

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF COLUMBIA)
GAS OF KENTUCKY, INC., FOR) CASE NO. 7868
AUTHORITY FOR THE ISSUANCE)
AND SALE OF NOTES)

O R D E R

On May 27, 1980, Columbia Gas of Kentucky, Inc., a wholly-owned subsidiary of the Columbia Gas System, Inc., filed its duly verified application seeking authority to borrow from the Columbia Gas System, Inc. (Columbia) up to \$3,100,000.

The Applicant proposes to secure these funds, which will be used to finance a portion of its 1980 construction program and for other corporate purposes, by the (1) issuance and sale to Columbia of installment promissory notes due in twenty equal annual installments on March 31st of each of the years 1982 to 2001 inclusive. Interest is to be paid semi-annually on March 31st and September 30th on the unpaid principal of said notes, at a rate which will be the actual cost of money to Columbia with respect to its last sale of debentures in 1979 (11.9%) or any subsequent sale of debentures decreased by an amount necessary in order that the interest rate be a multiple of 1/10th of 1%; and/or (2) issuance of floating rate term notes under Columbia's Revolving Credit and Term Loan Agreement dated April 1, 1980 as approved by the Securities and Exchange Commission. Interest is to be paid on a calendar quarterly basis on the unpaid principal amount of said notes at a floating rate which will be equal to the effective cost of money to Columbia under the agreement.

A hearing was held on this matter on June 5, 1980, in the Commission's offices in Frankfort, Kentucky. At the conclusion of the hearing and following response to all requests for additional information, the matter was submitted to the Commission for final determination.

The Commission, after consideration of the application and record and being advised, is of the opinion and finds that the proposed borrowing is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and

consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED, that Columbia Gas of Kentucky, Inc., be and it hereby is authorized to borrow from Columbia up to \$3,100,000 and to issue installment promissory notes and/or floating rate term notes therefore.

IT IS FURTHER ORDERED, that the proposed borrowing shall be under the same terms and conditions as set out in the Application.

IT IS FURTHER ORDERED, that the proceeds from the proposed borrowings shall be used only for the lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this the 20th day of June, 1980.

ENERGY REGULATORY COMMISSION



Chairman



Vice Chairman



Commissioner

ATTEST:

Secretary