

Columbia Gas[®]
of Kentucky

A NiSource Company

P.O. Box 14241
2001 Mercer Road
Lexington, KY 40512-4241

October 26, 2015

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

RECEIVED

OCT 26 2015

PUBLIC SERVICE
COMMISSION

Re: Case No. 2015 - 00354

Dear Mr. Derouen:

Please find attached the application of Columbia Gas of Kentucky, Inc. ("Columbia") seeking authorization of the Issuance and Sale of Promissory Notes and Authorized but Unissued Common Stock. An original and ten (10) copies are enclosed.

Sincerely,

Brooke E. Wancheck (gmc)

Brooke E. (Leslie) Wancheck
Assistant General Counsel
Columbia Gas of Kentucky, Inc.

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 26 2015

PUBLIC SERVICE
COMMISSION

In the Matter of:)

The Application of Columbia Gas of)
Kentucky, Inc. for an Order Authorizing the)
Issuance and Sale of Promissory Notes and)
Authorized but Unissued Common Stock)

Case No. 2015- 00354

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.

The petition of Columbia Gas of Kentucky, Inc. ("Columbia") respectfully states:

(a) That applicant is engaged in the business of furnishing natural gas service to the public in certain counties in the Commonwealth of Kentucky, pursuant to authority granted by the Public Service Commission ("Commission").

(b) That Columbia's full name and post office address are:

Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P.O. Box 14241
Lexington, KY 40512-4241
Email: pscmailcky@nisource.com

(c) That Columbia, incorporated October 11, 1905, is a corporation organized and existing under the laws of the Commonwealth of Kentucky and is in good standing with the Commonwealth.

(d) That Columbia is a wholly-owned subsidiary of NiSource Gas Distribution Group which is a wholly-owned subsidiary of NiSource Inc. (“NiSource”). NiSource is a registered holding company under the Public Utility Holding Company Act of 2005, whose principal office is located at 801 East 86th Avenue, Merrillville, IN 46410.

(e) That pursuant to KRS § 278.300, Columbia files this application with the Commission and requests authorization 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 NiSource Gas Distribution Group through the issuance and sale of the currently authorized and unissued Common Stock (“Stock”), \$25 par value per share. Columbia requests authority to issue new Notes and/or Stock not to exceed a total of \$58,000,000, from the date of the Commission’s order herein through December 31, 2017, as more fully described below.

(f) As of September 30, 2015, Columbia had authorized 1,100,000 shares of Stock, par value \$25 per share, amounting to \$27,500,000. Of this amount, 952,248 shares were issued and outstanding. There was no preferred stock authorized, issued or outstanding. Columbia was not party to trust deeds or mortgages and there were no mortgage notes outstanding. There were no bonds authorized, issued or outstanding.

(g) During the twelve-month period ended September 30, 2015, the short term borrowing authorization was \$50,000,000 of which zero was outstanding at September 30, 2015. The interest expense on short-term debt during the twelve-month period ended September 30, 2015 totaled zero.

(h) In order to finance its capital program, and for other corporate purposes, Columbia will require, in addition to internally generated funds, up to \$58,000,000 of new funding. Columbia therefore requests Commission authority to secure from the issuance to NiSource Finance Corp. of Notes, and/or the sale of Stock to NiSource Gas Distribution Group, the total of which shall not exceed \$58,000,000 as more fully described below.

(i) The proceeds to be realized from the proposed sale of new Notes and/or sale of Stock is, in part, to reimburse Columbia's treasury for Columbia's October 2015 through 2017 construction program totaling \$66,547,000. Columbia estimates that its capital expenditures for the three-month period between October and December 2015 will be \$9,397,000, for 2016 will be \$30,166,000, and for 2017 will be \$26,984,000. These expenditures will be required for the purposes of the acquisition of property and for the construction, completion, extension and improvement of company facilities. Columbia intends to use the proceeds from its proposed sale of Notes and/or Stock to acquire property in the form of materials used in the ordinary course of providing public utility service – e.g., the purchase and installation of mains, service lines, meter, regulators, facilities and other corporate purposes. Columbia does not anticipate using the proceeds from the sale of the proposed Notes and/or Stock to finance any major acquisitions.

