

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:** )  
 )  
**The Application of Columbia Gas of** ) **Case No. 2021- 00125**  
**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: pscmailcky@nisource.com

(c) That Columbia, incorporated October 11, 1905, 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 \$83,693,800, from the date of the Commission’s Order herein through December 31, 2022, as more fully described below.

(f) As of December 31, 2020, 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 December 31, 2020, the short term borrowing authorization was \$50,000,000 of which \$34,267,770.88 was outstanding at December 31, 2020. The interest expense on short-term debt during the twelve-month period ended December 31, 2020 totaled \$102,729.

(h) In order to finance its capital program, and for other corporate purposes, Columbia will require, in addition to internally generated funds, up to \$83,693,800 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 \$83,693,800 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, 2021 and December 31, 2022 and totaling \$139,461,000. 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) and refinance the outstanding \$16,000,000 note maturing in November 2021. Exhibit C to the application provides additional information on the outstanding note. 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, or contracts 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. To the extent that NiSource maintains a

split-rating between the long-term credit ratings issued by S&P and Moody's, the higher of the two credit ratings shall be used for purposes of determining the applicable interest rate to be assigned to the Notes issuance. All of the new Notes, not to exceed \$80,000,000 will be issued on or before December 31, 2022.

(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 December 31, 2020, attached as Exhibit A.
- (2) An income statement as of December 31, 2020, attached as Exhibit B.
- (3) A statement of notes outstanding as of December 31, 2020, attached as Exhibit C.
- (4) A statement of dividends paid, fiscal years 2013 – 2020, attached as Exhibit D.
- (5) A summary of utility plant and accumulated provisions for depreciation, amortization and depletion as of December 31, 2020, 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 \$83,693,800. The total additional financing from the two sources shall not exceed \$83,693,800.

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: /s/ Joseph M. Clark  
Joseph M. Clark  
Assistant General Counsel

Joseph M. Clark, Assistant General Counsel  
290 W. Nationwide Blvd.  
Columbus, Ohio 43215  
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Attorney for  
**COLUMBIA GAS OF KENTUCKY, INC.**

**AFFIDAVIT**

**COMMONWEALTH OF KENTUCKY**                    )  
  )     **ss:**  
**FAYETTE COUNTY**                                    )

Kimra H. Cole., being first duly cautioned and sworn, deposes and says that she is the President of Columbia Gas of Kentucky, Inc., Applicant herein, that the statements and schedules submitted herewith establish the facts and grounds upon which this Application is based, and that the data and facts set forth herein are true to the best of her knowledge and belief.

*Kimra H. Cole*  
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Kimra H. Cole  
President

Sworn to before me and subscribed in my presence this 12th day of March 2021.

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/s/ Stefan David Fink #598041  
Notary Public

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COLUMBIA GAS OF KENTUCKY, INC.  
Balance Sheet, Per Books, as of December 31, 2020  
Assets and Other Debits

	<u>Amount</u> \$
<u>Utility Plant</u>	
Gas Plant (101,105,106,107,114)	606,674,067
Less: Accumulated Provision for Depreciation and Amortization (108,111,115)	168,016,238
Net Utility Plant	438,657,829
 <u>Other Property and Investments</u>	
Investment in Subsidiary	739,997
Other Special Funds (128)	2,047,580
Total Other Property and Investments	2,787,577
 <u>Current and Accrued Assets</u>	
Cash (131,135,136)	781,573
Notes and Accounts Receivable (Less Accumulated Provision for Uncollectable Accounts 141-144,171-173)	25,478,354
Receivables from Associated Companies (146)	(4,534)
Materials and Supplies (151,154,163)	298,708
Gas Stored Underground - Current (164)	39,756,984
Prepayments and Other Current Assets (165,174,175)	8,618,368
Total Current and Accrued Assets	74,929,453
 <u>Deferred Debits</u>	
Other Regulatory Assets (182)	7,947,184
Preliminary Survey and Investigation Charges (183)	1,564,504
Clearing Accounts (184)	-
Miscellaneous Deferred Debits (186,188)	3,099,547
Accumulated Deferred Income Taxes (190)	18,259,989
Unrecovered Purchased Gas Costs (191)	(7,385,333)
Total Deferred Debits	23,485,891
Total Assets and Other Debits	539,860,750



