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PUBLIC SERVICE COMMISSION

Columbia Gas of Kentucky

A NiSource Company

April 15, 2013

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 2013-00066

Dear Mr. Derouen:

Columbia Gas of Kentucky, Inc. ("Columbia") hereby submits for filing an original and eight (8) copies of its responses to Staff's First Request for Information in the above case. If you have questions, please don't hesitate to contact me at 614-460-4648 or sseiple@nisource.com.

Sincerely,

Stephen B. Seiple

Stephen B. Seiple
Assistant General Counsel

I hereby certify that each response to Staff's First Request for Information is true and accurate to the best of my knowledge, information and belief, formed after a reasonable inquiry.

Stephen B. Seiple

Stephen B. Seiple
Assistant General Counsel

Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

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COMMISSION

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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

Response:

The specific goals of the corporate realignment are related to business, financial reporting and functional alignment. The realignment is not driven by, nor is it expected to result in, significant financial benefits.

As a result of the acquisition of Columbia Energy Group ("CEG") in 2000, and subsequent acquisitions that have occurred, NiSource's subsidiaries are not organized in a way that reflects how the various businesses are operated and managed. NiSource is currently managed through three distinct business units, along with various corporate-level operating companies. Yet, the acquisition of CEG brought with it both distribution and transmission subsidiaries that were not placed into separate holding companies at the time of the acquisition. Additionally, there are currently many first-tier subsidiaries of NiSource that operate in different business units and yet are not organized in a logical way that reflects this fact.

NiSource reviewed the feasibility and potential legal and regulatory implications of reorganizing NiSource's subsidiaries in a way that would limit first tier subsidiaries to five main holding companies: Northern Indiana, NiSource Gas Distribution, NiSource Gas Transmission, NiSource Finance and Corporate. Subsidiaries would then be moved into these holding companies according to their function. Such moves would align the subsidiaries in a manner consistent with how they are operated and would additionally provide incidental, modest relief from the state tax detriment of filing a consolidated state income tax return in Kentucky.

Currently, Columbia Gas of Kentucky, Inc. ("Columbia") is a wholly owned subsidiary of CEG. Under Kentucky tax law, CEG and subsidiaries, including Columbia, file a consolidated state income tax return. The CEG consolidated Kentucky tax return produces an income tax liability for the consolidated group that is higher than what the combined total of the separate Kentucky tax return liabilities of each member would be if they were not required to file a consolidated state income tax return. This consolidated tax detriment occurs primarily because Columbia's high Kentucky income apportionment is partially applied to the other companies in the consolidated group who would not be taxed as much if they filed on their own stand-alone basis. Columbia accrues Kentucky tax at the statutory rate and recovers this amount from ratepayers. The consolidated tax detriment is borne by the NiSource shareholders and is not recovered from Columbia ratepayers through a management fee allocation or any other means. After the corporate realignment is complete, members included in the filing of the consolidated Kentucky tax return will be adjusted, and the consolidated detriment borne by the NiSource shareholders will be reduced by about $200,000 annually. Columbia will continue to accrue and include in its base rate revenue requirement Kentucky tax at the statutory rate on a stand-alone basis as it did before the corporate realignment.

KY PSC Case No. 2013-00066
Response to Staff Data Request No. 02
Respondents: Timothy Maloche (parts (a) through (c))
and Herbert A. Miller, Jr. (part (d))

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

a. NGD was formed February 22, 2013.

b. The formation of NGD did not result in a change in NiSource's management structure.

c. There will be no change in the way dividends are issued by NiSource or Columbia as a result of the stock transfer.

d. As explained in the testimony of Herbert J. Miller, Jr., this transaction should be transparent to customers, and any benefits or savings are likely to be indirect. The purpose of this transaction is not to generate savings. However, as explained in Columbia's response to Staff data request number 1, there will be an incidental, modest tax benefit associated with this proposed stock transfer. Most corporate realignments of this type do not require Commission approval, and except for the provisions of the Commission's Order issued in Case No. 2000-0129, KRS 278.020(7)(b) regarding changes in control through corporate realignments would apply and this application would not be required.

