



RECEIVED

AUG 15 2008

PUBLIC SERVICE  
COMMISSION

STOLL · KEENON · OGDEN  
PLLC

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Deborah T. Eversole  
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August 15, 2008

2008-00338

Ms. Stephanie L. Stumbo  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

**RE: *The Application of Cow Creek Gas, Inc. for an Order Authorizing Financing***

Dear Ms. Stumbo:

Enclosed please find an original and ten copies each of Cow Creek Gas, Inc.'s Verified Application as well as its Motion to Incorporate by Reference.

Please indicate receipt of this filing by your office by placing a file stamp on the extra copy and returning to me via our runner.

Very truly yours,

STOLL KEENON OGDEN PLLC

Deborah T. Eversole

DTE:jms  
Enc.

RECEIVED

COMMONWEALTH OF KENTUCKY

AUG 15 2008

BEFORE THE PUBLIC SERVICE COMMISSION PUBLIC SERVICE COMMISSION

In The Matter Of:

THE APPLICATION OF COW CREEK )
GAS, INC. FOR AN ORDER )
AUTHORIZING FINANCING )

CASE NO. 2008- 00888

VERIFIED APPLICATION

Cow Creek Gas, Inc. ("Cow Creek," or the "Applicant"), by counsel, for its application for an order authorizing financing pursuant to KRS 278.300 and all applicable regulations, states as follows:

1. The Applicant's full name is Cow Creek Gas, Inc. The post office address of the Applicant is 347 Thompson Road, Pikeville, Kentucky, 41501. Cow Creek is a Kentucky corporation in good standing, and a utility as defined by KRS 278.010(3)(b). Cow Creek provides retail gas service to approximately 53 customers in Floyd County, and to approximately 550 customers in Johnson, Floyd, and Magoffin counties, the area previously served by Sigma Gas Corporation ("the Sigma Territory"). The Commission approved the transfer of a portion of the assets of Sigma Gas Corporation ("Sigma") to Cow Creek in Case No. 2007-00419.1 A certified copy of Cow Creek's Articles of Incorporation was filed with the Commission in Case No. 2007-00419.

2. Prior to consolidation of its operations and rates, Cow Creek continues to provide service to its new customers in the Sigma Territory under the terms and conditions of the pre-existing Sigma tariff, which has been adopted by Cow Creek.

1 In the Matter of Application of DLR Enterprises, Inc. and Cow Creek Gas, Inc. for Approval of the Transfer of Certain Assets Formerly Owned and Controlled by Sigma Gas Corporation (Final Order dated November 21, 2007).

3. As stated in the Application filed in Case No. 2007-00419, the initial funding of Cow Creek's purchase in bankruptcy of certain assets of the Sigma Gas Corporation was by two one-year, 9% loans from Cow Creek's owner/operators, Jerome Kanney and Dennis Rohrer. The total aggregate of the amount so funded was \$375,000. Cow Creek now proposes to enter into a loan for \$350,000.00 to pay the major portion of those notes, which are dated January 8, 2008, thereby obtaining permanent financing for the bulk of the cost of the acquisition pursuant to the terms and conditions described in the formal loan commitment for \$350,000.00 issued by Citizens National Bank of Pikeville, Kentucky. The loan commitment letter is attached to this Application as Exhibit 1. The assets acquired are fully described in Case No. 2007-00419, which Cow Creek asks that the Commission incorporate by reference pursuant to Cow Creek's Motion filed on this same date.

4. Cow Creek proposes to borrow \$350,000.00 for a term of 120 months, at a rate of New York Prime plus 0.75%. The collateral for the loan consists of a first security lien on the assets of the former Sigma Gas Corporation purchased by Cow Creek.

5. Exhibit 2 to this Application includes the financial exhibit required by 807 KAR 5:001, Section 11(2)(a), and described by 807 KAR 5:001, Section 6. Exhibit 2 also contains copies of trust deeds and mortgages of Cow Creek as required by 807 KAR 5:001, Section 11(2)(b).

6. A general description of Cow Creek's property and the original cost to Cow Creek of same, as required by 807 KAR 5:001, Section 11(1)(a) is attached hereto as Exhibit 3.

7. The financing described herein is for a lawful object within the corporate purposes of Cow Creek and is necessary, appropriate for, and consistent with the proper performance by Cow Creek of its service to the public. Further, said financing will not impair Cow Creek's ability to perform its services to the public.

**WHEREFORE**, Cow Creek Gas, Inc. respectfully requests that the Commission enter its Order authorizing Cow Creek to enter into the loan agreement as described herein.

Respectfully submitted,

A handwritten signature in cursive script, reading "Deborah T. Eversole", is written over a horizontal line.

C. Kent Hatfield  
Deborah T. Eversole  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202  
(502) 333-6000

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF PIKE

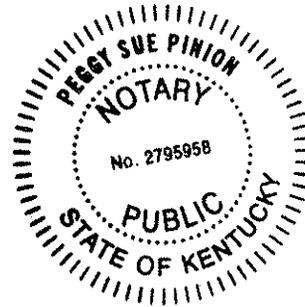
Jerome A. Kanney, being first duly sworn, deposes and says that he is President of Cow Creek Gas, Inc., that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

Jerome A. Kanney  
Jerome A. Kanney  
President, Cow Creek Gas, Inc.