COLUMBIA GAS OF KENTUCKY, INC.  
Balance Sheet, Per Books, as of December 31, 2020  
Liabilities and Other Credits

	<u>Amount</u> \$
<u>Proprietary Capital</u>	
Common Stock (201)	23,806,200
Other Paid-in Capital (211)	15,018,524
Earned Surplus (216)	147,438,225
Total Proprietary Capital	186,262,949
<u>Long-Term Debt</u>	
Advances from Associated Companies (223,233)	154,375,000
Other Long-Term Debt (224,231)	-
Total Long-Term Debt	154,375,000
<u>Other Noncurrent Liabilities</u>	
Capital Lease Obligations (227)	448,383
Injuries and Damages Reserve (228)	3,221,888
Total Other Noncurrent Liabilities	3,670,271
<u>Current and Accrued Liabilities</u>	
Accounts Payable (232)	10,727,551
Accounts Payable to Associated Companies (234)	38,848,096
Customer Deposits (235)	2,105,611
Taxes Accrued (236)	14,750,537
Interest Accrued (237)	28,072
Tax Collections Payable (241)	1,254,521
Miscellaneous Current and Accrued Liabilities (242,244)	18,356,197
Capital Lease Obligations (243)	376,241
Accumulated Deferred Income Taxes, Current (282,283)	-
Total Current and Accrued Liabilities	86,446,826
<u>Deferred Credits</u>	
Customer Advances for Construction (252)	2,833,413
Other Deferred Credits (253)	-
Other Regulatory Credits (254)	39,633,906
Accumulated Deferred Investment Tax Credits (255)	52,830
Price Risk Liability - Noncurrent (244)	-
<u>Accumulated Deferred Income Taxes, Non Current (282,283)</u>	66,585,555
	109,105,704
Total Liabilities and Other Credits	539,860,750

COLUMBIA GAS OF KENTUCKY, INC.  
Statement of Income, Per Books, 12 Months Ended December 31, 2020

	<u>Amount</u> \$
<u>Utility Operating Income</u>	
Operating Revenue	131,005,836
<u>Operating Expenses</u>	
Operations Expenses	81,449,884
Maintenance Expense	5,753,656
Depreciation and Amortization Expense	15,169,708
Taxes Other Than Income Taxes	6,749,593
Income Taxes - Federal	449,908
Income Taxes - State	8,546
Income Taxes Deferred	9,483,406
(Less) Income Taxes Deferred - Credit	6,006,021
Investment Tax Credit Adjustment - Net	(21,701)
Total Utility Operating Expenses	113,036,979
Net Utility Operating Income	17,968,857
<u>Other Income and Deductions</u>	
<u>Other Income</u>	
Nonutility Operations	272,061
Investment in Subsidiary	42,232
Interest Income	199,654
Miscellaneous Non-Operating Income	1,343,671
Total Other Income	1,857,618
<u>Other Income Deductions</u>	
Miscellaneous Income Deductions	438,392
Income Taxes and Other	352,730
Net Other Income and Deductions	1,066,496
<u>Interest Charges</u>	
Interest on Debt to Associated Companies	7,586,865
Other Interest Expense	1,063
Allowance for Funds Used During Construction - Debt	(130,598)
Total Interest Charges	7,457,330
Net Income	11,578,023

COLUMBIA GAS OF KENTUCKY, INC.  
Statement of Notes Outstanding as of December 31, 2020

