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June 1, 2006

TO: PARTIES OF RECORD
RE: Case No. 2006-00080
Elam Utility Company, Inc.

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to J.R. Goff at 502/564-3940, Extension 261.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

vh/
Enclosure

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

Robert D. Ison
Elam Utility Company, Inc.
459 Main Street
West Liberty, KY 41472

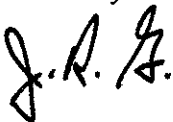
Wilma B. Ison
President
Elam Utility Company, Inc.
459 Main Street
West Liberty, KY 41472

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: File - Case No 2006-00080

FROM: J. R. Goff, Staff Attorney

DATE: June 1, 2006 

RE: Elam Utility Company, Inc.
Wilma Ison President and
Robert D. Ison, Vice President

On May 18, 2006, an informal conference was held pursuant to the request of Elam Utility Company, Inc. and Wilma Ison, (collectively "Elam") filed on May 1, 2006. The names of those present at the informal conference appear on the attached sign-in sheet.

The informal conference was held in regard to a show cause proceeding filed against Elam and its two corporate officers, Wilma Ison, President of Elam, and Robert D. Ison, Vice President of Elam, for alleged violations of a Commission Order dated March 8 2004, which approved a Settlement Agreement between Commission Staff and Elam. After the purpose of the conference was explained, Staff and the representatives of Elam discussed the violations.

Ms. Ison stated that, for a period of time, it was her impression that she did not own the company as there was a process in place to sell and transfer the company to Kentucky Frontier, LLC. ("Frontier"). She further believed that Frontier would file all documents with the PSC. It was then decided to address the particular allegations.

First, was the willful failure to timely file Elam's Gas Cost Adjustment. Elam acknowledged that the filing had not been made quarterly or otherwise since June 2005. Elam stated that it had no "cost" of gas to report since the contract with its supplier, Cumberland Valley Resources, had ended and its last billing was in July 2005. Apparently Elam was paying Columbia Gas Transmission for transportation only and accumulating an in-balance. Ms. Ison stated that Frontier had indicated that it had a supplier and she did not want to enter into a different contract since Frontier was going to take the company over. Elam acknowledged that the GCA is part of its tariff and that it must comply with its tariff provisions. Elam agreed to file the GCA timely and may request Commission Staff assistance for such filing.

As to the second violation of willful failure to timely file Elam's general ledger along with copies of its bank statements, Elam stated that they were not filed due to computer problems. During the conference, Ms. Ison 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.

Elam and Staff then entered into discussion about settlement of the case and agreed in principle to a settlement. Elam agreed that they were in violation of the Commission's Order. Elam agreed to pay the total suspended civil penalty of \$7,500. Ms. Ison agreed to pay the balance of the suspended civil penalty of \$5,500. It was also agreed that the suspended civil penalty assessed against Robert D. Ison will be forgiven since he has had no position with the company since 2004. It was also agreed that, as part of the settlement, Elam would continue to file with the Commission its general ledger and bank statements on or before the 30th of each month for two years from the date of the Order. Elam also 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.

Staff agreed to prepare a settlement agreement and submit it to Elam and its corporate officer for her signature. Staff also agreed that when Elam and its corporate officer sign the agreement, Staff shall recommend that the Commission accept it.

The meeting was adjourned.