

Columbia Gas<sup>®</sup>  
of Kentucky

**A NiSource Company**

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

October 23, 2018

Ms. Gwen Pinson  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602

RECEIVED

OCT 23 2018

PUBLIC SERVICE  
COMMISSION

Re: Case No. 2018 - 00356

Dear Ms. Pinson:

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. Wanchuck (gmc)*

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

Enclosures

RECEIVED

OCT 23 2018

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
)  
The Application of Columbia Gas of ) Case No. 2018- 00356  
Kentucky, Inc. for an Order Authorizing the )  
Issuance and Sale of Promissory Notes and )  
Authorized but Unissued Common Stock )

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APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.

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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: pscmailky@nsource.com

(c) That Columbia 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 Inc., 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 \$40,000,000, from the date of the Commission’s order herein through December 31, 2020, as more fully described below.

(f) As of August 31, 2018, 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 August 31, 2018, the short term borrowing authorization was \$50,000,000 of which \$15,686,035 was outstanding at August 31, 2018. The interest expense on short-term debt during the twelve-month period ended August 31, 2018 totaled \$184,005.

(h) In order to finance its capital program, and for other corporate purposes, Columbia will require, in addition to internally generated funds, up to \$40,000,000 of new funding. Columbia therefore requests Commission authority to secure from the issuance to NiSource Inc. of Notes, and/or the sale of Stock to NiSource Gas Distribution Group, the total of which shall not exceed \$40,000,000 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 construction program expenditures spanning between January 1, 2019 and December 31, 2020 and totaling \$124,932,955. 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 (i.e., 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. As in prior cases, because Columbia does not assign specific financing to any particular capital project, there are no maps, plans and detailed estimates to provide.

(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 credit ratings similar to NiSource Inc., 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 credit ratings equivalent to that of NiSource Inc., effective on the date a Note is issued. All of the new Notes, not to exceed \$40,000,000 will be issued on or before December 31, 2020.

(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 August 31, 2018, attached as Exhibit A.
- (2) An income statement as of August 31, 2018, attached as Exhibit B.
- (3) A statement of notes outstanding as of August 31, 2018, attached as Exhibit C.
- (4) A statement of dividends paid, fiscal years 2013 – 2017 and year-to-date 2018 (through August 31, 2018) attached as Exhibit D.
- (5) A summary of utility plant and accumulated provisions for depreciation, amortization and depletion as of August 31, 2018, attached as Exhibit 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 Exhibit F.

**WHEREFORE**, Columbia respectfully requests that the Commission order that:

1. Columbia be authorized to issue and sell new Notes to NiSource Inc., and additionally, issue and sell Stock to NiSource Gas Distribution Group, in any combination of amounts not to exceed \$40,000,000. The total additional financing from the two sources shall not exceed \$40,000,000.

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: Brooke E. Wancheck (gmc)  
Brooke E. Wancheck  
Trial Attorney

Brooke E. Wancheck, Assistant General Counsel  
290 W. Nationwide Blvd.  
Columbus, Ohio 43215  
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Attorney for  
**COLUMBIA GAS OF KENTUCKY, INC.**



COLUMBIA GAS OF KENTUCKY, INC.  
Balance Sheet, Per Books, as of August 31, 2018  
Assets and Other Debits

|  | <u>Amount</u><br>\$ |
|--|---------------------|
| <u>Utility Plant</u>   |                     |
| Gas Plant (101,105,106,107,114)  | 484,570,427         |
| Less: Accumulated Provision for Depreciation<br>and Amortization (108,111,115)                           | 156,113,480         |
| Net Utility Plant  | 328,456,946         |
| <br><u>Other Property and Investments</u>  |                     |
| Investment in Subsidiary   | 626,328             |
| Other Special Funds (128)  | 762,528             |
| Total Other Property and Investments   | 1,388,856           |
| <br><u>Current and Accrued Assets</u>  |                     |
| Cash (131,135,136)   | 473,784             |
| Notes and Accounts Receivable (Less Accumulated Provision<br>for Uncollectable Accounts 141-144,171-173) | 12,255,178          |
| Receivables from Associated Companies (146)  | 263,261             |
| Materials and Supplies (151,154,163)   | 133,923             |
| Gas Stored Underground - Current (164)   | 45,287,087          |
| Prepayments and Other Current Assets (165,174,175)   | 2,914,696           |
| Total Current and Accrued Assets   | 61,327,929          |
| <br><u>Deferred Debits</u>   |                     |
| Unrecovered Plant and Regulatory Study Costs (182)   | 7,498,651           |
| Regulatory Assets Current (182)  | 4,674,485           |
| Preliminary Survey and Investigation Charges (183)   | 608,538             |
| Clearing Accounts (184)  | 1,299               |
| Miscellaneous Deferred Debits (186,188)  | 3,020,414           |
| Accumulated Deferred Income Taxes (190)  | 19,926,314          |
| Unrecovered Purchased Gas Costs (191)  | (4,528,628)         |
| Total Deferred Debits  | 31,201,073          |
| Total Assets and Other Debits  | 422,374,805         |