(j) **Issuance of New Notes.** The Notes will be unsecured and will be dated the date of their issue. The Notes will be issued with maturities of up to thirty years; will bear an interest rate that corresponds to the pricing being offered companies with financial profiles similar to NiSource Finance Corp., and will reflect market conditions at the time of issuance. The interest rate of the Notes will be determined by directly referencing the prevailing yield on U.S. utility bonds as reported by Bloomberg Finance L.P. (as reported in the Bloomberg "C038" Index (or equivalent index) - Historical Price Table, using Mid-Yield values) for companies with a credit risk profile

equivalent to that of NiSource Finance Corp., effective on the date a Note is issued. All of the new Notes, not to exceed \$58,000,000, will be issued on or before December 31, 2017.

(k) **Common Stock.** Columbia proposes to issue and sell to NiSource Gas Distribution Group up to 147,752 shares of authorized, but unissued Stock, at \$25 par value, yielding up to \$3,693,800 in additional equity capital. All such shares issued and sold shall be fully paid and nonassessable.

(l) Because the Notes and Stock are to be sold privately, they will not be registered with the Securities and Exchange Commission under the Securities Act of 1933.

(m) Pursuant to KRS § 278.300, Columbia submits the following as part of this Application:

- (1) A balance sheet as of September 30, 2015, attached as Attachment A.
- (2) An income statement as of September 30, 2015, attached as Attachment B.
- (3) A statement of notes outstanding as of September 30, 2015, attached as Attachment C.
- (4) A statement of dividends paid, fiscal years 2010 – September 30, 2015 attached as Attachment D.
- (5) A summary of utility plant and accumulated provisions for depreciation, amortization and depletion as of September 30, 2015, attached as Attachment E.
- (6) A description of Columbia's property, including a statement of the net original cost of the property and the cost thereof to the applicant as Attachment F.

WHEREFORE, Columbia respectfully requests that the Commission order that:

1. Columbia be authorized to issue and sell to NiSource Finance Corp. new Notes, and additionally, issue and sell Stock to NiSource Gas Distribution Group, in any combination of amounts not to exceed \$58,000,000. The total additional financing from the two sources shall not exceed \$58,000,000;

2. Columbia be authorized to issue, sell, and deliver the new Notes and Stock upon the terms and bases set forth in this Application;

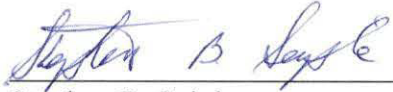
3. Columbia be authorized to use the cash proceeds arising from the issuance and sale of the subject Notes and Stock for the purposes set forth herein; and,

4. That Columbia be authorized to take such other and further actions as may be necessary and proper.

Columbia requests that the Commission approve this Application as soon as practical so as to maximize Columbia's flexibility for the issuance of Notes and equity capital for which this Application is sought.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

By: 

Stephen B. Seiple
Trial Attorney

Stephen B. Seiple, Assistant General Counsel
Brooke E. Leslie, Assistant General Counsel
290 W. Nationwide Blvd.
Columbus, Ohio 43215
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@nisource.com

Richard S. Taylor
225 Capital Avenue
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502): 226-6383

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

AFFIDAVIT

COMMONWEALTH OF KENTUCKY)
) ss:
FAYETTE COUNTY)

Herbert A. Miller, Jr., being first duly cautioned and sworn, deposes and says that he is the President of Columbia Gas of Kentucky, Inc., Applicant herein, that the statements and schedules submitted herewith establish the facts and grounds upon which this Application is based, and that the data and facts set forth herein are true to the best of his knowledge and belief.

Herbert A. Miller, Jr.
Herbert A. Miller, Jr.
President

Sworn to before me and subscribed in my presence this 23rd day of October 2015.

