

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

In the Matter of:)
)
The Application of Columbia Gas of) **Case No. 2022-00427**
Kentucky, Inc. for an Order Authorizing the)
Issuance and Sale of Promissory Notes and)
Authorized but Unissued Common Stock)

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.

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
FAX: (859) 288-0258
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 \$93,693,800, from the date of the Commission’s Order herein through December 31, 2024, as more fully described below.

(f) As of September 30, 2022, 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) As of September 30, 2022, Columbia’s outstanding balance of short term borrowings was \$43,502,121. The interest expense on short-term debt during the twelve-month period ended September 30, 2022 totaled \$129,710.

(h) In order to finance its capital program, and for other corporate purposes, Columbia will require, in addition to internally generated funds, up to \$93,693,800 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 \$93,693,800 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, 2023 and December 31, 2024 and totaling \$151,790,000. 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). 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 \$90,000,000 will be issued on or before December 31, 2024.

(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 September 30, 2022, attached as Exhibit A.
- (2) An income statement as of September 30, 2022, attached as Exhibit B.
- (3) A statement of notes outstanding as of September 30, 2022, attached as Exhibit C.
- (4) A statement of dividends paid, fiscal years 2017 – 2022, attached as Exhibit D.
- (5) A summary of utility plant and accumulated provisions for depreciation, amortization and depletion as of September 30, 2022, 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 \$93,693,800. The total additional financing from the two sources shall not exceed \$93,693,800.

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
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Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

AFFIDAVIT

COMMONWEALTH OF KENTUCKY)
)
FAYETTE COUNTY) ss:

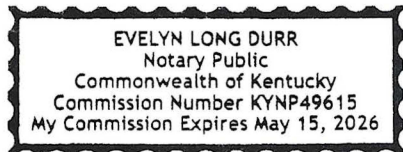
Kimra H. Cole., being first duly cautioned and sworn, deposes and says that he is the President of Columbia Gas of Kentucky, Inc., Applicant herein, that the statements and schedules submitted herewith establish the facts and grounds upon which this Application is based, and that the data and facts set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

Kimra H. Cole
Kimra H. Cole.
President

Sworn to before me and subscribed in my presence this 29th day of December 2022.

Evelyn Long Durr
Notary Public

SEAL



COLUMBIA GAS OF KENTUCKY, INC.
Balance Sheet, Per Books as of September 30, 2022
Assets and Other Debits

	<u>Amount</u>
	\$
<u>Utility Plant</u>	
Gas Plant (101, 105, 106, 107, 114)	725,016,909.92
Less: Accumulated Provision for Depreciation and Amortization (108, 111, 115)	<u>(169,066,113.20)</u>
Net Utility Plant	<u>555,950,796.72</u>
<u>Other Property and Investments</u>	
Investments in Subsidiary Cos	(294.20)
Other Special Funds (128)	<u>736,759.73</u>
Total Other Property and Investments	<u>736,465.53</u>
<u>Current and Accrued Assets</u>	
Cash (131, 135, 136)	702,293.35
Notes and Accounts Receivable (Less Accumulated Provision for Uncollectible Accounts 141-144, 171-173)	12,746,705.17
Receivables from Associated Companies (146)	(600,720.44)
Materials and Supplies (154)	328,096.51
Gas Stored Underground - Current (164)	56,007,379.69
Prepayments and Other Current Assets (165, 174, 175)	<u>9,011,930.44</u>
Total Current and Accrued Assets	<u>78,195,684.72</u>
<u>Deferred Debits</u>	
Unrecovered Plant and Regulatory Study Costs (182)	5,592,073.68
Regulatory Assets Current (182)	5,222,537.67
Preliminary Survey and Investigation Charges (183)	2,331,541.28
Clearing Accounts (184)	(31,594.38)
Miscellaneous Deferred Debits (186, 188)	2,865,490.13
Accum Deferred Income Taxes (190)	16,679,748.00
Unrecovered Purchase Gas Costs (191)	<u>27,732,006.60</u>
Total Deferred Debits	<u>60,391,802.98</u>
Total Assets and Other Debits	<u><u>695,274,749.95</u></u>

COLUMBIA GAS OF KENTUCKY, INC.
Balance Sheet, Per Books as of September 30, 2022
Liabilities and Other Credits

