

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF)
KENTUCKY, INC., FOR AUTHORITY)
FOR THE ISSUANCE AND SALE OF) CASE NO. 9888
PROMISSORY NOTES)

O R D E R

On March 23, 1987, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application seeking authority to issue and sell during 1987 and 1988 unsecured Installment Promissory Notes ("Notes") not to exceed \$4,485,000 in principal amount to the Columbia Gas Systems, Inc. ("System"), its registered holding company under the Public Utility Holding Company Act of 1935. On April 7, 1987, the Attorney General of the Commonwealth of Kentucky, by and through his Utility and Rate Intervention Division, filed a motion for full intervention in this proceeding. On April 9, 1987, the Commission, having considered the motion and being advised, issued an Order granting the motion.

Columbia would use the proceeds from the sale of the notes to finance retirement of a like amount of Installment Promissory Notes bearing a higher interest rate. The new notes would have the same terms and provisions as the current outstanding nonregistered Installment Promissory Notes of Columbia except that they would be payable in annual installments which approximate that of the 9 percent Debentures issued by System on August 12,

1986. In any event, Columbia would issue the Notes only if the refinancing plus any expenses in connection with the refinancing would result in a reduction of Columbia's embedded cost of debt. The amount of Installment Promissory Notes which can be retired by Columbia would be limited to a pro rata share of the higher cost Debentures which System is able to retire.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the issuance and sale of up to \$4,485,000 Installment Promissory Notes by Columbia is for a lawful object within the corporate purposes of Columbia, is necessary and appropriate for and consistent with the proper performance by Columbia of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that:

1. Columbia be and it hereby is authorized to issue and sell up to \$4,485,000 of Installment Promissory Notes. These notes shall have an annual effective overall embedded cost, including recovery of any issuance costs, less than the annual effective embedded cost of Columbia's current outstanding notes that are to be refinanced with the above proceeds.


2. Columbia shall as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a Statement of Interest outlining the date or dates of issuance of the securities authorized herein, the price paid, all fees and expenses involved in the issuance of the securities, and the terms and interest rates of authorized securities herein.

3. The proceeds from the securities authorized herein shall be used for 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 20th day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director