Subscribed and sworn before me this 28<sup>th</sup> day of June, 2008.

Peggy Sue Pinion  
NOTARY PUBLIC, STATE AT LARGE

My commission expires 3/19/2012.







Member FDIC

July 1, 2008 **The bank for your life**

Jerome A. Kanney, President  
Cow Creek Gas, Inc.  
347 Thompson Road  
Pikeville, KY 41501

Dear Mr. Kanney:

Citizens National Bank is pleased to offer you a formal commitment for the loan proposal for Cow Creek Gas, Inc. Following is an outline of the terms and conditions of the loan:

**Borrower:** Cow Creek Gas, Inc

**Loan Amount:** \$350,000.00

**Term:** 120 months

**Rate:** New York Prime plus 0.75%

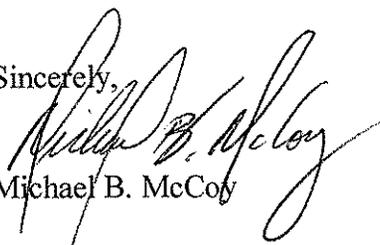
**Collateral:** a first security lien on assets purchased by Borrower from the U.S. Bankruptcy Trustee of the former Sigma Gas Corp.

**Guarantors:** Jerome A. Kanney, Dennis Rohrer, Interstate Natural Gas Company and Crossrock, Inc.

This loan commitment is good through September 30, 2008 and is conditioned upon formal approval of your application by the Public Service Commission of the Commonwealth of Kentucky.

Thank you for the opportunity to offer you this commitment. If you have any questions or comments, please contact me.

Sincerely,

  
Michael B. McCoy

Regional President  
Citizens National Bank



COW CREEK GAS, INC.  
EXHIBIT 2 – FINANCIAL EXHIBIT  
May 31, 2008

- 1) Amount and kind of Stock Authorized - 100 Shares of Common Stock Authorized at no par share. The articles of incorporation is on filed with the Public Service Commission in regards to Case # 2007-00419.
- 2) Amount and kind of Stock Issued and outstanding – 100 Shares Issued. Fifty shares issued to Jerome A. Kanney and fifty shares issued to Dennis L. Rohrer on November 20, 1992. The company has no outstanding stocks.
- 3) The company has no preferred stock, cumulative or participating, or on dividends or assets or otherwise.
- 4) Cow Creek Gas, Inc. has no mortgage.
- 5) Cow Creek Gas, Inc has no bonds authorized or issued.
- 6) The corporation has two notes payable outstanding. The notes were issued on January 8, 2008 to Jerome A. Kanney and Dennis L. Rohrer in the amount of \$187,500 each (totaling \$375,000). The terms were for notes to be for one year at a 9% interest rate. The maturity date is January 8, 2009. The amount of interest accrued from January 8 to May 31, 2008 was \$12,852.75. The amount paid on accrued interest is \$6,480.56.
- 7) Other indebtedness – As of May 31, 2008 Cow Creek Gas, Inc. owes DLR Enterprises, Inc. \$76,172.36 for the company's portion of the legal fees (\$124,172.36 total less payment of \$54,000.00) in the acquisition of the assets of the company previously known as Sigma Gas Corporation.
- 8) Rate and amount of dividends paid by Cow Creek Gas, Inc. in the past five years are as follows:
  - a. 2003 paid zero
  - b. 2004 paid zero
  - c. 2005 paid zero
  - d. 2006 paid zero, and
  - e. 2007 paid zero
- 9) Detailed Income Statement and Balance Sheet for the twelve months ended May 31, 2008 are attached.

**COW CREEK GAS, INC.**  
**BALANCE SHEET**  
**May 31, 2008**

**ASSETS**

Current Assets:

Cash	34,911	
Accounts Receivable	51,862	
Total Current Assets		86,773

Fixed Assets:

Shop Building	15,876	
Meters	99,352	
House Regulators	33,833	
Mains	759,707	
Less: Accumulated Depreciation	(445,626)	
Total Fixed Assets		463,142

TOTAL ASSETS 549,915

**LIABILITIES**

Accounts Payable	94,362	
Interest Payable	6,484	
Notes Payable	5,188	
Customer Deposits	2,237	
Due To Related Party	76,172	
Loans from Shareholders	375,000	
Total Liabilities		559,443

**STOCKHOLDERS EQUITY**

Capital Stock	1,000	
Retained Earnings	(10,528)	
Total Equity		(9,528)

