

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC., FOR AUTHORITY)
FOR THE ISSUANCE AND SALE OF) CASE NO. 9228
PROMISSORY NOTES AND THE SALE)
OF COMMON STOCK)

O R D E R

On November 27, 1984, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application seeking permission to sell common stock and Installment Promissory Notes ("Notes") to its parent, Columbia Gas System, Inc. ("System"). Columbia proposed to issue and sell to the System not to exceed 32,000 shares of authorized but unissued common stock, with a \$25 par value per share. All shares sold would be fully paid and nonassessable. Columbia also proposed to issue and sell to the System a principal amount not to exceed \$1,900,000 of Notes, with an interest rate equal to the actual cost of money to the System for its then most recent sale of long-term debt or preferred stock. The Notes will have the same terms as Columbia's outstanding Notes except that they will be payable in 15 near equal annual installments as set out in the application. The proceeds from the above-mentioned securities will be used to finance Columbia's 1985 construction program and for other corporate purposes.

In Case No. 8831, Columbia made a similar request to issue and sell Notes to the System. Similarly, at the time of the

request, the interest rate was unknown. In its Order, dated June 30, 1983, the Commission stated that it could not give approval to a securities issue when the interest rate was unknown. After considering the application and all the evidence of record and being advised, the Commission is of the opinion that it cannot grant approval of Columbia's proposed issuance and sale of Notes at this time. However, the Commission is of the opinion that Columbia's proposed issuance and sale of common stock, as set out in the application, is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that Columbia be and it hereby is authorized to issue and sell to the System not to exceed 32,000 shares of authorized but unissued common stock, with a \$25 par value per share, as set out in the application.

IT IS FURTHER ORDERED that, when the interest rate for the Notes is determined, Columbia shall file a statement advising the Commission of the interest rate. At that time, the Commission will consider Columbia's request to issue and sell Notes to the System.

IT IS FURTHER ORDERED that the proceeds from the sale of securities authorized herein shall be used only for the lawful purposes as set out in the application.

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

Done at Frankfort, Kentucky, this 18th day of December, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Herman
Chairman

Paul H. Dyer
Vice Chairman

Paul H. Dyer
Commissioner

ATTEST:

Secretary