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## NEWS RELEASE

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### **Gas service to Elam Utility customers to continue *July 26 cutoff on hold as PSC considers takeover by City of West Liberty***

**FRANKFORT, Ky. (July 22, 2010)** – A scheduled July 26 cutoff of gas service to Morgan County customers of Elam Utility Co., Inc. has been postponed in order to give the City of West Liberty an opportunity to acquire the company.

Elam's wholesale gas supply was scheduled to be disconnected July 26 because of Elam's failure to fulfill its contractual obligations to Columbia Gas Transmission Co. and Columbia Gulf Transmission (Columbia), which are different entities than Columbia Gas of Kentucky.

According to Columbia, Elam has not compensated the pipeline company for about \$644,000 of gas that Elam received and sold to its approximately 410 residential and commercial customers in Morgan County.

West Liberty applied on July 19 to the PSC for approval to acquire Elam. The city would receive Elam's assets in exchange for assuming the company's debts, which are largely the arrearage with Columbia.

The acquisition by West Liberty would include Elam's 40 customers in Wolfe County. They receive gas from another source and have not been affected by the situation with Columbia Gas Transmission.

West Liberty reached an agreement with Columbia that would keep the gas flowing contingent upon the Kentucky Public Service Commission (PSC) approval of the transfer of ownership and control by August 13. Those documents were filed with the PSC today.

The PSC has said it will expedite its full review of West Liberty's application and issue a ruling as quickly as possible.

A transfer to West Liberty and resolution of the Elam debt to Columbia would end the immediate threat of a shutoff of wholesale gas supply. West Liberty could then enter into a new contract with Columbia or seek another supplier.

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If the PSC does not approve the transfer by August 13, or if the PSC denies the transfer, Columbia plans to immediately discontinue wholesale gas transportation service to the Elam system.

If the PSC approves the transfer, West Liberty will have 14 days thereafter to settle the remainder of Elam's debt to Columbia. If the debt is not settled, Columbia then would discontinue service.

Under Kentucky law, an applicant seeking to acquire a utility must demonstrate the technical, managerial and financial ability to operate the utility and provide reasonable service. The PSC also must find that the transfer is lawful, in the public interest, and for a proper purpose.

If West Liberty takes over Elam, the company's rates and service will no longer be under PSC jurisdiction. Kentucky law generally exempts municipal utilities from PSC regulation. However, the PSC would continue to oversee the utility's compliance with gas pipeline safety regulations.

Elam's problems with Columbia Gas Transmission date to at least 2006. In September 2009, a federal court granted Columbia a judgment against Elam for \$313,000, the amount of the arrearage at that time. By this spring, the arrearage had grown to more than twice that sum.

In accordance with its Federal Energy Regulatory Commission (FERC) tariff, Columbia set a July 26 deadline for Elam to either settle the debt or provide financial assurance of repayment or gas would be discontinued. In late June, Columbia notified Elam, FERC and the PSC of the impending cutoff.

Since then, the PSC has had discussions with Elam, Columbia and West Liberty about possible solutions to the problem. West Liberty decided that an acquisition of Elam offered the best permanent solution.

West Liberty's application and other documents in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2010-00302.

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.