

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF ELAM UTILITY, INC.)
MORGAN COUNTY, KENTUCKY FOR AUTHORITY)
TO BORROW FUNDS FROM THE ECONOMIC)
DEVELOPMENT ADMINISTRATION THROUGH) CASE NO. 7598
THE DEPARTMENT OF LOCAL GOVERNMENT TO)
RECONSTRUCT ITS SYSTEM AND TO RETIRE)
URGENT DEBTS)

AND

APPLICATION FOR WAIVER FROM REFUND) CASE NO. 7601-C
BY ELAM UTILITY COMPANY, INC.)

O R D E R

On October 9, 1979, the Commission issued its Order in the above-styled case, No. 7598, authorizing Elam Utility Company, Inc., (Elam) to borrow \$551,462 from the federal Economic Development Administration (EDA) through the Kentucky Department for Local Government for the purpose of renovation and reconstruction of its existing gas distribution system and for the repayment of pressing outstanding debts. Said refunds were to be obtained at an interest rate not to exceed 4% per annum for a period not to exceed thirty (30) years.

Thereafter, on November 21, 1979, Elam filed a motion to amend the Commission's Order to authorize the borrowing of \$589,199 from EDA at an interest rate of 5 1/8% per annum.

After consideration of the additional evidence of record, the Commission found that: (1) the original amount required to reconstruct the system and pay debts had been erroneously calculated (2) due to a federal regulation, the minimum interest rate was established at 5 1/8% per annum. The Commission, therefore, issued its Order dated December 28, 1979, authorizing the proposed borrowing of \$589,199 at an interest rate of 5 1/8% per annum.

On October 9, 1980, Elam again filed a motion to amend the Commission's Order of December 28, 1979. In this motion, Elam requested authorization to borrow an additional \$67,589.28, or a total of \$656,788.28 at an interest rate of 5 1/8% per annum from the federal Economic Development Administration through the Kentucky Department for Local Government. The company proposed to use the

proceeds from the borrowing to pay existing debts to its supplier, Columbia Gas Transmission Corporation. A hearing was held in this matter on October 14, 1980.

Following the hearing in this matter, on October 15, 1980, Elam filed an additional application with the Commission. In this application, Case No. 7601-C, Elam requested a waiver of any requirement to refund to its customer \$4,056.10 received from its supplier, Columbia Gas Transmission Corporation.

As these two cases, Cases No. 7958 and 7601-C, are inter-related, the Commission is of the opinion and FINDS that they should be consolidated for the purposes of analysis, decision and order. Accordingly, these cases are hereby consolidated herein.

The Commission further FINDS that:

(1) Elam has received refunds in the amount of \$4,056.10 from its supplier, Columbia Gas Transmission Corporation.

(2) The refund of said funds to Elam's customers would further damage the already financially weak company and would directly affect the availability, reliability and price of future service.

(3) The refund of said money is not in the public interest and should not be required.

(4) The proposed borrowing by the Applicant of \$656,788.28 from the federal Economic Development Administration through the Kentucky Department for Local Government is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

(5) Elam's motion to amend the Commission's Order of December 28, 1979, is in the public interest and should be approved.

IT IS THEREFORE ORDERED that, Elam Utility Company, Inc., shall not be required to refund the \$4,056.10 received from its supplier, Columbia Gas Transmission Corporation.

IT IS FURTHER ORDERED that the Commission's Order entered December 28, 1979, in Case No. 7589 be and it is hereby amended to allow Elam Utility Company, Inc., to borrow the sum of \$656,788.28 from the federal Economic Development Administration through the Kentucky Department for Local Government at an interest rate of 5 1/8% per annum for a period of thirty (30) years.

IT IS FURTHER ORDERED that all other provisions of the Commission's Orders of October 11 and December 28, 1979, not in conflict with this Order shall remain in full force and effect.

Done at Frankfort, Kentucky, this the 26th day of February, 1981.

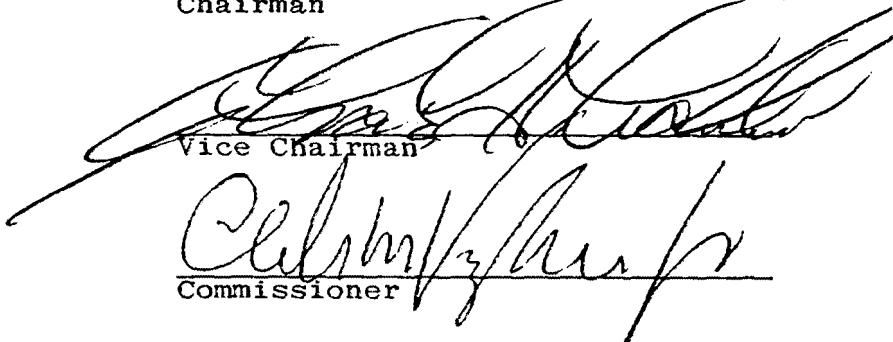
ENERGY REGULATORY COMMISSION



Chairman



Vice Chairman



Commissioner

ATTEST:

Secretary