

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC., FOR AUTHORITY)	
FOR THE ISSUANCE AND SALE OF)	CASE NO. 9956
PROMISSORY NOTES)	

O R D E R

On June 29, 1987, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application seeking authority to issue and sell in 1987 unsecured Installment Promissory Note ("Notes") not to exceed \$2,500,000 in principal amount to Columbia Gas Systems, Inc. ("Systems"), its registered holding company under the Public Utility Holding Company Act of 1935.

Columbia would use the proceeds from the sale of the notes to finance its 1987 construction program and for other corporate purposes. The new notes shall have the same other terms and provisions as the outstanding nonregistered Installment Promissory Notes of Columbia except that they would be payable in 15 near equal annual installments on January 31 of each of the years from 1989 through 2003 inclusively. The interest rate will be 10.58 percent, the actual cost of money to Systems for its June 1987 sale of 10.50 percent Debentures.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that issuance and sale of \$2,500,000 Installment Promissory Notes by Columbia is for

lawful objects within the corporate purposes of Columbia, is necessary and appropriate for and consistent with the proper performance by Columbia 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:

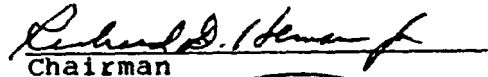
1. Columbia be and it hereby is authorized to issue and sell up to \$2,500,000 of Installment Promissory Notes. These notes shall bear an interest rate of 10.58 percent.

2. The proceeds from the securities authorized herein shall be used for 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 part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 13th day of August, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director