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FACSIMILE TRANSMISSION SHEET			
DATE:	August 4, 2010		
	<u>RECIPIENT</u>	<u>COMPANY NAME</u>	<u>FACSIMILE NUMBER</u>
TO:	Jeff DeRouen	KY Public Service Commission	(502) 564-3460
FROM:	W. Duncan Crosby III		(502) 627-8754 (Direct Fax) (502) 560-4263 (Direct Phone)
RE:	<u>Application of the City of West Liberty, Kentucky for Approval to Acquire the Utility Assets of Elam Utility Company, Inc. and for Approval of a Management Agreement</u> Case No. 2010-00302		
COMMENTS:	The City of West Liberty, Kentucky's supplemental response to Attorney General's amended initial data requests question no. 15(b) is attached. The original and ten copies will be tendered for filing tomorrow morning. Thank you.		
NO. OF PAGES (INCLUDING COVER SHEET):	6		

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August 4, 2010

**VIA FAX AND HAND DELIVERY**

Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

**RE: Application of the City of West Liberty, Kentucky for Approval to Acquire the Utility Assets of Elam Utility Company, Inc., and for Approval of a Management Agreement**  
**Case No. 2010-00302**

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of the Supplemental Response of the City of West Liberty, Kentucky to the Attorney General's Amended Initial Data Requests Question No. 15(b) Dated July 26, 2010, in the above-referenced matter. The original verification page will be filed under separate cover. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me via our runner.

Should you have any questions, please contact me at your convenience.

Sincerely,

W. Duncan Crosby III

WDC:ec  
Enclosures  
cc: Parties of Record

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**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

APPLICATION OF THE CITY OF	)	
WEST LIBERTY, KENTUCKY FOR	)	
APPROVAL TO ACQUIRE THE UTILITY	)	CASE NO. 2010-00302
ASSETS OF ELAM UTILITY COMPANY,	)	
INC. AND FOR APPROVAL OF A	)	
MANAGEMENT AGREEMENT	)	

**SUPPLEMENTAL RESPONSE OF THE CITY OF WEST LIBERTY, KENTUCKY  
TO THE ATTORNEY GENERAL'S AMENDED INITIAL DATA REQUESTS  
QUESTION NO. 15(B)  
DATED JULY 26, 2010**

**Filed: August 4, 2010**

**THE CITY OF WEST LIBERTY, KENTUCKY****CASE NO. 2010-00302****Supplemental Response to the Attorney General's Amended Initial Data Requests  
Question No. 15(b)  
Dated July 26, 2010****Question No. 15****Responding Witness: Sally Barker**

- Q-15. Has the city conducted any due diligence reviews? If so, please provide copies of all such reports.
- a. In the course of conducting any such due diligence review of Elam's facilities and accounts, etc., did the City identify any facts or circumstances that would have a material adverse effect on Elam's existing customers?
  - b. If the City did not conduct any such due diligence review, and in the event latent problems or issues should arise, what recourse and / or plan of action does the City contemplate? Please describe in detail.
  - c. Has the City reviewed Elam's accounting records? If so, does it appear that Elam has collected from its customers the sums necessary to pay for the gas costs Elam owes to Columbia Gas Transmission and its affiliates? If not, please explain in detail.
  - d. Please identify all accounts where the sums referenced in the City's response to (c), above, are located, and any other relevant details.
  - e. Has the City developed a plan for how to repay any potential arrearages Elam owes to its gas suppliers? If so, please provide complete details.
- A-15. The City has conducted some investigation concerning the status of Elam, but no due diligence reports exist.
- a. It appears that there are no records of customers' deposits, and it is not known where the deposit money is. Also, Elam has a number of budget customers. Otherwise, the only material adverse impact that could occur to Elam's customers would be the termination of their service if the Commission does not approve the proposed asset purchase agreement by August 13, 2010. The amount Elam collected from its budget customers as of December 31, 2009, was \$11,984.97 (per Elam's ledger). It is not clear what has happened to that money.

**THE CITY OF WEST LIBERTY, KENTUCKY****CASE NO. 2010-00302****Supplemental Response to the Attorney General's Amended Initial Data Requests  
Question No. 15(b)  
Dated July 26, 2010****b. Original Response:**

N/A – please see the City's response to (a) above.

**Supplemental Response:**

As part of the City's due diligence concerning the proposed asset purchase, the City arranged for risk management personnel from the Kentucky League of Cities ("KLC") to inspect the Elam gas system. KLC has stated it is ready and willing to provide adequate insurance coverage to the City to cover contingencies, all on terms acceptable to the City, if the Commission approves the proposed asset purchase.

- c. The City has reviewed such records as appear to exist. Please see response to Question 2 of the PSC Staff. Regardless of whether Elam collected sufficient sums to pay Columbia Gas Transmission, the pertinent fact is that Elam does not have the money to pay Columbia. The City is not aware where the collected funds have gone.
- d. Please see the City's response to (c) above.
- e. Yes. As stated in the City's Application, the Escrow Agreement, and the Memorandum of Understanding, the City will repay Columbia primarily in replacement gas using a portion of the funds the City will borrow from the Commercial Bank (West Liberty). The City also plans to use part of the funds it is placing in escrow pursuant to the Escrow Agreement to purchase replacement gas (a portion of those funds will be delivered to Columbia for transmission services).

To the City's knowledge, there is no other gas arrearage.