Line No.	Year Issued (1)	Principal Amount Per Books (2) \$	Date of Maturity (3)	Rate of Interest (4)	In Whose Favor (5)	Interest Paid During Fiscal Year Ended December 31, 2020 (6) \$
1	01-05-06	12,375,000	01-05-26	5.920%	NiSource Inc.	734,607
2	11-01-06	16,000,000	11-01-21	6.015%	NiSource Inc.	965,037
3	12-16-10	10,000,000	12-16-30	6.020%	NiSource Inc.	603,649
4	01-07-13	20,000,000	01-07-43	5.770%	NiSource Inc.	1,157,162
5	12-23-13	20,000,000	12-23-43	6.200%	NiSource Inc.	1,243,397
6	12-18-14	5,000,000	12-16-44	4.430%	NiSource Inc.	222,107
7	09-30-16	31,000,000	09-30-46	3.843%	NiSource Inc.	1,194,438
8	12-31-18	13,000,000	12-31-48	4.644%	NiSource Inc.	605,322
9	12-31-19	15,000,000	12-31-49	3.749%	NiSource Inc.	565,356
10	06-30-20	12,000,000	06-30-50	3.174%	NiSource Inc.	193,061
8	Total	<u>154,375,000</u>				<u>7,484,136</u>

COLUMBIA GAS OF KENTUCKY, INC.  
Statement of Dividends Paid, Fiscal Years 2013 to 2020

<u>Line No.</u>	<u>Year</u> (1)	<u>Dividend Paid</u> (2) \$	<u>Capital Stock</u> (3) \$	<u>Payout Rate</u> (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%
7	2019	-	23,806,200	0.000%
8	2020	-	23,806,200	0.000%

COLUMBIA GAS OF KENTUCKY, INC.  
Summary of Utility Plant and Accumulated Provisions  
for Depreciation, Amortization and Depletion  
as of December 31, 2020

	<u>Amount</u>	
	\$	
<u>Utility Plant</u>		
In Service		
Plant in Service (Classified)	563,043,111	
Property Under Capital Lease	400,000	
Completed Construction not Classified	<u>31,925,634</u>	
Total in Service	595,368,745	
Held for Future Use	-	
Construction Work in Progress	12,900,610	
Acquisition Adjustments	<u>(777,092)</u>	
Total Utility Plant	607,492,263	
Accumulated Provision for Depreciation, Amortization and Depletion	<u>137,860,670</u>	
Net Utility Plant	<u><u>469,631,593</u></u>	Tie to ExhA p1

Detail of Accumulated Provisions for Depreciation, Amortization and Depletion

In Service	
Depreciation	131,509,057
Amortization of Other Utility Plant	<u>6,206,158</u>
Total in Service	137,715,215
Amortization of Plant Acquisition Adjustment	<u>145,455</u>
Total Accumulated Provisions	<u><u>137,860,670</u></u>

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

December 31, 2020

The applicant owns and operates natural gas distribution facilities providing service to approximately 138,000 customers as of December 31, 2020. The distribution main pipelines consist of 2,616 miles of pipeline. A breakdown of distribution main miles by material type, as of December 31, 2020 is as follows:

Miles of Plastic Main	1,489
Miles of Protected Steel Main	803
Miles of Cast/Wrought Iron Main	4
Miles of Unprotected/BS Main	316
Miles of Other Main	<u>4</u>
Total Miles Distribution Main	2,616

Additionally, Columbia operates 56 miles of transmission main.

The applicant's natural gas distribution system also includes 494 district regulator stations and 56 town border stations.

Additionally, the applicant's property, plant and equipment includes ten 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 December 31, 2020, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	\$ 7,394,628
Production Plant	-0-
Distribution Plant	547,780,394
General Plant	6,224,868
Property - Leases	930,681
NIPS/CKY Plant Acquisition Adj.	(777,092)
Completed – Not Classified	31,925,634
Construction Work in Progress	<u>13,194,954</u>
Total Plant at Original Cost	\$606,674,067
Less Reserve for Depreciation	<u>168,016,238</u>
Net Original Cost	\$438,657,829