TOTAL LIABILITIES & EQUITY 549,915

**COW CREEK GAS, INC.**  
**STATEMENT OF INCOME**  
**For The Twelve Months Ended May 31, 2008**

<b>REVENUES:</b>	
Gas Income	436,950
Miscellaneous Income	<u>1,885</u>
Total Revenue	438,835
<b>OPERATING EXPENSES</b>	
Gas Purchases	282,823
Outside Services-Line Repairs	84,000
Billing Services	18,480
Depreciation Expense	<u>13,688</u>
Total Operating Expenses	<u>398,991</u>
Gross Profit from Operations	39,844
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	
Parts & Supplies	7,119
Freight	208
Accounting Services	3,012
Taxes	12,751
Office Supplies & Expenses	1,681
Printing	252
Bank Service Fees	313
Legal Fees	7,643
Rent Expense	<u>6,189</u>
Total General and Administrative Expense	<u>39,168</u>
<b>INCOME BEFORE OTHER INCOME AND EXPENSES</b>	676
<b>OTHER EXPENSE</b>	
Interest Expense	<u>12,853</u>
Total Other Expense	<u>(12,853)</u>
<b>NET INCOME (LOSS)</b>	<u><u>(12,177)</u></u>

**ASSIGNMENT OF MORTGAGE**  
(Magoffin County)

**COMMONWEALTH OF KENTUCKY**, acting by and for the use and benefit of the Governor's Office for Local Development (formerly known as Department for Local Government), 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky 40601 ("Assignor"), for good and valuable consideration the receipt of which is hereby acknowledged, hereby assigns to **DLR ENTERPRISES, INC.**, whose address is 347 Thompson Road, P. O. Box 3385, Pikeville, Pike County, Kentucky 41502, and **COW CREEK GAS, INC.**, whose address is 347 Thompson Road, P. O. Box 3385, Pikeville, Pike County, Kentucky 40502 ("Assignees"), *pari passu*, without recourse:

That certain Security Agreement and Mortgage from Sigma Gas Corporation to Assignor dated September 8, 1995, of record in Mortgage Book 55, Page 601 in the Magoffin County Clerk's Office (the "Office");

That certain Security Agreement and Mortgage from Sigma Gas Corporation to Assignor dated September 8, 1995, of record in Mortgage Book 58, Page 573 in the Office;

That certain Security Agreement and Mortgage from Sigma Gas Corporation to Assignor dated October 11, 1996, of record in Mortgage Book 58, Page 337 in the Office;

That certain Amended and Restated Mortgage and Security Agreement from Sigma Gas Corporation to Assignor dated November 16, 1999, of record in Mortgage Book 66, Page 403 in the Office; and

That certain Security Agreement and Mortgage from Sigma Gas Corporation to Assignor dated July 29, 1998, of record in Mortgage Book 63, Page 63 in the Office.

TO HAVE AND TO HOLD the same, *pari passu*, unto the Assignees and to the successors, legal representatives and assigns of the Assignees forever.

IN WITNESS WHEREOF, Assignor and Assignees have executed this Assignment on January 11, 2008.

**COMMONWEALTH OF KENTUCKY,  
GOVERNOR'S OFFICE FOR LOCAL  
DEVELOPMENT**

By: Matt Sawyer  
Title: Chief of Staff - GOLD

("Assignor")



COMMONWEALTH OF KENTUCKY )  
 ) ss:  
COUNTY OF Pike )

The foregoing instrument was signed, sworn to and acknowledged before me by Jerome A. Kammer, as the President of Cow Creek Gas, Inc., a Kentucky corporation, for and on behalf of the corporation, this 10<sup>th</sup> day of January, 2008.

My Commission expires: 3-1-08.

Lenora Pinson  
Notary Public, State at Large, Kentucky

PREPARED BY:



Martin B. Tucker  
Frost Brown Todd LLC  
250 West Main Street, Suite 2700  
Lexington, Kentucky 40507  
859-231-0000

**ASSIGNMENT OF MORTGAGE**  
(Floyd County)

**COMMONWEALTH OF KENTUCKY**, acting by and for the use and benefit of the Governor's Office for Local Development (formerly known as Department for Local Government), 1024 Capital Center Drive, Suite 340, Frankfort, Kentucky 40601 ("Assignor"), for good and valuable consideration the receipt of which is hereby acknowledged, hereby assigns to **DLR ENTERPRISES, INC.**, whose address is 347 Thompson Road, P. O. Box 3385, Pikeville, Pike County, Kentucky 41502, and **COW CREEK GAS, INC.**, whose address is 347 Thompson Road, P. O. Box 3385, Pikeville, Pike County, Kentucky 41502 ("Assignees"), *pari passu*, without recourse:

That certain Security Agreement and Mortgage from Sigma Gas Corporation to Assignor dated October 11, 1996, of record in Mortgage Book 233, Page 400 in the Floyd County Clerk's Office (the "Office");

That certain Amended and Restated Mortgage and Security Agreement from Sigma Gas Corporation to Assignor dated November 16, 1999, of record in Mortgage Book 299, Page 263 in the Office; and

That certain Promissory Note from Sigma Gas Corporation to Assignor dated November 17, 1999, of record in Mortgage Book 299, Page 303 in the Office.

TO HAVE AND TO HOLD the same, *pari passu*, unto the Assignees and to the successors, legal representatives and assigns of the Assignees forever.

IN WITNESS WHEREOF, Assignor and Assignees have executed this Assignment on January 11, 2008.

**COMMONWEALTH OF KENTUCKY,  
GOVERNOR'S OFFICE FOR LOCAL  
DEVELOPMENT**

By: Matt Sawyer  
Title: Chief of Staff - GOLD

("Assignor")

**DLR ENTERPRISES, INC.**

By: James A. Honey  
Title: President

COW CREEK GAS, INC.

