

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF NISOURCE, INC.,)
COLUMBIA ENERGY GROUP AND) CASE NO.
COLUMBIA GAS OF KENTUCKY, INC.) 2013-00066
FOR APPROVAL OF A STOCK TRANSFER)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Columbia fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. What are the specific financial goals of this corporate realignment for NiSource Inc. ("NiSource"), Columbia Energy Group ("CEG"), and Columbia? Provide details.

2. Refer to page 1 of the Joint Application ("application"), which states, "All of Columbia's stock will be transferred to a new entity, NiSource Gas Distribution Group, Inc. ("NGD")." Also refer to page 2, paragraph 2, of the application, which states, "NiSource Gas Distribution Group is not yet in existence, but once formed it will be a corporation organized under the laws of the state of Delaware."

a. Explain why NGD has not yet been formed.

b. Explain whether there will be a change of NiSource's management structure once NGD is formed and, if so, describe.

c. State whether there will be any change in the dividend policies of NiSource or Columbia after the stock transfer and, if so, state the effect it will have on Columbia's ratepayers.

d. State what benefits and/or costs savings are expected for Columbia's ratepayers as a result of the new structure.

3. Provide the following information concerning the costs of this corporate realignment of NiSource:

- a. The total cost incurred as of the date of this Order by NiSource;
- b. The total cost incurred as of the date of this Order by Columbia;
- c. The current estimated total cost of the corporate realignment to be borne by NiSource;
- d. The current estimated total cost of the corporate realignment to be borne by NGD; and
- e. The current estimated total cost of the corporate realignment to be borne by Columbia.

4. On page 11 of the application, there is reference to “. . . NiSource’s policy of attaining and maintaining investment grade credit ratings for its subsidiaries.” Identify and describe in detail NiSource and Columbia’s current credit ratings. Attach any credit audits or other reports that have been done in anticipation of this corporate realignment.

5. Refer to page 4, paragraph 6, of the application. It states the following:

NiSource’s business model has changed significantly since the acquisition of CEG. Since that time, NiSource’s businesses have aggregated into three distinct lines of business (or business segments) with separate management of each segment. Those businesses are NiSource Gas Distribution, NiSource Gas Transmission and Storage, and Northern Indiana Energy.

Provide a detailed description and timeline of these changes to NiSource’s business model.

6. Refer to page 5, paragraph 8, of the application. Explain how the stock transfer will be “transparent” to Columbia’s customers.

7. Refer to page 7, paragraph 13, of the application. Identify other jurisdictions that require regulatory approval of this corporate realignment. Has regulatory approval been obtained from each of these jurisdictions?

8. State the expected impact of the corporate realignment on Columbia's future ability to engage in financing arrangements with NiSource Finance Corp.

9. Provide the following:

a. The number of shares of stock authorized for Columbia;

b. The par value of the shares;

c. The number of shares that have been issued;

d. The number of shares that are currently outstanding; and

e. State whether this transfer of Columbia's stock, pursuant to this corporate realignment, will modify any of the above.

10. Will this corporate realignment require any change in branding or signage for Columbia?

a. If yes, provide a description and cost estimate of the required changes. If so, will the cost of the required changes be passed on to Columbia's ratepayers?

b. If no, is it anticipated that changes will be made voluntarily? If so, describe the changes and the anticipated cost to Columbia's ratepayers.

11. Refer to pages 8-9, paragraph 15, of the application. Explain, in detail, how moving Columbia under NGD will "enhance NiSource's corporate structure's fit and focus to facilitate management of Columbia along its respective distinct business segment."

12. Provide the following information as of the date of this Order:
 - a. The total number of NiSource employees;
 - b. The total number of Columbia employees;
 - c. The total number of CEG employees;
 - d. A current listing of senior executive officers of NiSource;
 - e. A current listing of senior executive officers of Columbia; and
 - f. A current listing of senior executive officers of CEG.

13. Provide the following information for the anticipated corporate realignment:
 - a. The total number of NiSource employees;
 - b. The total estimated number of NGD employees;
 - c. The total number of Columbia employees;
 - d. A listing of senior executive officers of NiSource;
 - e. A listing of senior executive officers of NGD; and
 - f. A listing of senior executive officers of Columbia.

14. For each of the concerns listed below, state how NiSource, NGD, and Columbia will address the concern.

- a. NGD's ability to adjust the capital structure of Columbia in a manner that could adversely affect their cost of capital and financial integrity;
- b. NGD's refusal to provide necessary capital to Columbia, which could impair its ability to provide utility services;
- c. The guaranteeing of the debt of affiliates and of NGD by Columbia, which could jeopardize Columbia's financial position and resources;

d. The need for the Commission to have open access in Kentucky to the books and records of NGD and its other affiliates and subsidiaries; and

e. The ability of the Commission to monitor significant transfers of Columbia's assets to business ventures of NGD and other major transactions.

15. Provide copies of all reports submitted by financial advisors to NiSource, CEG, or Columbia related to the corporate realignment.

16. Provide the following information concerning the boards of directors of NiSource, CEG, Columbia, and NGD, if known, as of the date of this Order:

a. The names and occupations of each board member;

b. How long the current board members have served on the respective board of directors;

c. How the members of the boards are selected and describe any eligibility requirements that a candidate must satisfy; and

d. When the term expires for each board member.

17. Provide copies of any filings or applications regarding this proposed corporate realignment that have been filed with the U.S. Securities and Exchange Commission by or on behalf of NiSource, NGD, or Columbia.

18. On page 6 of his Prepared Direct Testimony, Herbert A. Miller, Jr. testifies that the proposed changes will enhance NiSource's corporate structure's fit and focus to facilitate management along its respective distinct business segments. Mr. Miller also testifies that, "NiSource intends that similar changes will be made throughout its corporate structure to facilitate management of its various businesses along its three

distinct business segments.” Provide examples of the proposed changes for NiSource and the “similar changes” intended for Columbia.

19. Provide the proposed journal entries that will be recorded on the books of NiSource, NGD, and Columbia to reflect this corporate realignment using estimated dollar amounts if actual amounts are not known at this time.

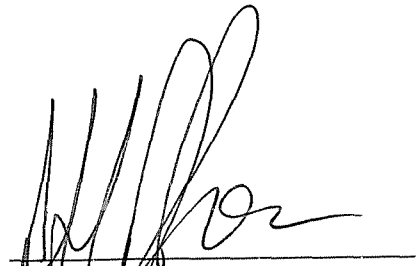
20. Given that the application contains no provision for passing any corporate realignment savings on to Columbia ratepayers in the form of reduced rates, explain how this corporate realignment can be considered to be in the public interest.

21. Explain how local considerations are included in this corporate realignment.

22. Paragraph 8, on page 5, of the application states that, “This corporate realignment and stock transfer will result in a change in the direct ownership of Columbia, but not the ultimate ownership of Columbia by NiSource.” How will this transfer of direct ownership specifically benefit Columbia?

23. Are measurable savings expected to be achieved by this change in direct ownership? If so, how will Columbia’s ratepayers benefit? If no measurable savings are expected, state the rationale for this transfer of stock.

24. What measurable savings will be achieved by NiSource and CEG by this corporate realignment? If no measurable savings are expected, state the rationale for this realignment.



Jeff Derouen
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DATED APR 02 2013

cc: Parties of Record

Case No. 2013-00066

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