The proposed stock transfer will enhance NiSource's corporate structure's ability to facilitate management along its respective distinct business segments. The corporate realignment will enable NiSource to continue to operate efficiently – to the benefit of all the NiSource subsidiaries, including Columbia Gas of Kentucky, and their customers. Columbia will remain a separate and distinct business entity, and the Company's field locations will not change as a result of this transaction. We will remain committed to system safety and reliability and to providing excellent customer service.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

a. $75,000

b. 0

c. $75,000

d. 0

e. 0

KY PSC Case No. 2013-00066
Response to Staff Data Request No. 04
Respondent: Mark Downing

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013**

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.

Response:

NiSource's current credit ratings are included in the table below:

Moody's	2012
Issuer Rating	Baa3
Commercial Paper	P-3
Standard & Poor's	
Corporate Credit Rating	BBB-
Commercial Paper	A-3
Fitch	
Issuer Rating	BBB-
Commercial Paper	F-3

The rating agencies do not separately rate Columbia Gas of Kentucky. There are no credit audits or other reports that have been prepared in anticipation of this corporate realignment.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

Prior to the acquisition of CEG, NiSource was the direct parent company of Bay State Gas Company and NIPSCO, both of which are local distribution companies. The acquisition of CEG made CEG a sister company, directly owned by NiSource and on the same corporate tier as BAY State Gas Company and NIPSCO. CEG continued to be the holding company of various subsidiaries representing distribution, transmission and storage assets, which was a legacy of its pre-acquisition history. Although NiSource has created, acquired and dissolved various subsidiaries since the acquisition of CEG, the basic structure outlined above has remained in place since the acquisition of CEG. However, since the acquisition of CEG, three business segments (or operational groups) have been identified: Electric, Gas Distribution, and Transmission and Storage. Separate CEO's have been hired to run each of these three groups. These three business segments are how NiSource runs its business, but the current organizational structure does not reflect this.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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

Response:

Nothing about this transaction will be apparent to customers. Most corporate realignments of this type do not require Commission approval, and except for the provisions of the Commission's Order issued in Case No. 2000-0129, KRS 278.020(7)(b) regarding changes in control through corporate realignments would apply and this application would not be required.

As explained in my testimony, the stock transfer will not change the manner in which Columbia provides gas sales and distribution service within the Commonwealth. Columbia will continue to provide service under the tariffs it has on file with the Commission, and will continue to be governed by all applicable rules and regulations of the Commission. There will be no managerial or operational changes resulting from the realignment. There will be no change in

Columbia's management or any of its workforce resulting from the corporate realignment. Columbia will remain a Kentucky corporation, its headquarters will remain in Lexington, and key management personnel will be retained. Decision-making authority for Columbia will continue to reside with the Lexington management. This stock transfer does not contemplate any changes in local operations or the employee workforce. Columbia's collective bargaining agreement will be honored. Thus, the stock transfer is not expected to have any impact on employment, nor upon rates.

KY PSC Case No. 2013-00066
Response to Staff Data Request No. 07
Respondent: Timothy Maloche

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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?

Response:

Regulatory approvals will be required from the utility commissions in Maryland, Pennsylvania and Virginia. No approvals have been obtained yet from these other jurisdictions.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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

Response:

No impact is expected.

KY PSC Case No. 2013-00066
Response to Staff Data Request No. 09
Respondent: Penny L. Kljajic

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

a. 1,100,000

b. $25

c. 952,248

d. 952,248

e. No, the transfer of stock will not impact any of the above responses.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

There will be no branding or signage changes as a result of the realignment.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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."

Response:

Moving Columbia under NGD will enhance NiSource's corporate structure's ability to facilitate management of Columbia by allowing the structure of Columbia to be consistent with the management and accounting of the organization. The alignment project will facilitate transparency of NGD organization and provide clear line of sight for employees in understanding which companies within the NiSource organization structure are part of the NGD business unit.

