

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. FOR AUTHORITY)
FOR THE ISSUANCE AND SALE OF) CASE NO. 95-028
PROMISSORY NOTES)

O R D E R

On January 23, 1995, Columbia Gas of Kentucky, Inc. ("Columbia") filed its application seeking authority to issue and sell up to \$4,200,000 in principal amount of Installment Promissory Notes ("Notes"). The proceeds will be used to assist in financing capital expenditures during 1995 in the amount of \$10,868,000 as set forth on Exhibit 7 of Columbia's application; to pay \$4,064,547 in current maturities on long-term debt as set forth in Columbia's filing; and for other lawful corporate purposes. The proposed Notes will be sold to the Columbia Gas System, Inc. ("System").

The proposed Notes will be dated the date of their issue and have the same terms and provisions as the outstanding non-registered Notes of Columbia, except that they will be payable in equal annual installments not to exceed 30 years as opposed to 15, 20, or 25 years and that they will be subject to a default rate of 2 percent per annum in excess of the stated rate on the unpaid principal amount. The default rate will be assessed if any interest or principal payment becomes past due. The interest rate of the Notes will be determined quarterly based on the three-month average yield on newly "A" rated 25-30 year utility bonds as

published in Salomon Brothers' weekly Bond Market Roundup, rounded to the nearest 1/8 percent per annum.

The default rate and the interest rate provisions differ from Columbia's typical financing proposals. However, the Commission recognizes the financial condition of Columbia's parent, System, and the impact this has on efforts to raise capital.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance and sale by Columbia of up to \$4,200,000 in principal amount of Notes are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Columbia be and it hereby is authorized to issue and sell up to \$4,200,000 of Notes.
2. Columbia shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the terms, and all fees and expenses involved in the issuance and distribution and the use of the proceeds.
3. Columbia shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

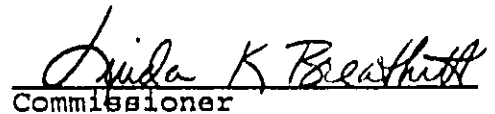
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 22nd day of March, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director