COLUMBIA GAS OF KENTUCKY, INC.  
Balance Sheet, Per Books, as of August 31, 2018  
Liabilities and Other Credits

|   | <u>Amount</u><br>\$ |
|---|---------------------|
| <u>Proprietary Capital</u>                                      |                     |
| Common Stock (201)  | 23,806,200          |
| Other Paid-in Capital (211)                                     | 6,518,524           |
| Earned Surplus (216)  | 114,007,394         |
| Total Proprietary Capital                                       | 144,332,118         |
| <u>Long-Term Debt</u>   |                     |
| Advances from Associated Companies (223,233)                    | 114,375,000         |
| Other Long-Term Debt (224,231)                                  | -                   |
| Total Long-Term Debt  | 114,375,000         |
| <u>Current and Accrued Liabilities</u>                          |                     |
| Accounts Payable (232)  | 9,931,654           |
| Accounts Payable to Associated Companies (234)                  | 20,416,407          |
| Customer Deposits (235)   | 2,030,161           |
| Taxes Accrued (236)   | 5,955,579           |
| Interest Accrued (237)  | 15,675              |
| Tax Collections Payable (241)                                   | 507,979             |
| Miscellaneous Current and Accrued Liabilities (242,244)         | 13,148,870          |
| Capital Lease Obligations (243)                                 | 35,086              |
| Accumulated Deferred Income Taxes, Current (282,283)            | -                   |
| Regulatory Liabilities, Current (254)                           | -                   |
| Total Current and Accrued Liabilities                           | 52,041,409          |
| <u>Deferred Credits</u>   |                     |
| Customer Advances for Construction (252)                        | 2,974,262           |
| Other Deferred Credits (253)                                    | -                   |
| Regulatory Liabilities, Long Term (254)                         | 43,854,852          |
| Accumulated Deferred Investment Tax Credits (255)               | 107,075             |
| Capital Lease Obligations (227)                                 | 321,951             |
| Injuries and Damages Reserve (228)                              | 2,834,379           |
| Long-Term I/C Payable (234)                                     | -                   |
| Long-Term Taxes Payable (236)                                   | -                   |
| Long-Term Interest Payable (237)                                | -                   |
| Price Risk Liability - Noncurrent (244)                         | -                   |
| <u>Accumulated Deferred Income Taxes, Non Current (282,283)</u> | 61,533,760          |
|   | 111,626,278         |
| Total Liabilities and Other Credits                             | 422,374,805         |

COLUMBIA GAS OF KENTUCKY, INC.  
Statement of Income, Per Books, 12 Months Ended August 31, 2018

|   | <u>Amount</u><br>\$ |
|---|---------------------|
| <u>Utility Operating Income</u>                     |                     |
| Operating Revenue                                   | 145,272,823         |
| <u>Operating Expenses</u>                           |                     |
| Operations Expenses                                 | 100,404,581         |
| Maintenance Expense                                 | 6,214,876           |
| Depreciation and Amortization Expense               | 12,573,536          |
| Taxes Other Than Income Taxes                       | 4,970,570           |
| Income Taxes - Federal                              | 1,845,382           |
| Income Taxes - State                                | 414,817             |
| Income Taxes Deferred                               | 1,079,261           |
| Income Taxes Deferred - Credit                      | 1,063,953           |
| Investment Tax Credit Adjustment - Net              | (24,428)            |
| Total Utility Operating Expenses                    | 128,542,549         |
| Net Utility Operating Income                        | 16,730,274          |
| <u>Other Income and Deductions</u>                  |                     |
| <u>Other Income</u>                                 |                     |
| Investment in Subsidiary                            | 53,090              |
| Interest Income                                     | 164,848             |
| Miscellaneous Non-Operating Income                  | 3,893,229           |
| Total Other Income                                  | 4,111,166           |
| <u>Other Income Deductions</u>                      |                     |
| Miscellaneous Income Deductions                     | 520,289             |
| Income Taxes and Other                              | (262,779)           |
| Net Other Income and Deductions                     | 3,853,656           |
| <u>Interest Charges</u>                             |                     |
| Interest on Debt to Associated Companies            | 6,287,680           |
| Other Interest Expense                              | 22,092              |
| Allowance for Funds Used During Construction - Debt | (116,003)           |
| Total Interest Charges                              | 6,193,769           |
| Net Income  | 14,390,162          |

COLUMBIA GAS OF KENTUCKY, INC.  
Statement of Notes Outstanding as of August 31, 2018