KY PSC Case No. 2013-00066
Response to Staff Data Request No. 12
Respondent: Leslie A. Bercik

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

a. 8485

b. 137

c. 0

d. Robert C. Skaggs, Jr., President and Chief Executive Officer; Jim L. Stanley, Executive Vice President & Group Chief Executive Officer; Joseph Hamrock, Executive Vice President and Group Chief Executive Officer; Carrie J. Hightman, Executive Vice President and Chief Legal Officer; Stephen P. Smith, Executive Vice President and Chief Financial Officer; Robert D. Campbell, Senior Vice President, Human Resources; Glen L. Kettering, Senior Vice President, Corporate Affairs; Jon D. Veurink, Vice President, Controller and Chief Accounting Officer; Larry J. Francisco, Vice President, Audit; Robert E. Smith, Vice President and Corporate Secretary; David J. Vajda, Vice President, Treasurer and Chief Risk Officer; Mark S. Downing, Assistant Treasurer; Samuel K. Lee, Assistant Corporate Secretary; Vincent V. Rea, Assistant Treasurer.

e. Joseph Hamrock, Chief Executive Officer; Herbert A. Miller, Jr., President; David A. Monte, Chief Operating Officer; John W. Partridge, Jr., Chief Regulatory Officer; Stanley J. Sagun, Senior Vice President and Chief Commercial Officer; Stanley J. Sagun, Senior Vice President and Chief Financial Officer; Heather Bauer, Vice president, Commercial Operations; Danny G. Cote, Vice President, Pipeline Safety and Compliance; Michael J. Davidson, Vice President, Customer Operations; Douglas A. Nusbaum, Vice President, Sales & Marketing; Edward A. Santry, Vice President, Human Resources; Bruce M. Sedlock, Vice President, Tax Services; Charles E. Shafer II, Vice President, Engineering and Construction; Robert E. Smith, Vice President and Assistant Corporate Secretary; Julee C. Stephenson, Vice President, Communications Strategy; Suzanne Surface, Vice President, Regulatory Strategy/Support; Steven W. Sylvester, Vice President and General Manager; David J. Vajda, Vice President, Treasurer and Chief Risk Officer; Jon D. Veurink, Vice President and Chief Accounting Officer; Michael Watson, Vice President, Supply & Optimization; June M. Konold, Controller; Vincent V. Rea, Assistant Treasurer; Mark S. Downing, Assistant Treasurer.

f. Stephen P. Smith, President; Bruce M. Sedlock, Vice President, Tax Services; Robert E. Smith, Vice President and Assistant Corporate Secretary; David J. Vajda, Vice President, Treasurer and Chief Risk Officer; Jon D. Veurink, Vice President and Chief Accounting Officer; Susanne M. Taylor, Controller; Vincent V. Rea, Assistant Treasurer; Mark S. Downing, Assistant Treasurer.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

a. 8485

b. 0

c. 137

d. Robert C. Skaggs, Jr., President and Chief Executive Officer; Jim L. Stanley, Executive Vice President & Group Chief Executive Officer; Joseph Hamrock, Executive Vice President and Group Chief Executive Officer; Carrie J. Hightman, Executive Vice President and Chief

Legal Officer; Stephen P. Smith, Executive Vice President and Chief Financial Officer; Robert D. Campbell, Senior Vice President, Human Resources; Glen L. Kettering, Senior Vice President, Corporate Affairs; Jon D. Veurink, Vice President, Controller and Chief Accounting Officer; Larry J. Francisco, Vice President, Audit; Robert E. Smith, Vice President and Corporate Secretary; David J. Vajda, Vice President, Treasurer and Chief Risk Officer; Mark S. Downing, Assistant Treasurer; Samuel K. Lee, Assistant Corporate Secretary; Vincent V. Rea, Assistant Treasurer.

