

ELAM UTILITY COMPANY, INC.
459 MAIN STREET
WEST LIBERTY, KENTUCKY 41472
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June 12, 2006

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PUBLIC SERVICE
COMMISSION

Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

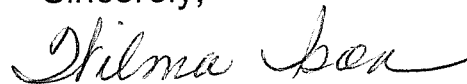
RE: Case No. 2006-00080

Dear Mr. Goff:

With regard to your letter dated June 12, 2006, I have enclosed an agreed and signed copy of the Settlement Agreement for review with the Public Service Commission. It is my understanding that the Gas Cost Recovery will be in for approval by the end of the month, and the general ledger along with copies of the bank statement for May will be filed no later than June 30. If approved, the penalties will be paid by September 30 for Elam and December 30 for myself.

Thank you for your assistance in this matter.

Sincerely,



WILMA ISON
President

Copy

Enc.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELAM UTILITY COMPANY D/B/A)
ELAM UTILITY COMPANY, INC.)
AND WILMA B. ISON AND ROBERT D.)
ISON, INDIVIDUALLY AND AS)
OFFICERS OF THE UTILITY)
_____)
ALLEGED VIOLATIONS OF)
THE COMMISSION'S ORDER)

CASE NO. 2006-00080

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into this 12th day of June, 2006, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and ELAM UTILITY COMPANY D/B/A ELAM UTILITY COMPANY, INC. ("Elam") and WILMA B. ISON, individually and as an officer of Elam.

WITNESSETH:

WHEREAS, Elam operates a natural gas distribution system in Morgan and Wolfe Counties, Kentucky and is subject to Commission jurisdiction pursuant to KRS 278.040; and

WHEREAS, Elam's only current corporate officer is Wilma B. Ison, President; and

WHEREAS, on February 23, 2004, Elam and its officers filed a signed settlement agreement in which it and they agreed to specific filing requirements and to penalty

provisions. The settlement agreement and conditional suspension of the assessed penalties were approved by the Commission in an Order dated March 8, 2004; and

WHEREAS, on April 11, 2006, an Order was issued to Elam and Wilma B. Ison and Robert D. Ison, individually and as officers of Elam, requiring that each show cause why they should not be assessed penalties pursuant to KRS 278.990 for willful violations of the Commission's Order dated March 8, 2004; and

WHEREAS, an informal conference was held on May 18, 2006 between the parties and Commission Staff for the purpose of discussing the issues and of entering into a Settlement Agreement through compromise to settle the proceeding herein; and

WHEREAS, at the informal conference, Elam stated that it did not know what to report as its cost of gas since its contract with its supplier, Cumberland Valley Resources, had ended, and its last billing from Cumberland Valley Resources was received in July 2005. Since then, Elam has been paying Columbia Gas Transmission ("CGT") for transportation only and accumulating an imbalance on the CGT system. Elam acknowledged that the gas cost adjustment ("GCA") is part of its tariff and that it must comply with its tariff provisions. Elam agreed to file the GCA timely and, if needed, will request Commission Staff's assistance in preparing this filing; and

WHEREAS, during the conference, Elam filed a general ledger showing activity from October 2005 through April 2006 and an April 2006 bank statement. This filing was made to correct an incomplete filing made on May 1, 2006 and to add the month of April; and

WHEREAS, Elam states that Robert D. Ison has had no position with the company since 2004 and produced documents from the Secretary of State's Office to

show that Elam Gas Company, Inc. has been reinstated as a corporation in good standing with only one corporate officer, Wilma B. Ison, President;

NOW, THEREFORE, Elam, Wilma B. Ison, and Commission Staff agree that:

1. Robert D. Ison will be dismissed as a party to this action.
2. Elam acknowledges that it is in violation of the Commission Order of March 8, 2004. Elam agrees to pay the total suspended civil penalty of \$7,500 on or before September 30, 2006, which amount shall be paid by a cashier's check payable to "Kentucky State Treasurer," and mailed or delivered to the Office of the General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky, 40602.
3. Wilma B. Ison, as President of Elam, acknowledged that she is in violation of the Commission Order of March 8, 2004. Wilma B. Ison agrees to pay the balance of the suspended civil penalty of \$5,500, on or before December 30, 2006, which amount shall be paid by a cashier's check payable to "Kentucky State Treasurer," and mailed or delivered to the Office of the General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky, 40602.
4. Wilma B. Ison and Elam each waive a formal hearing of all matters herein.
5. Elam and Wilma B. Ison agree to timely file Elam's GCA as set out in its tariff. However, if Elam experiences difficulties in preparation of the filing, it will contact Commission Staff for assistance and direction prior to the due date of the GCA.
6. Elam and Wilma B. Ison agree that Elam will continue to file with the Commission a copy of its general ledger and bank statements on or before the 30th of

each month for a period of two years from the date of the Order approving this settlement.

7. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

8. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on or be construed against Wilma B. Ison, Robert D. Ison, Elam, or Commission Staff.

9. Commission Staff shall recommend to the Public Service Commission that this Settlement Agreement be accepted and approved.

IN WITNESS WHEREOF, Elam, Wilma B. Ison, and Commission Staff have executed this Settlement Agreement on the date first above written.

STAFF OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY

BY: James R. Goff
James R. Goff, Staff Attorney

WILMA B. ISON AND
ELAM UTILITY COMPANY
d/b/a ELAM UTILITY COMPANY, INC.

Wilma B. Ison, President
Wilma B. Ison, President

Wilma B. Ison
Wilma B. Ison, Individually