By: Jane a Janney

Title: President

("Assignees")

COMMONWEALTH OF KENTUCKY )

COUNTY OF Franklin ) ss:

~~FAYETTE~~ )

The foregoing instrument was signed, sworn to and acknowledged before me by Matt Sawyers, as the Chief of Staff - GO of Commonwealth of Kentucky, Governor's Office for Local Development, this 11 day of January, 2008.

My Commission expires: 07/03/2010.

Natalie Ward  
Notary Public, State at Large, Kentucky

COMMONWEALTH OF KENTUCKY )

COUNTY OF Pike ) ss:

)

The foregoing instrument was signed, sworn to and acknowledged before me by Veronica A. Kemmer, as the President of DLR Enterprises, Inc., a Kentucky corporation, for and on behalf of the corporation, this 10<sup>th</sup> day of January, 2008.

My Commission expires: 3-1-08.

Lenora Linnin  
Notary Public, State at Large, Kentucky

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF Pike )

The foregoing instrument was signed, sworn to and acknowledged before me by Jessie A. Kenney, as the President of Cow Creek Gas, Inc., a Kentucky corporation, for and on behalf of the corporation, this 10<sup>th</sup> day of January, 2008.

My Commission expires: 3-1-08.

Jessie A. Kenney  
Notary Public, State at Large, Kentucky

PREPARED BY:

  
Martin B. Tucker  
Frost Brown Todd LLC  
250 West Main Street, Suite 2700  
Lexington, Kentucky 40507  
859-231-0000

**QUITCLAIM DEED AND ASSIGNMENT**

This **DEED** is made and entered on July 31, 2008, effective as of January 11, 2008,  
from:

SIGMA GAS CORPORATION  
P.O. Box 785  
Prestonsburg, Kentucky 41653

(“Grantor”)

to

COW CREEK GAS, INC.  
347 Thompson Road  
P.O. Box 3385  
Pikeville, Kentucky 41502

(“Grantee”).

**WITNESSETH:**

For a nominal consideration and other good and valuable consideration as more fully set forth in the Asset Purchase Agreement of even date herewith, the receipt and sufficiency of which are acknowledged, Grantor quitclaims and conveys unto Grantee, its heirs, successors and assigns forever, any and all of its respective right, title and interest in and to the real property located in Magoffin County, Kentucky, designated on the map attached hereto as Exhibit A and incorporated herein by reference, including, but not limited to, all real property, easements, prescriptive easements, licenses, rights of way, leaseholds, pipelines, and other contractual interests, rights, easements, licenses, waivers, privileges and immunities relating and appurtenant thereto and as may be set forth in the instruments of record and otherwise, insofar and only insofar as such (i) is located principally within the limits of the City of Salyersville, Kentucky as designated by the black dotted line on the map attached hereto as Exhibit A and (ii) the end-use customer taps, wherever located, whether within or outside the limits of the City of Salyersville, Kentucky (collectively, the “Property”).

The property tax bill for the year in which the subject property is transferred may be sent to Cow Creek Gas, Inc., 347 Thompson Road, P.O. Box 3385, Pikeville, Kentucky 41502.

**CERTIFICATE**

The parties hereto certify under oath that the property herein conveyed is transferred with nominal monetary consideration. They further certify that the full estimated fair cash value of the above-described property is \$0.00. The Grantee joins in the execution of this deed for the purpose of making this certification.

IN WITNESS WHEREOF, Grantor and Grantee duly executed this Deed as of the date first set forth above.

GRANTOR:

**SIGMA GAS CORPORATION**

By: Laura Day Delcotto

Title: Attorney

GRANTEE:

**COW CREEK GAS, INC.**

By: John W. Haney

Title: President

COMMONWEALTH OF KENTUCKY  
COUNTY OF FAYETTE

The foregoing deed and consideration certificate was acknowledged, subscribed and sworn to before me this 1<sup>st</sup> day of July, 2008, by Laura Day Delcotto, as Counsel of record for Grantor as authorized by Court order, on behalf of Grantor.

Natalie Wood  
Notary Public, State at Large

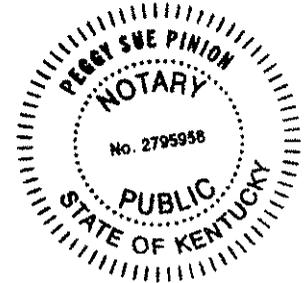
My Commission Expires: 07/03/2010

COMMONWEALTH OF KENTUCKY  
COUNTY OF Pike

The foregoing deed and consideration certificate was acknowledged, subscribed and sworn to before me this 30<sup>th</sup> day of July, 2008, by Jerome A. Kanney, President of Cow Creek Gas, Inc., on behalf of Cow Creek Gas, Inc.