	<u>Amount</u>
	\$
<u>Proprietary Capital</u>	
Common Stock (201)	23,806,200.00
Other Paid-in Capital (211)	48,018,523.64
Earned Surplus (216)	173,924,416.67
Total Proprietary Capital	<u>245,749,140.31</u>
<u>Long Term Debt</u>	
Advances from Associated Companies (223, 233)	218,375,000.00
Other Long Term Debt (224, 231)	-
Total Long Term Debt	<u>218,375,000.00</u>
<u>Current & Accrued Liabilities</u>	
Accounts Payable (232)	21,999,834.96
AP to Associated Cos (234)	49,064,620.20
Customer Deposits (235)	1,713,225.02
Taxes Accrued (236)	12,477,831.23
Accrued Interest (237)	27,542.30
Tax Collections Payable (241)	483,164.37
Misc Current & Accrued Liab (242, 244)	31,320,407.30
Capital Lease Obligations (243)	104,167.12
Accumulated Deferred Income Taxes, Current (282, 283)	-
Regulatory Liabilities, Current (254)	-
Total Current & Accrued Liabilities	<u>117,190,792.50</u>
<u>Deferred Credits</u>	
Customer Advances for Construction (252)	2,669,900.95
Other Deferred Credits (253)	-
Regulatory Liabilities, Long Term (254)	36,722,725.84
Acc Defd Investment Tax Credit (255)	24,630.00
Capital Lease Obligations (227)	259,190.66
Injuries and Damages Reserve (228)	1,437,482.69
Long-Term I/C Payable (234)	-
Long-Term Taxes Payable (236)	-
Long-Term Interest Payable (237)	-
Price Risk Liability - Noncurrent (244)	-
Accumulated Deferred Income Taxes, Non Current (282, 283)	<u>72,845,887.00</u>
	<u>113,959,817.14</u>
Total Liabilities and Other Credits	<u>695,274,749.95</u>

Columbia Gas of Kentucky Inc
 Statement of Income, Per Books, 12 Months Ended September 30, 2022

	<u>Amount</u>
	\$
<u>Utility Operating Income</u>	
Operating Revenue	<u>189,618,938</u>
<u>Operating Expenses</u>	
Operations Expenses	129,514,890
Maintenance Expense	8,386,079
Depreciation and Amortization Expense	19,001,754
Taxes Other Than Income Taxes	6,608,543
Income Taxes - Federal and Other	(722,171)
Income Taxes Deferred	8,286,841
Income Taxes Deferred - Credit	(4,035,670)
Investment Tax Credit Adj - Net	(14,259)
Total Utility Operating Expenses	<u>167,026,007</u>
Net Utility Operating Income	<u>22,592,931</u>
<u>Other Income and Deductions</u>	
<u>Other Income</u>	
Investment in Subsidiary	(1,688)
Interest Income	33,816
Allowance for Other FUDC	362,949
Miscellaneous Non-Operating Income	5,016,009
Total Other Income	<u>5,411,086</u>
<u>Other Income Deductions</u>	
Miscellaneous Income Deductions	(714,015)
Income Taxes Other	1,455,930
Total Other Income Deductions	<u>741,915</u>
Net Other Income and Deductions	4,669,171
<u>Interest Charges</u>	
Interest on Debt to Associated Companies	8,986,930
Other Interest Expense	11,186
Allowance for Funds Used During Construction - Debt	(165,337)
Total Interest Charges	<u>8,832,779</u>
Net Income	<u><u>18,429,322</u></u>

COLUMBIA GAS OF KENTUCKY, INC.
Statement of Notes Outstanding as of September 30, 2022

