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## NEWS RELEASE

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### **Elam Utility customers in Morgan County face service cutoff** *Elam has not paid supplier; PSC will hold meeting in West Liberty on July 15*

**FRANKFORT, Ky. (July 7, 2010)** – Natural gas service to Morgan County customers of Elam Utility Co., Inc. is scheduled to end on Monday, July 26 because of Elam's failure to pay its wholesale gas provider.

The Kentucky Public Service Commission (PSC) will hold a meeting in West Liberty next week to explain the situation to Elam's customers and to inform them of their options in the event that the gas supply to Elam is disconnected.

"The PSC has been monitoring this situation for some time and has done what it can to try to avert a cutoff," PSC Chairman David Armstrong said. "But now that a termination of service seems likely, our first duties are to see that it is done safely and that Elam's customers have the information they need to transition to another energy source."

The meeting will be held at 6 p.m. on Thurs., July 15, in the academic building auditorium of Morehead State University at West Liberty, located at 155 University Place in West Liberty.

Elam has about 410 residential and commercial customers in Morgan County. The wholesale gas supplier is Columbia Gas Transmission Co. Columbia says that, as of late June, Elam owed it about \$688,000.

Elam's 40 customers in Wolfe County are served through another wholesale supplier and have not, to this point, been affected by the situation with Columbia Gas.

In accordance with Federal Energy Regulatory Commission (FERC) regulations, Columbia has set a July 26 deadline for Elam to either settle the debt or provide financial assurance of repayment. If the deadline is not met, Columbia intends to disconnect the pipeline through which Elam receives its gas supply for Morgan County. If Elam reaches a settlement with Columbia, the cutoff could be avoided.

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Under Elam's contracts with Columbia, Elam takes gas from the Columbia pipeline and is obligated to replace that gas by purchasing an equal amount from third-party suppliers, who then put the gas into the Columbia system.

Since 2006, Elam has taken gas from the Columbia system and charged its retail customers for the gas, but has not fulfilled its obligation to fully replenish the gas. In September 2009, a federal court granted Columbia a judgment against Elam for \$313,000, the amount of the arrearage at that time.

Elam continued to take gas from Columbia without replacing it, leading to the current amount of debt alleged by Columbia. On June 22, Columbia notified Elam, the FERC and the PSC of the July 26 deadline and its plans to discontinue service on that date.

Customers who lose natural gas service can switch to either propane or electricity.

"Although there is still a possibility that a cutoff may be avoided, the PSC encourages Elam's customers to start planning for a switch from natural gas," Armstrong said. "Fortunately, cold weather is some months away, so there is ample time to switch to another way to heat homes and businesses."

The PSC opened two cases involving Elam in April. The first is an investigation into the utility's financial condition. The second alleges that that Elam violated an earlier PSC order regarding the timely filing of its quarterly adjustments that reset the retail price of natural gas to reflect changes in the wholesale price.

Documents in both cases are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case numbers are 2010-00078 (financial investigation) and 2010-00142 (alleged violation).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.