Cheryl Long Durr
Notary Public
#419232 5/15/2018

SEAL

COLUMBIA GAS OF KENTUCKY, INC.
Balance Sheet, Per Books, as of September 30, 2015
Assets and Other Debits

	<u>Amount</u> \$
<u>Utility Plant</u>	
Gas Plant (101,105,106,107,114)	391,758,150
Less: Accumulated Provision for Depreciation and Amortization (108,111,115)	<u>140,063,707</u>
Net Utility Plant	<u>251,694,443</u>
 <u>Current and Accrued Assets</u>	
Cash (131,135,136)	723,096
Notes and Accounts Receivable (Less Accumulated Provision for Uncollectable Accounts 141-144,171-173)	7,172,819
Receivables from Associated Companies (146)	16,347,890
Materials and Supplies (151,154,163)	85,994
Gas Stored Underground - Current (164)	53,448,764
Prepayments and Other Current Assets (165,174,175)	1,751,334
Other Special Funds (128)	-
Regulatory Assets Current (182)	<u>2,056,902</u>
Total Current and Accrued Assets	<u>81,586,800</u>
 <u>Deferred Debits</u>	
Unrecovered Plant and Regulatory Study Costs (182)	9,407,964
Preliminary Survey and Investigation Charges (183)	601,403
Clearing Accounts (184)	(312)
Miscellaneous Deferred Debits (186,188)	2,977,294
Accumulated Deferred Income Taxes (190)	8,588,905
Unrecovered Purchased Gas Costs (191)	<u>(19,537,220)</u>
Total Deferred Debits	<u>2,038,034</u>
 Investment in Subsidiary	 515,969
 Total Assets and Other Debits	 <u><u>335,835,247</u></u>

COLUMBIA GAS OF KENTUCKY, INC.
Balance Sheet, Per Books, as of September 30, 2015
Liabilities and Other Credits

	<u>Amount</u> \$
<u>Proprietary Capital</u>	
Common Stock (201)	23,806,200
Other Paid-in Capital (211)	6,505,955
Earned Surplus (216)	83,231,620
Total Proprietary Capital	113,543,774
<u>Long-Term Debt</u>	
Advances from Associated Companies (223,233)	98,335,000
Other Long-Term Debt (224,231)	-
Total Long-Term Debt	98,335,000
<u>Current and Accrued Liabilities</u>	
Accounts Payable (232)	8,406,169
Accounts Payable to Associated Companies (234)	3,870,772
Customer Deposits (235)	2,293,566
Taxes Accrued (236)	1,774,562
Interest Accrued (237)	1,892
Tax Collections Payable (241)	643,620
Miscellaneous Current and Accrued Liabilities (242,244)	17,739,640
Capital Lease Obligations (243)	-
Accumulated Deferred Income Taxes, Current (282,283)	67,237,756
Regulatory Liabilities, Current (254)	1,620,251
Total Current and Accrued Liabilities	103,588,228
<u>Deferred Credits</u>	
Customer Advances for Construction (252)	3,430,997
Other Deferred Credits (253)	1,038,489
Regulatory Liabilities, Long Term (254)	4,391,011
Accumulated Deferred Investment Tax Credits (255)	226,345
Capital Lease Obligations (227)	-
Injuries and Damages Reserve (228)	5,867,145
Long-Term I/C Payable (234)	-
Long-Term Taxes Payable (236)	3,263,808
Long-Term Interest Payable (237)	-
Price Risk Liability - Noncurrent (244)	-
<u>Accumulated Deferred Income Taxes, Non Current (282,283)</u>	2,150,449
	20,368,245
Total Liabilities and Other Credits	335,835,247

COLUMBIA GAS OF KENTUCKY, INC.
Statement of Income, Per Books, 12 Months Ended September 30, 2015