| <u>Line No.</u> | <u>Year Issued</u><br>(1) | <u>Principal Amount Per Books</u><br>(2)<br>\$ | <u>Date of Maturity</u><br>(3) | <u>Rate of Interest</u><br>(4) | <u>In Whose Favor</u><br>(5) | <u>Interest Paid During Fiscal Year Ended August 31, 2018</u><br>(6)<br>\$ |
|-----------------|---------------------------|--|--------------------------------|--------------------------------|------------------------------|--|
| 1               | 01-05-06                  | 12,375,000                                     | 01-05-26                       | 5.920%                         | NiSource Inc.                | 732,600  |
| 2               | 11-01-06                  | 16,000,000                                     | 11-01-21                       | 6.015%                         | NiSource Inc.                | 962,400  |
| 3               | 12-16-10                  | 10,000,000                                     | 12-16-30                       | 6.020%                         | NiSource Inc.                | 602,000  |
| 4               | 01-07-13                  | 20,000,000                                     | 01-07-43                       | 5.770%                         | NiSource Inc.                | 1,154,000  |
| 5               | 12-23-13                  | 20,000,000                                     | 12-23-43                       | 6.200%                         | NiSource Inc.                | 1,240,000  |
| 6               | 12-18-14                  | 5,000,000                                      | 12-16-44                       | 4.430%                         | NiSource Inc.                | 221,500  |
| 7               | 09-30-16                  | 31,000,000                                     | 09-30-46                       | 3.843%                         | NiSource Inc.                | 1,191,330  |
| 8               | Total                     | 114,375,000                                    |                                |                                |                              | 6,103,830  |

COLUMBIA GAS OF KENTUCKY, INC.  
Statement of Dividends Paid, Fiscal Years 2013 to 2018

| <u>Line<br/>No.</u> | <u>Year</u><br>(1) | <u>Dividend<br/>Paid</u><br>(2)<br>\$ | <u>Capital<br/>Stock</u><br>(3)<br>\$ | <u>Payout<br/>Rate</u><br>(4) |
|---------------------|--------------------|---------------------------------------|---------------------------------------|-------------------------------|
| 1                   | 2013               | 2,000,000                             | 23,806,200                            | 8.401%                        |
| 2                   | 2014               | 2,000,000                             | 23,806,200                            | 8.401%                        |
| 3                   | 2015               | 5,500,000                             | 23,806,200                            | 23.103%                       |
| 4                   | 2016               | 4,000,000                             | 23,806,200                            | 16.802%                       |
| 5                   | 2017               | -                                     | 23,806,200                            | 0.000%                        |
| 6                   | 2018               | -                                     | 23,806,200                            | 0.000%                        |

COLUMBIA GAS OF KENTUCKY, INC.  
Summary of Utility Plant and Accumulated Provisions  
for Depreciation, Amortization and Depletion  
as of August 31, 2018

|  | <u>Amount</u> |                |
|--|---------------|----------------|
|  | \$            |                |
| <u>Utility Plant</u>   |               |                |
| In Service   |               |                |
| Plant in Service (Classified)                                      | 465,828,377   |                |
| Property Under Capital Lease                                       | 400,000       |                |
| Completed Construction not Classified                              | 7,562,918     |                |
| Total in Service   | 473,791,295   |                |
| Held for Future Use  | -             |                |
| Construction Work in Progress                                      | 11,556,223    |                |
| Acquisition Adjustments  | (777,092)     |                |
| Total Utility Plant  | 484,570,427   |                |
| Accumulated Provision for Depreciation, Amortization and Depletion | 156,113,480   |                |
| Net Utility Plant  | 328,456,946   | Tie to ExhA p1 |

Detail of Accumulated Provisions for Depreciation, Amortization and Depletion

|  |             |
|--|-------------|
| In Service                                   |             |
| Depreciation                                 | 151,374,385 |
| Amortization of Other Utility Plant          | 4,783,704   |
| Total in Service                             | 156,158,089 |
| Amortization of Plant Acquisition Adjustment | (71,055)    |
| Total Accumulated Provisions                 | 156,087,034 |

COLUMBIA GAS OF KENTUCKY

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY AND THE  
COST THEREOF TO APPLICANT

September 30, 2018

The applicant owns and operates natural gas distribution facilities providing service to approximately 132,794 customers as of September 30, 2018. The distribution main pipelines consist of 2,587 miles of pipeline. A breakdown of distribution main miles by material type, as of December 31, 2017 is as follows:

|                                 |       |
|---------------------------------|-------|
| Miles of Plastic Main           | 1,390 |
| Miles of Protected Steel Main   | 809   |
| Miles of Cast/Wrought Iron Main | 10    |
| Miles of Unprotected/BS Main    | 374   |
| Miles of Other Main             | 4     |
| Total Miles Distribution Main   | 2,587 |

Additionally, Columbia operates 56 miles of transmission main.

The applicant's natural gas distribution system also includes 525 district regulator stations and 59 town border stations.

Additionally, the applicant's property, plant and equipment includes five buildings that serve as office buildings, service centers, warehouses and garages.

The net original cost of the property and cost thereof to the applicant as of September 30, 2018, was:

|                                 | <u>Utility Plant</u> |
|---------------------------------|----------------------|
| Original Cost                   |                      |
| Intangible Plant                | \$ 5,657,404         |
| Production Plant                | -0-                  |
| Distribution Plant              | 456,411,964          |
| General Plant                   | 5,909,959            |
| NIPS/CKY Plant Acquisition Adj. | (777,092)            |
| Construction Work in Progress   | <u>11,605,158</u>    |
| Total Plant at Original Cost    | \$478,807,393        |
| Less Reserve for Depreciation   | <u>156,493,636</u>   |
| Net Original Cost               | \$322,313,757        |