Line No.	Year Issued (1)	Principal Amount Per Books (2) \$	Date of Maturity (3)	Rates of Interest (4)	In Whose Favor (5)	Debt Service Requirement September 30, 2022 (6) \$
1	01-05-06	12,375,000	01-05-26	5.920%	NiSource Inc.	732,600
2	12-16-10	10,000,000	12-16-30	6.020%	NiSource Inc.	602,000
3	01-07-13	20,000,000	01-07-43	5.770%	NiSource Inc.	1,154,000
4	12-23-13	20,000,000	12-23-43	6.200%	NiSource Inc.	1,240,000
5	12-18-14	5,000,000	12-16-44	4.430%	NiSource Inc.	221,500
6	09-30-16	31,000,000	09-30-46	3.843%	NiSource Inc.	1,191,175
7	12-31-18	13,000,000	12-31-48	4.644%	NiSource Inc.	603,668
8	12-31-19	15,000,000	12-31-49	3.749%	NiSource Inc.	562,275
9	06-30-20	12,000,000	06-30-50	3.174%	NiSource Inc.	380,904
10	06-30-21	22,000,000	06-30-51	3.272%	NiSource Inc.	719,840
11	09-30-21	22,000,000	09-30-51	3.277%	NiSource Inc.	720,940
12	12-31-21	10,000,000	12-31-51	3.267%	NiSource Inc.	326,710
13	03-31-22	8,000,000	03-31-52	4.124%	NiSource Inc.	329,944
14	06-30-22	18,000,000	06-30-52	5.081%	NiSource Inc.	914,544
15	Total	<u>218,375,000</u>				<u>9,700,100.00</u>

COLUMBIA GAS OF KENTUCKY, INC.
 Statement of Dividends Paid, Fiscal Years 2017 to 2022

<u>Line No.</u>	<u>Year</u> (1)	<u>Dividend Paid</u> (2) \$	<u>Capital Stock</u> (3) \$	<u>Payout Rate</u> (4)
1	2017	-	23,806,200	0.000%
2	2018	-	23,806,200	0.000%
3	2019	-	23,806,200	0.000%
4	2020	-	23,806,200	0.000%
5	2021	-	23,806,200	0.000%
6	2022	-	23,806,200	0.000%

COLUMBIA GAS OF KENTUCKY, INC.
Summary of Utility Plant and Accumulated Provisions
for Depreciation, Amortization, and Depletion
as of September 30, 2022

	<u>Amount</u>	
	\$	
<u>Utility Plant</u>		
In Service		
Plant in Service (Classified)	661,031,978	
Property Under Capital Lease	400,000	
Right of Use Asset	156,663	
Completed Construction not Classified	<u>29,269,905</u>	
Total in Service	690,858,546	
Held for Future Use	-	
Construction Work in Progress	34,935,456	
Plant Acquisition Adjustments	<u>(777,092)</u>	
Total Utility Plant	725,016,910	
Accumulated Provision for Depreciation, Amortization and Depletion	169,066,113	
Net Utility Plant	<u><u>555,950,797</u></u>	Tie to Exh A p1

Detail of Accumulated Provisions for Depreciation, Amortization and Depletion

In Service	
Accumulated Depreciation	164,008,500
Accumulated Depreciation - Retirement Work in Progress	(3,175,696)
Accumulated Depreciation - Capital Lease	214,876
Amortization of Other Utility Plant	<u>8,195,260</u>
Total in Service	169,242,939
Amortization of Plant Acquisition Adjustment	<u>(176,826)</u>
Total Accumulated Provisions	<u><u>169,066,113</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

September 30, 2022

The applicant owns and operates natural gas distribution facilities providing service to approximately 135,000 customers as of September 30, 2022. The distribution main pipelines consist of 2,624.8 miles of pipeline. A breakdown of distribution main miles by material type, as of December 31, 2021, is as follows:

Miles of Plastic Main	1,514
Miles of Protected Steel Main	794
Miles of Cast/Wrought Iron Main	3.1
Miles of Unprotected/BS Main	310.1
Miles of Other Main	3.6
Total Miles Distribution Main	2,624.8

Additionally, Columbia operates 56 miles of transmission main.

The applicant's natural gas distribution system also includes 359 district regulator stations and 84 town border stations.

The net original cost of the property and cost thereof to the applicant as of September 30, 2022, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	\$ 11,502,326
Production Plant	-0-
Distribution Plant	642,904,777
General Plant	6,624,874
NIPS/CKY Plant Acquisition Adj.	(777,092)
Construction Work in Progress	<u>34,935,456</u>
Total Plant at Original Cost	\$695,190,342
Less Reserve for Depreciation	<u>168,851,237</u>
Net Original Cost	\$526,339,105