

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF	)	
KENTUCKY, INC. FOR AN ORDER AUTHORIZING	)	CASE NO.
THE ISSUANCE AND SALE OF PROMISSORY	)	2018-00356
NOTES AND AUTHORIZED BUT UNISSUED	)	
COMMON STOCK	)	

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

Columbia Gas of Kentucky, Inc. (Columbia Kentucky), 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 seven 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 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 Kentucky shall make timely amendment to any prior response if it obtains information which 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 Kentucky 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 should 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. When filing a paper containing personal information, Columbia Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, paragraph (e), and Exhibit A. Columbia Kentucky states that it is requesting authority to issue new notes or stock not to exceed a total of \$40 million. The August 31, 2018 balance sheet included in Exhibit A shows that Columbia Kentucky has an equity-to-debt ratio of 55.8 to 44.2 percent.

a. Describe in detail the factors that will be considered in determining the amounts of notes and stock to be issued.

b. Provide Columbia Kentucky's target equity-to-debt ratio. If Columbia Kentucky continues to target a 52 to 48 equity-to-debt ratio based on Case No. 2016-162,<sup>1</sup> explain why the equity component of its capital structure remains closer to 55 percent than 52 percent.

2. Refer to the application, paragraph (j).

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<sup>1</sup> Case No. 2016-00162, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Dec. 22, 2016).

a. Provide the estimated range within which Columbia Kentucky expects the interest rate(s) on the notes to fall, and whether Columbia Kentucky has established, or plans to establish, an upper limit on the interest rates at which it will issue new notes.

b. Describe the effect Columbia Kentucky expects current credit market conditions to have on the interest rates that will be applied to the notes as well as on the process of issuing the notes.

c. Explain how the method described in paragraph (j) for determining the interest rate will ensure that Columbia Kentucky obtains the most favorable interest rate available in the capital market.

d. Provide the current financial profile of NiSource Finance Corp. as well as a list of companies having a similar credit risk profile.

3. Refer to the application, paragraph (k). Columbia Kentucky states it “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.”

a. State whether this is the same 147,752 shares of authorized but unissued stock Columbia Kentucky sought (in paragraph (k) of the applications) and

received approval to issue in Case Nos. 2008-00403,<sup>2</sup> 2012-00418,<sup>3</sup> and 2015-00354.<sup>4</sup>

b. Explain why Columbia Kentucky has not issued stock as authorized in those proceedings, and whether it believes it is likely to issue this stock before December 31, 2020.

4. Refer to the application, Exhibit C. State whether any of these notes will be refinanced with funds requested in this proceeding.

5. Refer to the application, Exhibit D. Explain why the dividend rate was 23.103 percent in 2015, 16.802 percent in 2016, and 0 percent in 2017 and 2018.

6. State whether Columbia Kentucky anticipates paying dividends in 2018.



Gwen R. Pinson  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED NOV 21 2018

cc: Parties of Record

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<sup>2</sup> Case No. 2008-00403, *Application of Columbia Gas of Kentucky, Inc. for an Order Authorizing the Issuance and Sale of Promissory Notes and Authorized but Unissued Common Stock* (Ky. PSC Dec. 23, 2008).

<sup>3</sup> Case No. 2012-00418, *Application of Columbia Gas of Kentucky, Inc. for an Order Authorizing the Issuance and Sale of Promissory Notes and Authorized but Unissued Common Stock* (Ky. PSC Nov. 5, 2012).

<sup>4</sup> Case No. 2015-00354, *Application of Columbia Gas of Kentucky, Inc. for an Order Authorizing the Issuance and Sale of Promissory Notes and Authorized but Unissued Common Stock* (Ky. PSC Dec. 21, 2015).

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