

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS)	
OF KENTUCKY, INC. FOR AN ORDER)	CASE NO.
AUTHORIZING THE ISSUANCE AND SALE OF)	2022-00427
PROMISSORY NOTES AND AUTHORIZED BUT)	
UNISSUED COMMON STOCK)	

ORDER

On December 29, 2022, Columbia Gas of Kentucky, Inc. (Columbia Kentucky), a wholly owned subsidiary of NiSource Gas Distribution Group (NiSource Gas Distribution), which is a wholly owned subsidiary of NiSource Inc. (NiSource), submitted an application for authority to issue and sell new Long-term Promissory Notes (Notes) to NiSource and to secure additional equity financing from NiSource Gas Distribution through the issuance and sale of currently authorized and unissued common stock (Stock), \$25 par value per share.¹ Columbia Kentucky states that the issuance of new Notes or Stock will not exceed \$93,693,800 and will be issued on or before December 31, 2024.² There are no intervenors in this proceeding, and the Commission will decide this case based on the existing record without a hearing.

APPLICABLE LAW

KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to

¹ Application at 2, paragraph e.

² Application at 3–4, paragraphs j and k.

the securities or evidences of indebtedness of any other person.”³ KRS 278.300(3) clarifies the scope of Commission review and states:

The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

As discussed more fully below, the Commission finds that Columbia Kentucky should be authorized to issue new Notes or Stock in the aggregate amount of \$93,693,800 for the purpose of refinancing an outstanding \$16 million note that matured in November 2021 and for its general corporate purposes as outlined in its application.

BACKGROUND AND DISCUSSION

Columbia Kentucky states that the issuance of the new Notes will not exceed a principal amount of \$90 million.⁴ Any Notes issued by Columbia Kentucky will be unsecured and will be issued to NiSource, with maturities of up to 30 years.⁵ Columbia Kentucky states that the interest rate of the Notes will be determined by the corresponding applicable U.S. utility bond yield as reported by Bloomberg Finance L.P. for companies with a credit risk profile equivalent to that of NiSource Finance Corp. effective on the date of issue.⁶ Columbia Kentucky is also seeking authorization to issue Stock in order to

³ KRS 278.300(1).

⁴ Application at 4, paragraph j.

⁵ Application at 3, paragraph j.

⁶ Application at 3, paragraph j.

obtain up to \$3,693,800 in additional equity capital. Columbia Kentucky is proposing to issue and sell up to up to 147,752 shares of authorized but unissued Stock, at \$25 par value, to NiSource Gas Distribution.⁷

Columbia Kentucky states that the total amount raised through the issuance of Notes and Stock is not to exceed \$93,693,800.⁸ The proceeds, in part, will be used to reimburse Columbia Kentucky for its January 2023 through December 2024 construction program, totaling an estimated \$151,790,000.⁹ Columbia Kentucky indicates that capital expenditures are required for the construction, completion, extension and improvement of its facilities, and all in the ordinary course of providing utility service, but not for financing any major acquisitions. All of the new Notes will be issued on or before December 31, 2024.¹⁰

Having considered the evidence of record and being otherwise sufficiently advised, the Commission 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 Kentucky's application, are for lawful objects within the corporate purposes of Columbia Kentucky's utility operations. The purpose of the financings is to partially reimburse Columbia Kentucky's two-year construction program totaling \$151,790,000. Columbia Kentucky intends to use the proceeds to acquire property in the form of materials used in the ordinary course of providing public utility service. The Commission therefore finds that

⁷ Application at 4, paragraph k.

⁸ Application at 2, paragraph e.

⁹ Application at 3, paragraph i.

¹⁰ Application at 2, paragraph e.

the issuance and sale of the Notes and the issuance and sell of currently authorized and unissued Stock is 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.

The Commission also finds that in future cases, Columbia Kentucky should explain why it uses publicly reported rates for “similar” entities to provide a price proxy for its less-than-arms-length transaction with an affiliate for financing instead of going to the market directly or indirectly.

IT IS THEREFORE ORDERED that:

1. Columbia Kentucky is authorized to issue and sell new Notes to NiSource in an amount up to \$90 million, and to issue and sell Stock to NiSource Gas Distribution in an amount up to \$3,693,800, with the total amount of Notes and Stock not to exceed \$93,693,800.
2. Columbia Kentucky is authorized to issue, sell, and deliver the new Notes and Stock, upon the terms set forth in its application, through December 31, 2024.
3. Columbia Kentucky is authorized to use the proceeds arising from the issuance and sale of the Notes and Stock only for the lawful purposes set forth in its application.
4. Columbia Kentucky 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.

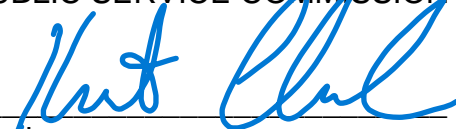
5. In future cases, Columbia Kentucky shall explain why it uses publicly reported rates for “similar” entities to provide a price proxy for its less-than-arms-length transaction with an affiliate for financing instead of going to the market directly or indirectly.

6. This case is closed and removed from the Commission’s Docket.

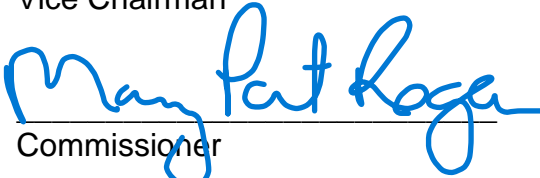
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

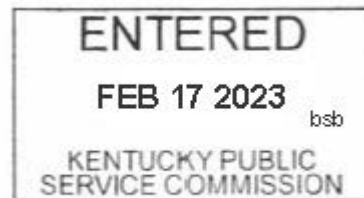
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PUBLIC SERVICE COMMISSION


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