Peggy S. Pinion  
Notary Public

My Commission Expires: 3/19/2012

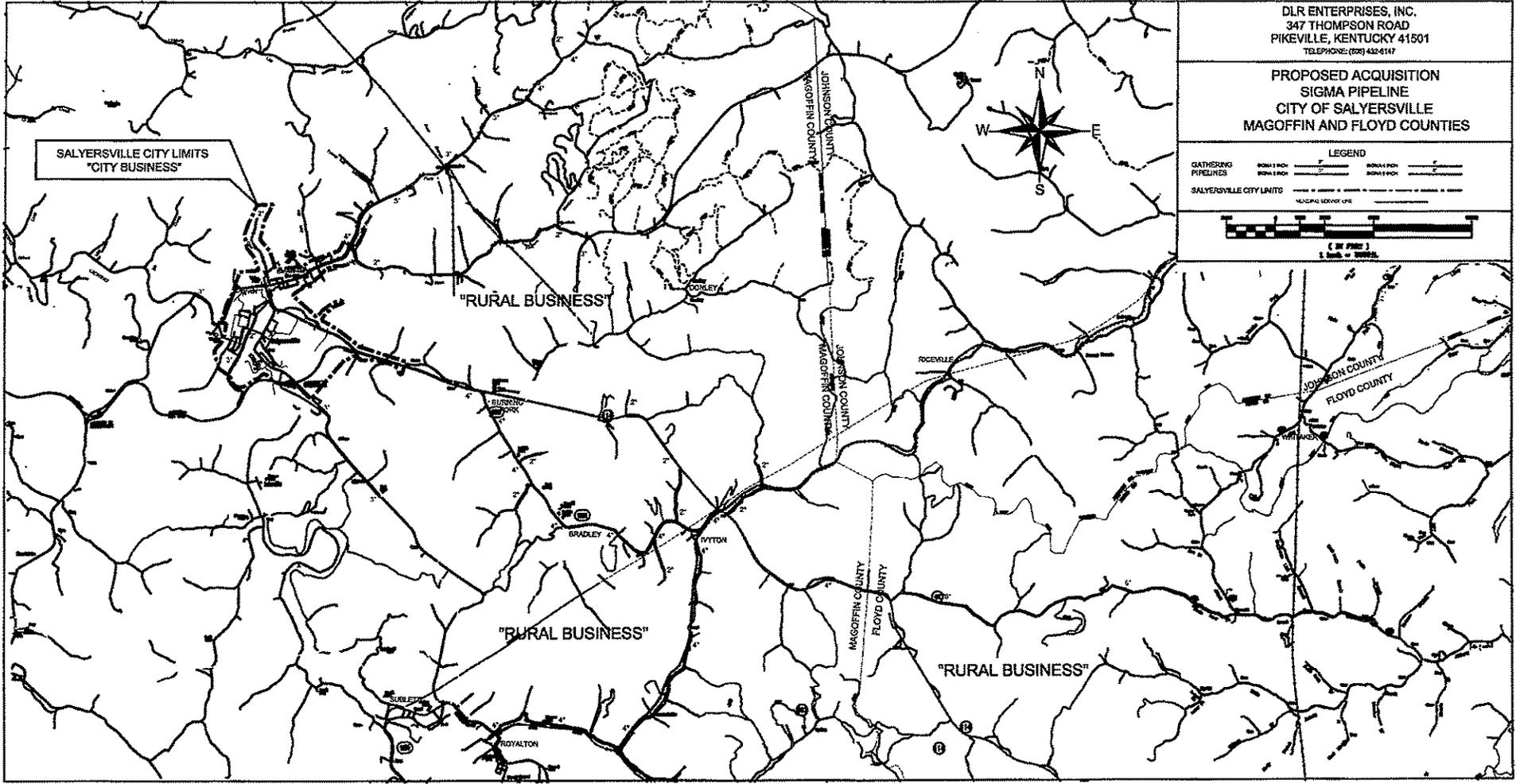


This Deed Prepared By:

M. B. Tucker

Martin B. Tucker, Esq.  
Frost Brown Todd LLC  
250 W. Main Street, Suite 2800  
Lexington, Kentucky 40507  
(859) 231-0000

**EXHIBIT A**



DLR ENTERPRISES, INC.  
 347 THOMPSON ROAD  
 PIKEVILLE, KENTUCKY 41501  
 TELEPHONE: (606) 432-6147

**PROPOSED ACQUISITION  
 SIGMA PIPELINE  
 CITY OF SALYERSVILLE  
 MAGOFFIN AND FLOYD COUNTIES**

**LEGEND**

GATHERING PIPELINES	20" x 1.5" SCH. 40	24" x 1.5" SCH. 40	30" x 1.5" SCH. 40
SALYERSVILLE CITY LIMITS	MAGOFFIN COUNTY		
	FLOYD COUNTY		
	JOHNSON COUNTY		
	MAGOFFIN COUNTY		
	FLOYD COUNTY		
	JOHNSON COUNTY		
	MAGOFFIN COUNTY		
	FLOYD COUNTY		
	JOHNSON COUNTY		
	MAGOFFIN COUNTY		
	FLOYD COUNTY		
	JOHNSON COUNTY		

