

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELAM UTILITY COMPANY, INC.,)	
AND ITS OWNER/SHAREHOLDER)	
_____)	
)	CASE NO. 2010-00292
ALLEGED ABANDONMENT OF SERVICE)	
TO MORGAN COUNTY, KENTUCKY)	

ORDER

Elam Utility Company, Inc. ("Elam") is a Kentucky corporation that distributes, sells, and furnishes natural gas to or for the public, for compensation, for light, heat, power, or other uses in Morgan and Wolfe counties, Kentucky. Elam is a utility subject to the jurisdiction of the Commission pursuant to KRS 278.010(3)(b). The sole shareholder of Elam is Wilma Ison Sorrell.

Elam distributes and sells natural gas in Morgan County that is transported and stored by Columbia Gas Transmission, LLC ("Columbia Transmission") and Columbia Gulf Transmission Company ("Columbia Gulf"). Both Columbia Transmission and Columbia Gulf have provided written notice to Elam, pursuant to their respective Federal Energy Regulatory Commission tariffs, of their intent to suspend gas service to Elam and to terminate Elam's service agreements on July 26, 2010, unless Elam's

indebtedness to Columbia Transmission in the amount of \$688,629.76 is paid in full or adequate credit assurance is provided by that date.¹

On April 1, 2010, the Commission, on its own motion pursuant to KRS 278.250, established Case No. 2010-00078² to investigate Elam's financial condition and its ability to provide adequate, efficient and reliable service. The basis for opening that investigation was the issuance by the United States District Court for the Eastern District of Virginia of a default judgment against Elam in favor of Columbia Transmission in the amount of \$313,646.35.

Based on the Columbia Transmission and Columbia Gulf notices of termination of gas service to Elam and being otherwise sufficiently advised, the Commission, on its own motion, finds that a new investigation should be opened pursuant to KRS 278.021, KRS 278.030(2), KRS 278.260 and KRS 278.280 to determine whether Elam is able to continue providing adequate, efficient, and reasonable service to Morgan County or has abandoned that service, and whether Elam's assets should be placed under the control and responsibility of a receiver. We further find that Elam and its sole owner/shareholder, Ms. Sorrell, should appear at a hearing on July 16, 2010 to: (1) present a written definitive plan of action to resolve its indebtedness to Columbia Transmission and Columbia Gulf or to secure gas from other sources in order to continue service to Elam's customers; (2) show cause why Elam's natural gas distribution facilities should not be declared abandoned as of July 26, 2010; and (3)

¹ See NiSource Gas Transmission & Storage's June 22, 2010 letter to Elam appended hereto as Appendix A.

² Case No. 2010-00078, An Investigation of Elam Utility Company, Inc.'s Financial Condition and Its Ability to Provide Adequate, Efficient and Reliable Service, filed April 1, 2010.

show cause why the facilities should not be placed under the control and responsibility of a receiver. The record of Case No. 2010-00078 should be incorporated by reference into this new case.

To ensure that those presently served by Elam's facilities are fully aware of the implications of this proceeding, we further find that a public meeting should be held in West Liberty, Kentucky for the purpose of informing Elam's customers of the nature of this proceeding and the safety measures that must be taken in the event gas service is suspended.

IT IS THEREFORE ORDERED that:

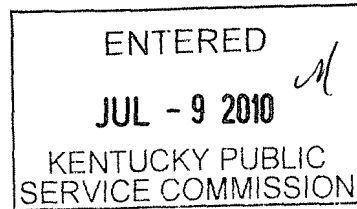
1. Elam and its sole owner/shareholder, Wilma Ison Sorrell, shall appear before the Commission on July 16, 2010 at 10:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky to: (1) present a written definitive plan of action either to resolve its indebtedness to Columbia Transmission and Columbia Gulf or to secure gas from other sources in order to continue service to Elam's customers; (2) show cause why Elam's natural gas distribution facilities should not be declared abandoned as of July 26, 2010; and (3) show cause why the facilities should not be placed under the control and responsibility of a receiver.

2. The record of Case No. 2010-00078 is incorporated by reference into this proceeding.

3. A public meeting for the purpose of informing Elam's customers of the nature of this proceeding and the safety measures that must be taken in the event Columbia Transmission and Columbia Gulf terminate gas service to Elam shall be held

on July 15, 2010 at 6:00 p.m., Eastern Daylight Time, at the academic building auditorium of Morehead State University, located at 155 University Place in West Liberty, Kentucky.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00292 DATED **JUL - 9 2010**



**NiSource Gas
Transmission & Storage®**

RECEIVED
JUN 25 2010
GENERAL COUNSEL

5151 San Felipe, Suite 2500
Houston, TX 77056
713.267.4743

W. Colin Harper
Senior Vice President - Commercial Operations

RECEIVED

JUN 25 2010

PUBLIC SERVICE
COMMISSION

June 22, 2010

Via Regular, Certified Mail, Facsimile and Electronic Mail

Elam Utility Company Inc.
Mrs. Wilma Sorrell
459 Main Street
West Liberty, KY 41472

