

Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment
Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-564-3940, ext. 208
502-330-5981 (cell)

PSC expands investigation of Elam Utility

Will examine whether Morgan County natural gas system has been abandoned

FRANKFORT, Ky. (July 9, 2010) – The Kentucky Public Service Commission (PSC) is investigating Elam Utility Co. Inc. to determine whether the company has effectively abandoned its natural gas facilities in Morgan County.

Service to Elam's Morgan County customers is scheduled to end on July 26 because Elam has not fulfilled its contract with the pipeline company from which it draws its gas supply.

The PSC today ordered Elam to appear at a hearing at 10 a.m. on Friday, July 16, at the PSC office at 211 Sower Boulevard in Frankfort. The hearing is open to the public and will be broadcast on the PSC website, psc.ky.gov.

Today's order directs Elam to be prepared to present evidence on three matters:

- A definitive plan of action to resolve its indebtedness to Columbia Gas Transmission Co., which Columbia places at about \$688,000, or to secure another source of natural gas in order to continue service.
- To show cause why Elam should not be considered abandoned as of the July 26 cutoff date.
- To show cause why Elam should not be placed under the control of a court-appointed receiver.

Kentucky law authorizes the PSC to determine whether a utility has been abandoned and, if it makes such a determination, to go to Franklin Circuit Court to seek an order attaching the utility's assets and appointing a receiver. The receiver has the responsibility to operate the utility in a manner that preserves its assets and serves the best interests of its customers.

The PSC earlier announced that it will hold a meeting in West Liberty on July 15 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.

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The customer meeting will be held at 6 p.m. 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. Elam's 40 customers in Wolfe County are served through another source and have not, to this point, been affected by the situation with Columbia.

In accordance with its Federal Energy Regulatory Commission (FERC) tariff, 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.

In September 2009, a federal court granted Columbia a judgment against Elam for \$313,000, the amount of the arrearage at that time. Columbia says the arrearage has grown to \$688,000 since then.

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.

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.

Today's order opens a third case.

Documents in all three cases are available on the PSC website, psc.ky.gov. The case numbers are 2010-00292 (abandonment), 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.