e. Joseph Hamrock, Executive Vice President and Group Chief Executive Officer; Stanley J. Sagun, Senior Vice President and Chief Financial Officer; Bruce M. Sedlock, Vice President, Tax Services; Robert E. Smith, Vice President and Assistant Corporate Secretary; David J. Vajda, Vice President, Treasurer and Chief Risk Officer; Jon D. Veurink, Vice President and Chief Accounting Officer; June M. Konold, Controller; Samuel K. Lee, Assistant Corporate Secretary; ; Mark S. Downing, Assistant Treasurer; Vincent V. Rea, Assistant Treasurer.

f. Joseph Hamrock, Chief Executive Officer; Herbert A. Miller, Jr., President; David A. Monte, Chief Operating Officer; John W. Partridge, Jr., Chief Regulatory Officer; Stanley J. Sagun, Senior Vice President and Chief Commercial Officer; Stanley J. Sagun, Senior Vice President and Chief Financial Officer; Heather Bauer, Vice president, Commercial Operations; Danny G. Cote, Vice President, Pipeline Safety and Compliance; Michael J. Davidson, Vice President, Customer Operations; Douglas A. Nusbaum, Vice President, Sales & Marketing; Edward A. Santry, Vice President, Human Resources; Bruce M. Sedlock, Vice President, Tax Services; Charles E. Shafer II, Vice President, Engineering and Construction; Robert E. Smith, Vice President and Assistant Corporate Secretary; Julee C. Stephenson, Vice President, Communications Strategy; Suzanne Surface, Vice President, Regulatory Strategy/Support; Steven W. Sylvester, Vice President and General Manager; David J. Vajda, Vice President, Treasurer and Chief Risk Officer; Jon D. Veurink, Vice President and Chief Accounting Officer; Michael Watson, Vice President, Supply & Optimization; June M. Konold, Controller; Vincent V. Rea, Assistant Treasurer; Mark S. Downing, Assistant Treasurer.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

The concerns addressed above are matters that were addressed in the Commission's Order in Case No. 2000-0129 – the case in which the Commission approved the merger between NiSource Inc. and Columbia Energy Group. With regard to the concerns addressed in this data request, NiSource and Columbia reaffirm, and NGD, affirms that:

(a) NiSource and NGD will assist Columbia of Kentucky in maintaining a balanced capital structure.

(b) NiSource and NGD will provide necessary and adequate capital to Columbia of Kentucky so that Columbia of Kentucky can provide utility services, as is its statutory obligation.

(c) NiSource, NGD and Columbia recognize that a guarantee of the debt of non-utility affiliates of NGD or NiSource by Columbia of Kentucky could unnecessarily place in jeopardy the financial position and resources of Columbia of Kentucky. Pursuant to KRS 278.300, Columbia of Kentucky will not guarantee debt without prior Commission approval.

(d) NiSource, NGD and Columbia will provide the Commission with access, as necessary in the exercise of its statutory duties, to the books and records of NiSource and NGD and its other affiliates and subsidiaries as the books and records may be related to transactions with Columbia of Kentucky.

(e) NiSource, NGD and Columbia will cooperate with the Commission so that the Commission may monitor significant transfers of Columbia's assets to business ventures of NGD and other major transactions.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013**

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

Response:

There are no such reports.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013**

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.

Response:

a. **NiSource:** Richard A. Adboo, President, R.A. Adboo & Co.; Aristides S. Candris, President and Chief Executive Officer, Westinghouse Electric Company; Sigmund L. Cornelius, Senior Vice President, Finance and Chief Financial Officer (retired), ConocoPhillips; Michael E. Jesanis, Principal, Serrafix; Marty R. Kittrell, Executive Vice president & Chief Financial Officer (retired), Dresser, Inc.; W. Lee Nutter, Chairman, President and Chief Executive Officer (retired), Rayonier, Inc.; Deborah S. Parker, Senior Vice President, Quality and Environmental, Health and Safety, Alstom Power; Ian M. Rolland, Chairman and Chief Executive Officer (retired), Lincoln National Corporation; Robert C. Skaggs, Jr., President and Chief Executive Officer, NiSource Inc.; Teresa A. Taylor, Chief Operating Officer, Qwest Communications, Inc.; Richard L. Thompson, Group President, Caterpillar, Inc., Carolyn Y. Woo, President and Chief Executive Officer, Catholic Relief Services.