1" = 1 MILE  
 1" = 0.625 MILES



**Cow Creek Gas, Inc.**  
**Exhibit 3**

<u>Description</u>	<u>Cost Basis for Depreciation</u>
Utility Plant & Shop Building	15,876.00
Total Meters & Meter Installations	99,352.45
Total House Regulators	33,832.96
Total Mains	759,707.47
	<u>\$ 908,768.88</u>

COW CREEK GAS INC.  
DEPRECIATION SCHEDULE  
May 31, 2008

<u>Original Purchase Date</u>	<u>DESCRIPTION</u>	<u>LIFE</u>	<u>Original Cost</u>	<u>Acquisition and Bankruptcy cost adjustments</u>	<u>Basis for Depreciation Purposes</u>
<b>PLANT &amp; BUILDING</b>					
1/1/1995	Utility Plant	10	12,725.00		12,725.00
1/14/2003	Shop Building	10	3,151.00	0.00	3,151.00
	<b>TOTAL PLANT &amp; BUILDING</b>		<b>15,876.00</b>	<b>0.00</b>	<b>15,876.00</b>
<b>MAINS</b>					
10/1/1983	Sigma's Depr. Schedule	35	345,794.00	61,796.89	407,590.89
10/1/1983	Sigma's Depr. Schedule	35	11,270.00	2,014.06	13,284.06
10/1/1984	Sigma's Depr. Schedule	40	68,000.00	16,574.97	84,574.97
10/1/1984	Sigma's Depr. Schedule	35	5,857.00	1,144.42	7,001.42
2/10/1986	Sigma's Depr. Schedule	35	1,572.00	342.78	1,914.78
10/1/1986	Sigma's Depr. Schedule	35	2,710.00	619.67	3,329.67
12/1/1986	Sigma's Depr. Schedule	35	3,179.00	735.75	3,914.75
8/1/1987	Sigma's Depr. Schedule	35	4,612.00	1,118.51	5,730.51
11/30/1994	Sigma's Depr. Schedule	40	673.10	263.70	936.80
7/31/1996	95/96 CIP	40	92,091.15	39,035.66	131,126.81
12/31/1996	0996 CIP	40	41,520.55	17,528.95	59,049.50
12/31/1996	95-96 Construction- walter Martin	40	6,994.00	2,952.69	9,946.69
2/7/1997	Terra Tape "D" - gas line	40	331.24	140.35	471.59
11/21/1997	10 Sentry Line D gas Line	40	165.58	72.05	237.63
12/15/1997	3/4" x 500' yellow poly pipe	40	91.48	39.88	131.36
1/15/1998	1" SDR-11 yellow poly	40	159.00	69.51	228.51
	Subtotal		585,020.10	144,449.82	729,469.92
<b>Mains (continued)</b>					
4/10/1998	3/4" SDR-11 Yellow Poly pipe	40	91.85	40.46	132.31
4/10/1998	1" SDR-11 Yellow Poly	40	159.00	70.05	229.05
8/1/1998	3/4"x250' yellow; 3/4"x12'xH Nip	40	139.18	61.96	201.14
8/6/1998	3/4"x500' yellow; 3/4" SDR 11yellow	40	84.80	37.77	122.57
8/11/1998	1"x500' SDR11 yellow	40	159.00	70.83	229.83
8/14/1998	(500) 2 IPSx500' 11DR 6500 gas pipe	40	302.10	134.65	436.75
9/11/1998	3/4"x500' yellow poly pipe	40	169.60	75.78	245.38
9/14/1998	(10) 125"SDR11 Yellow pipe	40	455.80	203.70	659.50
9/23/1998	3/4" x500' Yellow Poly pipe	40	169.60	75.86	245.46
10/1/1998	3/4" x500' Yellow Poly pipe	40	183.70	82.24	265.94
10/1/1998	3/4" x500' Yellow Poly pipe	40	91.85	41.10	132.95
10/2/1998	Reducer/cplg/riser	40	386.03	172.81	558.84
10/14/1998	in line tee/cplg	40	133.76	59.96	193.72
10/15/1998	1"x500' SDR11 PE yellow	40	148.40	66.51	214.91

