

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY,	)	
INC. FOR AN ORDER AUTHORIZING THE ISSUANCE	)	CASE NO.
AND SALE OF PROMISSORY NOTES AND	)	2012-00418
AUTHORIZED BUT UNISSUED COMMON STOCK	)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due within seven days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Columbia fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to paragraph (e) and Exhibit A of the application. Columbia states that it is requesting authority to issue new notes and/or stock not to exceed a total of \$45,000,000, and its June 30, 2012 balance sheet included in Exhibit A shows that Columbia has an equity-to-debt ratio of 53.11 percent to 46.89 percent.

a. Describe in detail the factors that will be considered in determining the amounts of notes and stock to be issued.

b. Provide Columbia's target equity-to-debt ratio.

2. Refer to paragraph (j) of the application.

a. Provide the estimated range within which Columbia expects the interest rate(s) on the notes to fall, and whether Columbia has established, or plans to establish, an upper limit on the interest rates at which it will issue new notes.

b. Describe the effect Columbia expects the current conditions of the credit market to have on the rate of interest that will be incurred on the notes as well as on the process of issuing the notes.

c. Explain how the method described in paragraph (j) for determining the interest rate will ensure that Columbia obtains the lowest interest rate that would be available in the capital market.

d. For illustrative purposes provide the interest rate that would be determined using the method described in paragraph (j) assuming an issue of \$10,000,000 of notes on October 1, 2012. Provide all calculations and documentation supporting the interest rate.

e. Provide the current financial profile of NiSource Finance Corp. (“NiSource”) as well as a list of companies having a credit risk profile similar to NiSource.

f. Provide a comparative analysis of the estimated costs that Columbia will incur by issuing promissory notes to NiSource with the estimated costs of issuing debt in the external capital market.

3. Refer to paragraph (k) of the application. Columbia states that it, “proposes to issue and sell to Columbia Energy 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.”

a. Explain whether this is the same 147,752 shares of authorized, but unissued, stock Columbia sought and received approval to issue in Case No. 2008-00403.<sup>1</sup>

b. Explain why Columbia did not issue this stock as authorized in that proceeding, as well as why it believes it will issue this stock before December 31, 2014.

c. Provide a detailed analysis of the costs that Columbia would incur as a result of issuing and selling any or all of the remaining authorized shares.

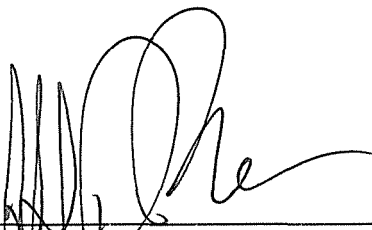
---

<sup>1</sup> Case No. 2008-00403, Application of Columbia Gas of Kentucky, Inc. for an Order Authorizing the Issuance and Sale of Promissory Notes and Authorized but Unissued Common Stock (Ky. PSC Dec. 23, 2008).

d. State whether Columbia has plans to request authorization of additional shares of stock.

4. Refer to Exhibit C, Statement of Notes Outstanding as of June 30, 2012. Explain whether any of these notes will be refinanced with funds requested in this proceeding.

5. Refer to Exhibit D of the application. Provide Columbia Energy Group's actual return on equity it earned on its investment in Columbia Gas of Kentucky, Inc. for each fiscal year 2008 through 2011.



---

Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

DATED OCT 02 2012

cc: Parties of Record

Judy M Cooper  
Director, Regulatory Services  
Columbia Gas of Kentucky, Inc.  
2001 Mercer Road  
P. O. Box 14241  
Lexington, KY 40512-4241