

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. 10230
PROMISSORY NOTES)

O R D E R

On April 26, 1988, Columbia Gas of Kentucky, Inc. ("Columbia"), filed an application seeking authority to issue and sell during 1988 unsecured Installment Promissory Notes ("Notes") not to exceed \$7,100,000 in principal amount to the Columbia Gas Systems, Inc. ("System"), its registered holding company under the Public Utility Holding Company Act of 1935.

Columbia would use the proceeds from the sale of the notes to finance its 1988 construction program as outlined in its application and for other corporate purposes. 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 equal annual installments not to exceed 25 years. The interest rate would be equal to the actual cost of money to the System for its then most recent sale of long-term debt or preferred stock.

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 \$7,100,000 Installment Promissory Notes by Columbia

during 1988 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 \$7,100,000 of Installment Promissory Notes during 1988.

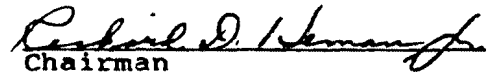
2. Columbia shall as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a Statement of Interest outlining the date or dates of issuance of the securities authorized herein, the price paid, all fees and expenses involved in the issuance of the 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 17th day of May, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director