COW CREEK GAS INC.  
DEPRECIATION SCHEDULE  
May 31, 2008

<u>Original Purchase Date</u>	<u>DESCRIPTION</u>	<u>LIFE</u>	<u>Original Cost</u>	<u>Acquisition and Bankruptcy cost adjustments</u>	<u>Basis for Depreciation Purposes</u>
<b>Mains (continued)</b>					
10/16/1998	3/4"x150' yellow/1' coupl	40	49.98	22.40	72.38
10/19/1998	3/4" SDR-11Yellow Poly pipe	40	238.50	106.94	345.44
10/20/1998	Nipple/ell/gas cock	40	359.24	161.08	520.32
10/23/1998	Gas cock w/lock wing	40	162.36	72.81	235.17
10/29/1998	Tap Tees/prebent riser	40	601.63	269.97	871.60
11/5/1998	Nipple/ell	40	55.90	25.09	80.99
11/9/1998	3/4" SDR 11yellow	40	183.70	82.52	266.22
11/13/1998	Couplings	40	58.13	26.13	84.26
11/16/1998	Nipples	40	27.91	12.53	40.44
11/30/1998	Cplg/reducer	40	146.78	66.05	212.83
12/1/1998	3/4"x500' yellow; 3/4" SDR 11yellow	40	169.60	76.33	245.93
12/9/1998	3/4" SDR 11yellow	40	169.60	76.38	245.98
12/15/1998	Pipe	40	<u>762.86</u>	<u>343.76</u>	<u>1,106.62</u>
	Subtotal		5,660.86	2,535.67	8,196.53
<b><u>RT 1888 LINE RELOCATION a. thru d.</u></b>					
7/14/1999	1"x500' SDR OE2406	40	148.40	68.15	216.55
7/20/1999	Labor - Denie Ousley	40	120.00	55.11	175.11
1/1/1999	Pipe	40	196.10	88.50	284.60
1/25/1999	1.25"x500' SDR11PE	40	201.40	91.07	292.47
1/11/1999	1.25" SDR 11	40	227.90	102.93	330.83
11/9/1998	.75" SDR11 Pipe	40	183.70	82.52	266.22
11/13/1998	1" x 500' SDR-11 Yellow	40	159.00	71.43	230.43
5/17/1999	.75" x 500' SDR-11 Yellow	40	169.60	77.46	247.06
9/10/1999	1" x 500' SDR-11 Yellow	40	371.00	171.14	542.14
9/10/1999	.75" x 150' gas pipe	40	301.91	139.28	441.19
10/7/1999	.75" x 500' yellow gas pipe	40	728.78	337.00	1,065.78
10/14/1999	(25) 3/4 x6 nipple	40	528.01	244.31	772.32
	(25) 3/4 x 10 nipple				
	(25) 3/4 x 4 nipple				
	(50) blk mall 90 Deg ell				
	(25) 3/4 T/P Gas cock				
10/7/1999	(20) 1 IPS 2406 SF cplg	40	533.77	246.83	780.60
	(40) .75 IPS 2406 SF Cplg				
	(10) 1 IPS 2406 SF cap				
	(20) 3/4 IPS Riser				
10/14/1999	(20) 1 CTS x 3/4 IPS socket fusion red	40	79.23	36.66	115.89
10/14/1999	1.25"x500' SDR 11 PE 2406 yellow pipe	40	530.00	245.94	775.94
	Subtotal		<u>4,478.80</u>	<u>2,058.33</u>	<u>6,537.13</u>

COW CREEK GAS INC.  
DEPRECIATION SCHEDULE  
May 31, 2008

<u>Original Purchase Date</u>	<u>DESCRIPTION</u>	<u>LIFE</u>	<u>Original Cost</u>	<u>Acquisition and Bankruptcy cost adjustments</u>	<u>Basis for Depreciation Purposes</u>
<b>Mains (continued)</b>					
2/1/2000	3/4 " x 500' SDR 11 PE 2406 yellow	40	265.00	123.76	388.76
2/2/2000	3/4 " x 150' SDR 11 yellow	40	114.48	53.48	167.96
2/9/2000	3/4 " x 150' SDR 11 yellow	40	114.48	53.51	167.99
5/24/2000	3/4 " x 1000' SDR 11 yellow	40	212.00	99.97	311.97
10/9/2000	3/4 " x 1000' SDR 11 yellow	40	212.00	101.14	313.14
10/18/2000	3/4 " x 500' SDR 11 yellow	40	212.00	101.22	313.22
11/6/2000	3/4 " x 500' SDR 11 PE 2406 yellow	40	127.20	60.83	188.03
11/21/2000	3/4 " SDR 11 yellow - Clayto Tackett	40	141.90	67.94	209.84
11/30/2000	3/4" IPS x 500' 11DR 6500 Pipe	40	767.20	367.58	1,134.78
	Subtotal		2,166.26	1,029.43	3,195.69
6/15/2001	3/4"x500' SDR 11 PE2406 Plastic yellow pipe	40	127.20	61.29	188.49
7/9/2001	3/4" x 1000' Sdr 11 yellow gas line	40	212.00	106.40	318.40
7/10/2001	6 Nordstrm 82211 2406 poly valve SDR11 - main line valvehead of Abdott	40	660.88	339.72	1,000.60
10/16/2001		40	5,885.12	3,065.72	8,950.84
10/10/2001	1"x500' SDR 11 PE 2406 yellow poly	40	185.50	93.05	278.55
10/18/2001	200' plastic pipe 3 IPS PE 2406 SDR -11.5	40	220.48	111.70	332.18
11/2/2001	3/4" x 500' SDR11 PE 2406 SDR-11.5	40	106.00	49.97	155.97
	Subtotal		7,397.18	3,827.86	11,225.04
<b><u>2002 ADDITIONS</u></b>					
2/25/2002	3/4" x 500' SDR11 PE 2406 yell gas pipe	40	254.40	126.48	380.88
7/15/2002	3/4" x 500' SDR11 PE2406 yell gas pipe	40	127.20	63.96	191.16
9/30/2002	3/4" x 500' SDR11 PE 2406 yell gas pipe	40	127.20	64.35	191.55
11/7/2002	3/4" x 1000' SDR11 yell gas pipe	40	212.00	107.56	319.56
	Subtotal		720.80	362.35	1,083.15
	<b>TOTAL MAINS</b>		<b>605,444.00</b>	<b>154,263.47</b>	<b>759,707.47</b>
<b><u>METERS</u></b>					
10/1/1983	Clients's 1993 Depr Sch	15	25,612.00	0.00	25,612.00
2/1/1994	Rl Sales Meter	15	6,499.96	274.44	6,774.40
3/1/1996	Freight	20	267.17	63.77	330.94
5/1/1996	Meters	20	1,530.00	371.23	1,901.23
7/31/1996	95/96 CIP Mtrs, Risers, Mtr Stops	20	16,049.70	4,010.65	20,060.35
12/10/1997	Meters	20	2,000.00	579.06	2,579.06
10/30/1998	(50) recond Meters, Studs	20	2,500.00	788.24	3,288.24
10/30/1998	(25) refab meter risers	20	412.50	130.05	542.55
8/1/1998	(10) 3/4" IPS Risers	20	291.83	89.92	381.75
	Subtotal		55,163.16	6,307.37	61,470.53