	<u>Amount</u> \$
<u>Utility Operating Income</u>	
Operating Revenue	159,485,657
<u>Operating Expenses</u>	
Operations Expenses	121,070,932
Maintenance Expense	3,488,912
Depreciation and Amortization Expense	8,165,546
Taxes Other Than Income Taxes	3,746,214
Income Taxes - Federal	536,570
Income Taxes - State	423,584
Income Taxes Deferred	22,998,749
Income Taxes Deferred - Credit	(14,945,409)
Investment Tax Credit Adjustment - Net	(70,515)
Total Utility Operating Expenses	145,414,584
Net Utility Operating Income	14,071,073
<u>Other Income and Deductions</u>	
<u>Other Income</u>	
Investment in Subsidiary	16,560
Interest Income	109,639
Miscellaneous Non-Operating Income	2,876,112
Total Other Income	3,002,310
<u>Other Income Deductions</u>	
Miscellaneous Income Deductions	210,838
Net Other Income and Deductions	3,213,148
<u>Interest Charges</u>	
Interest on Debt to Associated Companies	5,676,663
Other Interest Expense	(2,443)
Allowance for Funds Used During Construction - Debt	(128,094)
Total Interest Charges	5,546,127
Net Income	11,738,095

COLUMBIA GAS OF KENTUCKY, INC.
Statement of Notes Outstanding as of September 30, 2015

<u>Line No.</u>	<u>Year Issued</u> (1)	<u>Principal Amount Per Books</u> (2) \$	<u>Date of Maturity</u> (3)	<u>Rate of Interest</u> (4)	<u>In Whose Favor</u> (5)	<u>Interest Paid During Fiscal Year Ended September 30, 2015</u> (6) \$
1	01-05-06	10,750,000	01-05-16	5.410%	Nisource Finance Corporation	581,575
2	01-05-06	4,210,000	01-05-17	5.450%	Nisource Finance Corporation	229,445
3	01-05-06	12,375,000	01-05-26	5.920%	Nisource Finance Corporation	732,600
4	11-01-06	16,000,000	11-01-21	6.015%	Nisource Finance Corporation	962,400
5	12-16-10	10,000,000	12-16-30	6.020%	Nisource Finance Corporation	602,000
6	01-07-13	20,000,000	01-07-43	5.770%	Nisource Finance Corporation	1,154,000
7	12-23-13	20,000,000	12-23-43	6.200%	Nisource Finance Corporation	1,240,000
8	12-18-14	5,000,000	12-16-44	4.430%	Nisource Finance Corporation	117,729
9	Total	<u>98,335,000</u>				<u>5,619,749</u>

COLUMBIA GAS OF KENTUCKY, INC.
Statement of Dividends Paid, Fiscal Years 2010 to 2015

<u>Line No.</u>	<u>Year</u> (1)	<u>Dividend Paid</u> (2) \$	<u>Capital Stock</u> (3) \$	<u>Payout Rate</u> (4)
1	2010	10,000,000	23,806,200	42.006%
2	2011	10,000,000	23,806,200	42.006%
3	2012	7,000,000	23,806,200	29.404%
4	2013	2,000,000	23,806,200	8.401%
5	2014	2,000,000	23,806,200	8.401%
6	2015*	5,500,000	23,806,200	23.103%

* Reflects dividends paid through September 30, 2015

COLUMBIA GAS OF KENTUCKY, INC.
Summary of Utility Plant and Accumulated Provisions
for Depreciation, Amortization and Depletion
as of September 30, 2015

	<u>Amount</u> \$
<u>Utility Plant</u>	
In Service	
Plant in Service (Classified)	380,197,759
Property Under Capital Lease	-
Completed Construction not Classified	4,450,114
Total in Service	<u>384,647,874</u>
Held for Future Use	-
Construction Work in Progress	7,887,368
Acquisition Adjustments	<u>(777,092)</u>
Total Utility Plant	<u>391,758,150</u>
Accumulated Provision for Depreciation, Amortization and Depletion	140,063,707
Net Utility Plant	<u><u>251,694,443</u></u>

Detail of Accumulated Provisions for Depreciation, Amortization and Depletion

In Service	
Depreciation	136,399,628
Amortization of Other Utility Plant	3,667,572
Total in Service	<u>140,067,200</u>
Amortization of Plant Acquisition Adjustment	<u>(3,493)</u>
Total Accumulated Provisions	<u><u>140,063,707</u></u>