

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.)
FOR AN ORDER AUTHORIZING THE ISSUANCE AND) CASE NO.
SALE OF PROMISSORY NOTES AND AUTHORIZED) 2008-00403
BUT UNISSUED COMMON STOCK)

O R D E R

On September 29, 2008, Columbia Gas of Kentucky, Inc. ("Columbia"), a wholly-owned subsidiary of NiSource Inc., submitted an application for authority to issue and sell Long Term Promissory Notes ("Notes") to NiSource Finance Corp. and/or to secure additional equity financing from Columbia Energy Group through the issuance and sale of currently authorized and unissued common stock ("Stock"), \$25 par value per share. Both NiSource Finance Corp. and Columbia Energy Group are also wholly-owned subsidiaries of NiSource Inc. The application was initially found to be deficient. Columbia cured the deficiency with its filing received October 10, 2008. On December 4, 2008, the Commission determined that additional time was needed to complete its investigation and continued this case beyond the 60-day period specified in KRS 278.300(2).

Columbia seeks authority to issue new Notes and/or Stock not to exceed \$30,000,000 through December 31, 2010. The Notes to be issued by Columbia will be unsecured and will be issued to NiSource Finance Corp. with maturities of up to 30 years. Columbia states that the interest rate of the Notes will be determined by the corresponding applicable Treasury yield plus the yield spread on corresponding

maturities for companies with a credit risk profile equivalent to that of NiSource Finance Corp., effective on the date of issue.

In addition to issuing Notes, Columbia is also seeking authorization to issue stock, if necessary, in order to obtain financing of \$30,000,000. Columbia is proposing to issue and sell up to up to 147,752 shares of authorized but unissued Stock, at \$25 par value, to Columbia Energy Group.

The proceeds of the Notes and/or Stock issuance will be used to reimburse Columbia for construction totaling \$41,613,000 from 2008-2010 and for other corporate purposes. Columbia states that capital expenditures are required for the construction, completion, extension and improvement of its facilities. Columbia further states that it does not anticipate using the proceeds to finance any major acquisitions. All of the new Notes and Stock will be issued on or before December 31, 2010.

The Commission, having considered the evidence of record and being otherwise advised, finds that the issuance of the proposed Notes as set out in Columbia's application, is for lawful objects within the corporate purposes of Columbia's utility operations, is 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, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Columbia is authorized to issue and sell new Notes to NiSource Finance Corp. and/or to issue Stock to Columbia Energy Group in an amount not to exceed \$30,000,000.

2. Columbia is authorized to issue, sell, and deliver the new Notes and Stock upon the terms set forth in its application.

3. Columbia is authorized to use the proceeds arising from the issuance and sale of the subject Notes and Stock for only the lawful purposes set forth in its application.

4. Columbia shall, within 30 days of the date of issuance, file with the Commission a statement setting forth the date or dates of issuance and terms of the new Notes authorized herein, including the interest rate.

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 23rd day of December, 2008.

By the Commission

ATTEST.

Executive Director

Honorable Stephen B Seiple
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