COW CREEK GAS INC.  
DEPRECIATION SCHEDULE  
May 31, 2008

<u>Original Purchase Date</u>	<u>DESCRIPTION</u>	<u>LIFE</u>	<u>Original Cost</u>	<u>Acquisition and Bankruptcy cost adjustments</u>	<u>Basis for Depreciation Purposes</u>
<b><u>Meters (continued)</u></b>					
4/7/1999	AC630 ALC 25#WP Meter MFG#99Z947233 Product Code A2H4ES66ABK1274	20	458.21	150.40	608.61
4/7/1999	(2)AL425 ALC 10#WP Meter MFG#99Z769561 &99Z769562 Product Code AEE4ED66ABL1	20	569.65	186.97	756.62
4/7/1999	(100) AC250 ALC 5#WP Meter MFG# 99Z954660 thru 99Z954759 Product Code AMB2AB66ABK1	20	7,767.35	2,549.36	10,316.71
4/25/1999	750 Rwell gas meter	20	265.00	89.22	354.22
	Subtotal		9,060.21	2,975.95	12,036.16
1/20/2000	1813b 1-1/2 NPT (DI) 1/4" ORIF	20	291.66	102.39	394.05
11/15/2007	American AC250 Meter 1" 20LT	10	5,081.73	0.00	5,081.73
12/21/2007	American 1833B2 1x1 NPT Orifice	10	2,904.68	0.00	2,904.68
2/20/2008	YZ DTEX Odorant Level Detector & Software	10	3,111.58	0.00	3,111.58
3/26/2008	Meters-Index2' 4C TC Odometer	10	1,904.00	0.00	1,904.00
3/26/2008	American AC250Meter1" 20LT	10	1,616.50	0.00	1,616.50
	Subtotal - Purchased Meters		14,618.49	0.00	14,618.49
	<b>TOTAL METERS</b>		<b>79,133.52</b>	<b>9,385.71</b>	<b>88,519.23</b>
<b><u>METER INSTALLATIONS</u></b>					
10/1/1983	Client's 1993 Depr Sch	15	10,502.00	0.00	10,502.00
7/31/1996	95/96 CIP - Mtr Insall at Food City	20	265.00	66.22	331.22
	TOTALS - METER INSTALLATIONS		10,767.00	66.22	10,833.22
	<b>TOTAL METERS &amp; METER INSTALLATIONS</b>		<b>89,900.52</b>	<b>9,451.93</b>	<b>99,352.45</b>
<b><u>HOUSE REGULATORS</u></b>					
7/31/1996	95/96 CIP - Regulators	15	9,744.80	1,355.54	11,100.34
12/11/1996	(50) 3/4" regulators	15	2,498.42	382.89	2,881.31
12/3/1997	(35) 3/4" S106 Regulators	15	1,816.05	347.25	2,163.30
12/10/1997	Regualtors	15	1,750.00	335.91	2,085.91
1/14/1998	(15) Type S106 Reg 3/4"	15	778.31	152.21	930.52
10/30/1998	(50) Reconditioned Regulators	15	1,750.00	396.03	2,146.03
	(50) S106 Regulator Size 3/4"				
4/26/1999	Fisher Catalog # FSS106-CJB/B00	15	2,786.74	683.42	3,470.16
7/25/1999	S206 2" Fisher Regulator	15	355.00	90.45	445.45
2/5/2000	(25) Firsher Model No S106-CJB/B00	15	1,686.09	464.59	2,150.68
11/16/2000	(25) Firsher Model No FSS106-CJF/B00	15	1,489.30	455.35	1,944.65
12/21/2000	(25) Firsher Model No FSS106-CJB/B00	15	1,489.30	460.89	1,950.19
	(30) S106 Regulato Size 3/4				
12/17/2001	Fisher Catalog FSS10-CJF/B00	15	1,902.59	661.84	2,564.43
	<b>TOTALS - HOUSE REGULATORS</b>		<b>28,046.60</b>	<b>5,786.36</b>	<b>33,832.96</b>
	<b>TOTAL ASSETS</b>		<b>739,267.12</b>	<b>169,501.76</b>	<b>908,768.88</b>