

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 SALE)	CASE NO.
OF PROMISSORY NOTES AND AUTHORIZED)	2012-00418
BUT UNISSUED COMMON STOCK)	

ORDER

On September 10, 2012, Columbia Gas of Kentucky, Inc. ("Columbia"), a wholly owned subsidiary of Columbia Energy Group ("CEG"), which is a wholly owned subsidiary of NiSource Inc. ("NiSource"), submitted an application for authority to issue and sell Long-term Promissory Notes ("Notes") to NiSource Finance Corp., which is also a wholly owned subsidiary of NiSource, and/or to secure additional equity financing from CEG through the issuance and sale of currently authorized and unissued common stock ("Stock"), \$25 par value per share. There are no intervenors in this proceeding.

Columbia seeks authority to issue new Notes and/or Stock in an amount not to exceed \$45 million through December 31, 2014. Any Notes 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.

Columbia is also seeking authorization to issue stock, if necessary, in order to obtain up to \$3,693,800 in additional equity capital. Columbia is proposing to issue and sell up to up to 147,752 shares of authorized but unissued Stock, at \$25 par value, to CEG.

The proceeds of the Notes and/or Stock issuance will be used to reimburse Columbia for 2012 through 2014 construction totaling an estimated \$64,162,000 and for other corporate purposes. Columbia states that capital expenditures are required for the construction, completion, extension and improvement of its facilities, all in the ordinary course of providing utility service, and not for financing any major acquisitions. All of the new Notes or Stock will be issued on or before December 31, 2014.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale of the proposed Notes and the issuance and sale of currently authorized and unissued Stock, as set out in Columbia's application, are for lawful objects within the corporate purposes of Columbia's utility operations, 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 is authorized to issue and sell new Notes to NiSource Finance Corp. and to issue and sell Stock to CEG in a total amount not to exceed \$45 million.
2. Columbia is authorized to issue, sell, and deliver the new Notes and Stock, upon the terms set forth in its application, through December 31, 2014.

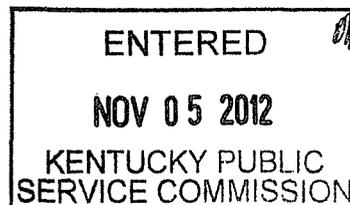
3. Columbia is authorized to use the proceeds arising from the issuance and sale of the Notes and Stock for only the lawful purposes set forth in its application.

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, and the number of shares of Stock issued and sold at \$25 par value per share.

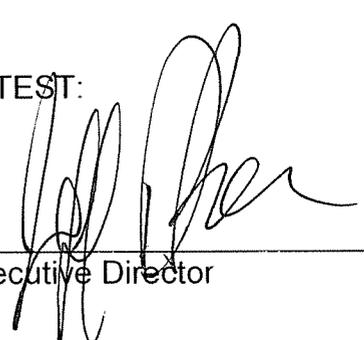
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission

Commissioner Breathitt is abstaining from this proceeding.



ATTEST:



Executive Director

Judy M Cooper
Director, Regulatory Services
Columbia Gas of Kentucky, Inc.
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P. O. Box 14241
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