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**PUBLIC SERVICE
COMMISSION**

Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case Nos. 2005-00348; 2008-00394

Dear Ms. Stumbo:

Kentucky Frontier Gas, LLC received an undated letter from counsel for Elam Utility Company on Friday November 21, 2008. The letter requests that Elam be removed from the proceeding and for the Commission to ask GOLD, the Governor's Office for Local Development, now called the Department for Local Government, to allow it to pay "its fair share of the debt".

The Commission's procedural schedule allowed parties to file comments on Frontier's application no later than November 12th. As this letter was mailed to Frontier on November 20th, it is obviously beyond the time for comments to be accepted and should not be made part of the record of the case.

The letter alleges several shortcomings in Frontier's operation and management of two gas companies unrelated to Elam and which Elam has no direct involvement or knowledge. The letter also requests removal of Elam from the proceeding. The application filed by Frontier in Case No. 2008-00394 seeks approval for financing of the assumption of the debt and related security interests of five gas utilities, including Elam. That transaction is a matter between GOLD and Frontier. Elam cannot withdraw from GOLD's agreement with Frontier to transfer that debt.

Elam's request to be allowed to "pay its fair share" of the GOLD debt should be viewed in light of its payment history with GOLD. Elam executed an agreement with GOLD in December, 2001 for a 30 year note in the amount of \$774, 704.37. According

to information provided by GOLD, the last payment on that note by Elam was June 1, 2003. As of the date of the notice for public bids issued by GOLD, Elam owed interest on the note in the amount of \$125,071.72 and had a total debt to GOLD of \$899,776.09. Of course, interest has continued to accumulate and this figure will be higher today. Based on a review of available GOLD records, there appears to be no correspondence from Elam attempting to resolve this arrearage. The undated letter from Elam to the Commission does not explain how it can now begin to address that long standing debt.

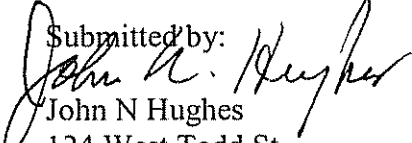
The other issue that Elam raises is the delay in completing the execution of a sales agreement. Frontier originally had an agreement with GOLD to purchase the debt of several gas utilities, including Elam. That agreement was referenced and made part of Frontier's application in Case No. 2005-00348, filed on August 30, 2005. On January 10, 2006, GOLD notified Frontier and the gas utilities included in the debt purchase that the federal Economic Development Administration (EDA), which partially funded the GOLD gas restoration program, had suspended the debt acquisition. That suspension by EDA prevented Frontier from proceeding with the utility acquisitions as planned.

In June, 2007, GOLD announced that it would offer the debt of a number of gas utilities that were in default of their payments to GOLD in a public bidding process, thus negating the original agreement with Frontier to acquire the utility debt. Elam was one of the utilities offered by GOLD. During the period from January 2006 through June, 2007, Frontier was prevented from any action to acquire the gas utilities due to GOLD's re-evaluation of its authority to sell its debt associated with the gas utilities.

Frontier successfully bid on the debt offering and has entered into an agreement with GOLD. Elam did not participate in the bid process and Frontier is not aware of any effort by Elam to contact GOLD to pay off its delinquent debt. It should be noted that the bid offering by GOLD was for all utilities. There is no means to exclude Elam or any other of the companies from that bid. Doing so would require a new bid process, which will continue to delay and may derail entirely the benefits of combining these small debt ridden companies into one financially viable company.

The other aspect of the delay in resolving the purchase agreement terms with Elam deals with the inability of Frontier to get complete, accurate records from Elam. Based on Commission records, there have been a number of proceedings involving financial irregularities and gas cost issues over the last several years. As Frontier has attempted to determine the extent of Elam's financial difficulties, it has been unable to obtain records or information that would allow it to complete the due diligence anticipated in the letter agreement with Elam.

For these reasons, Frontier believes the request by Elam is misplaced, untimely and should be disregarded.

Submitted by:

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Cc: Attorney General
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