CEG: Carrie J. Hightman, Executive Vice President and Chief Legal Officer, NiSource Inc., Stephen P. Smith, Executive Vice President and Chief Financial Officer, NiSource Inc.; Jimmy D. Staton, Executive Vice President and Group Chief Executive Officer, Transmission Operations, NiSource Inc.

Columbia: Joseph Hamrock, Executive Vice President and Group Chief Executive Officer, Distribution Operations, NiSource Inc., Herbert A. Miller, Jr., President, Columbia Gas of Kentucky, Inc., and Steven W. Sylvester, Vice President and General Manager, Operations Management, Columbia Gas of Ohio, Inc. and Columbia Gas of Kentucky, Inc.

NGD: Joseph Hamrock, Executive Vice President and Group Chief Executive Officer, Distribution Operations, NiSource Inc.; Stephen P. Smith, Executive Vice President and Chief Financial Officer, NiSource Inc.; Carrie J. Hightman, Executive Vice President and Chief Legal Officer, NiSource Inc.

b. **NiSource:** Richard A. Adboo, 2008; Aristides S. Candris, 2012; Sigmund L. Cornelius, 2011; Michael E. Jesanis, 2008; Marty R. Kittrell, 2007; W. Lee Nutter, 2007; Deborah S. Parker, 2007; Ian M. Rolland, 1978; Robert C. Skaggs, Jr., 2005; Teresa A. Taylor, 2012; Richard L. Thompson, 2004; ., Carolyn Y. Woo, 1998.

   CEG: Carrie J. Hightman, 6/14/2010; Stephen P. Smith, 12/03/2008; Jimmy D. Staton, 6/14/2010.

   Columbia: Joseph Hamrock, 5/1/2012; Herbert A. Miller, Jr., 9/1/2006; Steven W. Sylvester, 6/1/2012.

   NGD: Joseph Hamrock, 3/27/2013; Stephen P. Smith, 3/27/2013; Carrie J. Hightman, 3/27/2013.

c. **NiSource:** According to NiSource Inc.'s proxy statement for the 2012 annual meeting of the stockholders, The Committee identifies and screens candidates for director and makes its recommendations for director to the Board as a whole. The Committee has the authority to retain a search firm to help it identify director candidates to the extent it deems necessary or appropriate.

   In considering candidates for director, the Committee considers the nature of the expertise and experience required for the performance of the duties of a director of a company engaged in our businesses, as well as each candidate's relevant business, academic and industry experience, professional background, age, current employment, community service and other board service. Pursuant to the Corporate Governance Guidelines, the Committee also considers the racial, ethnic and gender diversity of the Board. The Committee seeks to identify and recommend candidates with a reputation for and record of integrity and good business judgment who: have experience in positions with a high degree of responsibility and are leaders in the organizations with which they are affiliated, are effective in working in complex collegial settings, are free from conflicts of interest that could interfere with a director's duties to the Company and its stockholders and are willing and able to make the necessary commitment of time and attention required for effective service on the Board. The Committee also takes into account the candidate's level of financial literacy. The Committee monitors the mix of skills and experience of the directors in order to assess whether the Board has the necessary tools to perform its oversight function effectively. The Committee also assesses the diversity of the Board as part of its annual self-assessment process. The Committee will consider nominees for directors recommended by stockholders and will use the same criteria to evaluate candidates proposed by stockholders.

The Board has determined that all of the members of the Committee are independent as defined under the applicable NYSE rules and meet the additional independence standard set forth in the Corporate Governance Guidelines.

CEG: Board members are elected by NiSource Inc. the sole shareholder of Columbia Energy Group. The By-Laws of the Corporation do not provide eligibility requirements for board members. They do state that there cannot be less than one director or more than five directors.