Re: Notice of Immediate Suspension of Service and Terminate of Service Agreement

Dear Mrs. Sorrell,

You are hereby advised that as a result of Elam Utility Company's ("Elam") failure to provide adequate credit assurance in response to our letters dated May 17, 2010 and June 11, 2010, Columbia Gas Transmission, LLC ("Columbia") and Columbia Gulf Transmission Company ("Columbia Gulf") must proceed to suspend service to Elam and terminate Elam's service agreement for nonpayment effective July 26, 2010. Attached is a list of the affected contracts. However, if Elam makes payment in full within 30 days for the amount owed to Columbia and provides the required credit assurance for future business, termination of service may be avoided. Columbia and Columbia Gulf have worked with Elam and the Kentucky Public Service Commission to avoid suspension and termination, but Elam has failed to make any meaningful payments or provide credit assurances.

Columbia is acting pursuant to Section 9.7 and Section 10.4 of the General Terms and Conditions of its tariff. Columbia Gulf is acting pursuant to Section 9.6 and 10.7 of the General Terms and Conditions of its tariff. The amount owed Columbia for services provided through June 1, 2010 is \$688,629.76. This amount includes the value of the negative gas imbalance on GTS contract 37816 of 113,465 dekatherms ("Dth") as well as unpaid invoices owed Columbia totaling \$16,851.76. To provide credit assurance (as reflected in Section 9.6 c.1-4 of Columbia's tariff) Columbia would require: a) an irrevocable letter of credit from a creditworthy financial institution in a format agreed to by Columbia; b) a guarantee from a Columbia approved creditworthy entity; c) a cash deposit; or d) a grant to Columbia of a security interest in collateral, the value of which is mutually agreed upon by Columbia and Elam. Columbia and Columbia Gulf are open to discussing any combination of cash deposits and credit assurances to avoid suspension and termination of service.

Elam Utility Company, Inc.
Attn: Wilma Sorrell
June 22, 2010
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As you are aware, Elam has been in arrears to Columbia and Columbia Gulf due to failure to pay gas imbalance charges and for transportation services since 2006. The Federal Court for the Eastern District of Virginia granted Columbia a judgment against Elam on September 10, 2009 in the amount of \$313,646. Elam has still not made any payment toward satisfying the judgment since it was entered by the court.

Columbia has worked with Elam in the past to make arrangements to pay down what is owed to Columbia for gas imbalances and transportation services provided, but not paid for. Elam has failed to honor any of the past agreements that have been reached. Since the judgment was issued by the Federal Court, Elam has made only minimal payments, and Elam has taken additional gas off of the Columbia system, which has increased the amount of imbalance gas. The imbalance at the time the judgment was entered was negative 51,892 Dth. In the winter of 2009, Elam increased its gas imbalance to negative 113,465 as of June 1, 2010 and has purchased no supply since the end of August, 2009. The amount owed just for gas imbalances is \$671,778 for gas provided through June 1, 2010. The amount owed Columbia has more than doubled since the court issued its judgment in September 2009.

Columbia and Columbia Gulf can no longer provide natural gas service to Elam under conditions of chronic nonpayment. The full amount owed for services provided through June 1, 2010 of \$688,629.76 must be paid in 30 days and the outlined credit assurance must be provided, or service will be suspended and Elam's service agreements with Columbia and Columbia Gulf will be terminated. Columbia and Columbia Gulf regret having to provide this notice of suspension of service to Elam and termination of Elam's service agreement. Elam's failure to make payments for gas delivered for many years, its actions this past winter in continuing to take gas as imbalance gas without making any payments, its failure to make any payments in satisfaction of the judgment issued by the federal court, and its failure to respond the credit assurance letters dated May 17, 2010 and June 11, 2010 has forced Columbia and Columbia Gulf to take this action. Columbia and Columbia Gulf reserve the right to proceed through any and all legal means to collect the outstanding and delinquent invoices, including gas imbalances (or the value thereof), plus interest even after service is suspended and the service agreement is terminated.

Columbia and Columbia Gulf urge Elam to make payment promptly to avoid suspension of service and termination of Elam's service agreements on July 26, 2010.

Sincerely,



W. Colin Harper
Sr. Vice President of Commercial Operations

cc: Kentucky Public Service Commission
Kerry Noone, Federal Energy Regulatory Commission

**ATTACHMENT TO NOTICE OF IMMEDIATE SUSPENSION OF SERVICE
AND TERMINATION OF SERVICE AGREEMENTS**

CONTRACTS IMPACTED BY NOTICE

Columbia Gas Transmission, LLC
Service - GTS - General Trans. Service
Contract # 37816
Volume - 960 Dth
Start Date - 11/1/1993
End Date - 10/31/2011

Columbia Gulf Transmission Company
Service - FTS1
Contract # 43444
Volume - 326 Dth
Start Date - 11/1/1994
End Date - 10/31/2010

Kim Ison Gevedon
Attorney at Law
579 Main Street, Suite 2
P.O. Box 216
West Liberty, KY 41472

Wilma B Sorrell
President
Elam Utility Company, Inc.
459 Main Street
West Liberty, KY 41472