and that if approved by the PSC they would have “new opportunities for reliable gas supply”. Having “opportunities for reliable gas supply “is not a guarantee of having gas supply. In order to provide reasonable service to Sigma customers and in the best interest of the public, a surplus supply of gas must be identified. Kanney and Rohrer have not identified any guarantee of gas supply. They say they are going to drill more wells. Drilling more wells may supply gas in the future but it will not supply gas in the present. The fact that Kanney and Rohrer can not identify a steady supply of gas demonstrates that they do not have the technical ability to provide reasonable services as required by KRS 278.020 (5).

In summary, Kanney and Rohrer do not have either the managerial ability or the technical ability to provide reasonable services to the customers of Sigma Gas. Due to Kanney and Rohrer’s lack of experience in operating a large gas distribution company and their poor decision on keeping the same bookkeepers demonstrates that they do not have the managerial ability to operate the Sigma Gas Company. And due to Kanney and Rohrer not being able to identify a surplus gas supply demonstrates that they do not have the technical ability to operate the Sigma Gas Company.

As an elected official for the City of Salyersville, we are deeply concerned about this situation. We feel that Sigma Gas should be allowed to sell through the proceedings of the bankruptcy court. If approved by the PSC it is our understanding that Kanney and Rohrer intend to ask the bankruptcy court to change the bankruptcy from Chapter 7 to Chapter 11. This would mean Sigma Gas would still be in bankruptcy and the customers will still have the same problems. The issue of gas supply to the residents of the City of Salyersville has been an ongoing problem for many years. Allowing the proposed transfer of stock will only pose new problems as well as prolong the original problem. We ask that the PSC deny the application of Kanney and Rohrer for the transfer of stock of Sigma Gas Company.

Sincerely,

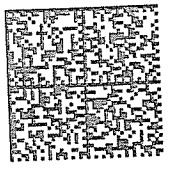
A handwritten signature in cursive script, appearing to read "Stanley Howard".

Stanley Howard  
Mayor

Cc: Andy Barr, Department of Local Government  
Gail Russell, Goldberg and Simpson  
Grayson Smith, Liaison to the Governor

SVILLE  
KENTUCKY 41465

PUBLIC SERVICE COMMISSION  
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FRANKFORT, KENTUCKY 40601  
ATTN: JERRY WEUTCHER



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