Columbia: Board members are elected by Columbia Energy Group, the sole shareholder of Columbia Gas of Kentucky, Inc. The By-Laws of the Corporation do not eligibility requirements for board members. They do state that there cannot be less than one director or more than five directors.

NGD: Board members are elected by NiSource Inc., the sole shareholder of NiSource Gas Distribution Group, Inc. The organizational documents of the Corporation do not provide eligibility requirements for board members. They do state that there cannot be less than one director or more than five directors.

d. For all entities, annually or upon death, resignation or removal.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

There are no such filings.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

The majority of the corporate entities currently under CEG that are not related to the Columbia Pipeline Group business segment will be moved under two new holding companies, each such holding company a direct subsidiary of NiSource Inc. Local distribution companies such as Columbia of Kentucky and Bay State Gas Company (dba Columbia of Massachusetts) will be moved under the new NiSource Gas Distribution Group Holding Company. Other subsidiaries such as Columbia Remainder Corporation and NiSource Insurance Corporation, Inc. will be moved under NiSource Corporate Group where they are a better fit based on their associated business activities.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

Proposed journal entries for NiSource, NGD and Columbia Energy Group, Inc. (the parent company of Columbia of Kentucky) are detailed in the attachment hereto, using actual amounts as of February 28, 2013. These amounts can be up-dated based on date of approval and date of legal documents. Please note that no entries are necessary for Columbia of Kentucky.

CEG - Columbia Energy Group, Inc.					
Account	**Account Description**			**Entry on CEG**	
41810000	Affiliated Equity in Earnings of Subsidiaries	Debit		5,073,853.92	
21600100	Retained Earnings - Beginning Balance	Debit		86,448,382.45	
21108000	Additional Paid In Capital Tax Savings	Debit		5,408,923.00	
12310003	*Investment in Subsidiary Company - Distributions*	Debit		83,474,588.00	
12310000	Investment in Subsidiary Company - Common Stock		Credit		(23,806,200.00)
12310001	Investment in Subsidiary Company - Profit & Loss		Credit		(151,016,820.37)
12310002	Investment in Subsidiary Company - Capital Contributions		Credit		(166,434.00)
12310015	Investment in Subsidiary Company - Additional Paid In Capital Tax Savings		Credit		(5,408,923.00)
12310016	Investment in Subsidiary Company - Additional Paid In Capital Tax Stock Compensation Intercompany		Credit		(7,370.00)
	To record corporate realignment activity with NI.				

NI - NiSource, Inc.					
Account	**Account Description**			**Entry on NI**	
12310000	Investment in Subsidiary Company - Common Stock	Debit		23,806,200.00	
12310001	Investment in Subsidiary Company - Profit & Loss	Debit		151,016,820.37	
12310002	Investment in Subsidiary Company - Capital Contributions	Debit		166,434.00	
12310015	Investment in Subsidiary Company - Additional Paid In Capital Tax Savings	Debit		5,408,923.00	
12310016	Investment in Subsidiary Company - Additional Paid In Capital Tax Stock Compensation Intercompany	Debit		7,370.00	
41810000	Affiliated Equity in Earnings of Subsidiaries		Credit		(5,073,853.92)
21600100	Retained Earnings - Beginning Balance		Credit		(86,448,382.45)
21108000	Additional Paid In Capital Tax Savings		Credit		(5,408,923.00)
12310003	Investment in Subsidiary Company - Distributions		Credit		(83,474,588.00)
	To record corporate realignment activity with CEG.				
41810000	Affiliated Equity in Earnings of Subsidiaries	Debit		5,073,853.92	
21600100	Retained Earnings - Beginning Balance	Debit		86,448,382.45	
21108000	Additional Paid In Capital Tax Savings	Debit		5,408,923.00	
12310003	Investment in Subsidiary Company - Distributions	Debit		83,474,588.00	
12310000	Investment in Subsidiary Company - Common Stock		Credit		(23,806,200.00)
12310001	Investment in Subsidiary Company - Profit & Loss		Credit		(151,016,820.37)
12310002	Investment in Subsidiary Company - Capital Contributions		Credit		(166,434.00)

