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NEWS RELEASE

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PSC Approves City of West Liberty Purchase of Elam Utility *Transfer averts cutoff of gas service*

FRANKFORT, Ky. (Aug. 13, 2010) – The Kentucky Public Service Commission (PSC) today approved the purchase of Elam Utility Co. by the city of West Liberty.

The purchase by the city averts a threatened cutoff of gas service to Elam's 410 customers in Morgan County. Those customers include a state prison, a nursing home, several businesses and hundreds of residences.

Under the terms of the transfer, West Liberty will assume Elam's disclosed debts in exchange for the company's assets. Elam's largest creditor is Columbia Gas Transmission Co., which had planned to discontinue service to Elam last month because of the unpaid debt for natural gas owed to the pipeline company.

"It was West Liberty's quick response, its willingness to protect its citizens and its neighbors, and its success in negotiating a suspension of Columbia Transmission's planned termination that prevented" disruption of gas service, the PSC said in an order issued today.

In approving the transfer, the PSC found that West Liberty, which operates its own water and sewer systems, has the technical, financial and managerial ability to run the gas system and provide reasonable service. The PSC also found the transaction to be in the public interest.

West Liberty intends to retain Elam's two operations employees and to leave rates for gas delivery at current levels. The rates for the natural gas itself are determined by conditions in the wholesale market, which is unregulated.

Once the transfer is completed, Elam'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 federal gas pipeline safety regulations.

The transfer also includes the portion of Elam's system in Wolfe County, which serves about 50 customers.

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The transfer was precipitated by Elam's failure to meet its contractual obligations to Columbia Gas Transmission Co. and Columbia Gulf Transmission (Columbia Transmission), which are different entities than Columbia Gas of Kentucky.

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

Elam's problems with Columbia Transmission date to at least 2006. In September 2009, a federal court granted Columbia Transmission 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.

As an interstate pipeline company, Columbia Transmission is regulated by the Federal Energy Regulatory Commission (FERC). In accordance with its FERC tariff, Columbia Transmission 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 Transmission notified Elam, FERC and the PSC of the impending cutoff.

After the cutoff was announced, West Liberty began negotiating with both Columbia Transmission and Elam. The application to acquire Elam was filed with the PSC on July 19.

West Liberty also reached an agreement with Columbia Transmission that would keep the gas flowing contingent upon the PSC's approval of the transfer by today.

Under the agreement with the company, West Liberty is to pay Columbia Transmission about \$64,000 immediately and settle the remaining debt within 14 days. It could do so with cash or by purchasing the required volume of gas to put into Columbia Transmission's system. The city has stated it will likely choose to replace gas, since it can do so at a lower cost.

Although the transfer will remove the Elam system from most PSC jurisdiction, it does not end a PSC proceeding regarding Elam's alleged violation of 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.

A hearing in that case will be held at the PSC offices in Frankfort on Tuesday, Aug. 17, at 10 a.m.

Today's order, West Liberty's application and other documents in the transfer case are available on the PSC website, psc.ky.gov. The case number is 2010-00302. Documents in the alleged violation case are available under case number 2010-00142.

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.