Account	Account Description		Entry on CEG	
12310015	Investment in Subsidiary Company - Additional Paid In Capital Tax Savings	Credit		(5,408,923.00)
12310016	Investment in Subsidiary Company - Additional Paid In Capital Tax Stock Compensation Intercompany	Credit		(7,370.00)
	To record corporate realignment activity with NGDG.			
NGDG - NiSource Gas Distribution Group, Inc.				
Account	**Account Description**		**Entry on NGDG**	
12310000	Investment in Subsidiary Company - Common Stock	Debit	23,806,200.00	
12310001	Investment in Subsidiary Company - Profit & Loss	Debit	151,016,820.37	
12310002	Investment in Subsidiary Company - Capital Contributions	Debit	166,434.00	
12310015	Investment in Subsidiary Company - Additional Paid In Capital Tax Savings	Debit	5,408,923.00	
12310016	Investment in Subsidiary Company - Additional Paid In Capital Tax Stock Compensation Intercompany	Debit	7,370.00	
41810000	Affiliated Equity in Earnings of Subsidiaries	Credit		(5,073,853.92)
21600100	Retained Earnings - Beginning Balance	Credit		(86,448,382.45)
21108000	Additional Paid In Capital Tax Savings	Credit		(5,408,923.00)
12310003	Investment in Subsidiary Company - Distributions	Credit		(83,474,588.00)
	To record corporate realignment activity with NI.			
Columbia - Columbia Gas of Kentucky, Inc.				
	NO ENTRIES REQUIRED			

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

As stated in my filed testimony, this transaction should be transparent to customers, and any benefits or savings are likely to be indirect. The purpose of this transaction is not to generate savings. Most corporate realignments of this type do not even require Commission approval, and the only reason that this stock transfer requires Commission review and approval is the Commission's Order issued in Case No. 2000-1-0129.

The corporate realignment will enable NiSource to continue to operate efficiently – to the benefit of all the NiSource subsidiaries and their customers. Columbia will remain a separate and distinct business entity, and the Company's field locations will not change as a result of this transaction. We will remain committed to system safety and reliability and to providing excellent customer service.

The stock transfer is in the public interest because it will have no detrimental impact on Kentucky or Kentucky consumers. The transaction is a simple stock transfer that does not contemplate changes to Columbia's operations. This change will enhance NiSource's corporate structure's ability to facilitate management along its respective distinct business segments. Thus, the stock transfer will not result in any change to Columbia's rates, terms, or conditions of service, the quality of those services, or the Commission's regulatory authority over Columbia.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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

Response:

As explained in my testimony and in Columbia's response to data request number 6, this transaction should be transparent to customers.

Local impacts were considered, and as addressed in my testimony and in Columbia's response to Staff data request number 6, one of the benefits of this proposed stock transaction is that there will be no local impacts. There will be no changes in Columbia's rates, operations or management as a result of this transaction.

COLUMBIA GAS OF KENTUCKY, INC.
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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?

Response:

As explained in my testimony, any benefits are likely to be intangible. See also Columbia's responses to Staff data request numbers 2, 6, 20 and 21.

The proposed stock transfer will enhance NiSource's corporate structure's ability to facilitate management along its respective distinct business segments. The corporate realignment will enable NiSource to continue to operate efficiently – to the benefit, albeit indirect, of all the NiSource subsidiaries, including Columbia Gas of Kentucky.

KY PSC Case No. 2013-00066
Response to Staff Data Request No. 23
Respondent: Timothy Maloche

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

Other than the modest tax impact referenced in response to Staff data request number 1, we do not expect measurable savings. As explained in Columbia's response to Staff data request number 11, this change will better align subsidiaries of NiSource along its business segments and will contribute to an organizational structure that better reflects how NiSource manages its business.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 2, 2013

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.

Response:

There is a modest tax benefit. See Columbia's response to Staff Data Request number 1 for an explanation of this tax benefit as well as the other rationales for the realignment. See also Columbia's response to Staff Data Request number 11.