

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS)	
OF KENTUCKY, INC. FOR AN ORDER)	CASE NO.
AUTHORIZING THE ISSUANCE AND SALE OF)	2025-00070
PROMISSORY NOTES AND AUTHORIZED BUT)	
UNISSUED COMMON STOCK)	

ORDER

On March 31, 2025 Columbia Gas of Kentucky, Inc. (Columbia Kentucky) filed an application, pursuant to KRS 278.300, requesting authorization to issue and sell Long-Term Promissory Notes (Notes) to NiSource Inc. (NiSource), and/or to secure additional equity financing from NiSource Gas Distribution Group (NiSource Gas Distribution) through the issuance and sale of its currently authorized and unissued Common Stock (Stock), \$25 par value per share. Columbia Kentucky responded to one request for information from Commission Staff.¹ There are no intervenors in this proceeding. This matter now stands for a decision by the Commission.

LEGAL STANDARD

KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person.” KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

¹ Columbia Kentucky’s Response to Commission Staff’s First Request for Information (Staff’s First Request) (filed Apr. 30, 2025).

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

KRS 278.300(8) establishes that KRS 278.300 does not apply if the proposed issuance of securities or indebtedness is payable at periods of not more than two years from the issuance date and any renewals of such notes do not exceed six years from the initial issuance date.

PROPOSED SECURITIES AND EVIDENCES OF INDEBTEDNESS

Columbia Kentucky requested authorization to issue new Notes and/or Stock not to exceed a total of \$73,693,800, from the date of the Commission's Order herein through December 31, 2026.² Columbia Kentucky intends to refinance an outstanding note of \$12.375 million, with an interest rate of 5.92 percent, which matures on January 5, 2026.³ Additionally, Columbia Kentucky explained that the remaining proceeds of approximately \$61.319 million from the proposed financing will be used to partially reimburse Columbia Kentucky's treasury for its construction expenditures, and to acquire property in the form of materials used in the ordinary course of providing public utility service.⁴ Examples of such property include the purchase and installation of mains, service lines, meter,

² Application at 2.

³ Columbia Kentucky's Response to Staff's First Request, Item 2.

⁴ Application at 3.

regulators, facilities, and other corporate purposes.⁵ Columbia Kentucky explained that such construction program expenditures to be reimbursed, in part, are for the period spanning January 1, 2025, to December 31, 2026, and total \$168 million.⁶

Proposed Notes

Columbia Kentucky stated that the proposed Notes would be unsecured and dated the date of their issue, that all of the new proposed Notes would be issued on or before December 31, 2026, and would not exceed \$70 million.⁷ Columbia Kentucky further stated that the proposed Notes would be issued with maturities of up to 30 years, would bear an interest rate that corresponds to the pricing being offered to companies with similar credit ratings as NiSource, and would reflect market conditions at the time of the issuance.⁸ To determine the interest rate of the Notes, Columbia Kentucky explained it would directly reference the prevailing yield on U.S. utility bonds as reported by Bloomberg Finance L.P., effective on the date a Note is issued, for companies with credit ratings equivalent to that of NiSource.⁹ Columbia Kentucky further explained that, 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 would be used for the purposes of determining the applicable interest rate that would be assigned to the Notes' issuance.¹⁰ Columbia Kentucky explained that it uses these metrics as a proxy in order

⁵ Application at 3.

⁶ Application at 3.

⁷ Application at 3-4.

⁸ Application at 3.

⁹ Application at 3.

¹⁰ Application at 3-4.

to mirror, as closely as practicable, the rates that would result if Columbia Kentucky would issue Notes in the market directly.¹¹ Columbia Kentucky explained that by issuing debt in this manner would allow Columbia Kentucky and its affiliates to share the transaction costs, and by issuing combined financing for multiple affiliates, the debt would become less risky for investors, and would lead to a lower demanded premium as compared to a stand-alone issuance.¹²

Proposed Stock

As of December 31, 2024, Columbia Kentucky has authorized 1.1 million shares of Stock, par value \$25 per share, amounting to \$27.5 million.¹³ Columbia Kentucky stated that, of this amount, 952,248 shares were issued and outstanding.¹⁴ Columbia Kentucky proposed to issue and sell to NiSource Gas Distribution up to 147,752 shares of authorized but unissued Stock, at \$25 par value, which would yield up to \$3.7 million in additional equity capital.¹⁵ Columbia Kentucky explained that all such shares issued and sold would be fully paid and non-assessable, and would not be registered with the Securities and Exchange Commission (SEC) under the Securities Act of 1933, because the proposed Stock would be sold privately.¹⁶

¹¹ Application at 4.

¹² Application at 4.

¹³ Application at 2.

¹⁴ Application at 2.

¹⁵ Application at 4.

¹⁶ Application at 4.

DISCUSSION AND FINDINGS

Having considered the evidence of the record and being otherwise sufficiently advised, the Commission finds that Columbia Kentucky's request to issue and sell Long-Term Promissory Notes to NiSource, and/or to secure additional equity financing from NiSource Gas Distribution through the issuance and sale of its currently authorized and unissued Common Stock, \$25 par value per share, is approved in accordance with KRS 278.300 as discussed below.

The Commission finds that the proposed financing is for lawful objects within the corporate purposes of Columbia Kentucky's utility operations, which is to provide safe and reliable natural gas service to its service territory. The proposed financing is for lawful objects within the utility's purpose because the proceeds of the proposed financing will be used to finance Columbia Kentucky's capital program, refinance a debt maturity in 2026, and for other corporate purposes, including acquiring property in the form of materials used in the ordinary course of providing public utility service.¹⁷

The Commission further finds that the proposed financing is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service. The proposed financing is necessary for Columbia Kentucky to fund its capital expenditures and maintain its liquidity.¹⁸ On this point, in the event that the proposed financing does not occur, Columbia Kentucky stated it would need to adjust its planned operating activities,

¹⁷ Application at 2-3.

¹⁸ Columbia Kentucky's Response to Staff's First Request, Item 5.

potentially including a significant reduction to capital expenditures used to improve the safety and reliability of its distribution system.¹⁹

Finally, the Commission finds that the proposed financing is reasonably necessary and appropriate for such purpose. Columbia Kentucky requested to issue unsecured notes to its parent company, NiSource. Columbia Kentucky explained that issuing debt in this manner allows it and its affiliates to share the transaction costs, rather than each entity bearing the full cost of issuance.²⁰ In doing so, the debt becomes less risky for investors, leading to lower demanded premiums as compared to stand-alone issuances.²¹ Additionally, Columbia Kentucky does not anticipate its capital structure will materially change as a result of the proposed financings, as it forecasted a common equity ratio of 52.68 percent at year-end 2026²² as compared to the 52.64 percent common equity ratio approved in Case No. 2024-00092.²³

Therefore, the Commission concludes that Columbia Kentucky's request for authorization to issue new Notes and/or Stock not to exceed a total of \$73,693,800 should be approved.

¹⁹ Columbia Kentucky's Response to Staff's First Request, Item 4.

²⁰ Columbia Kentucky's Response to Staff's First Request, Item 3

²¹ Columbia Kentucky's Response to Staff's First Request, Item 3.

²² Columbia Kentucky's Response to Staff's First Request, Item 5.

²³ Case No. 2024-00092, *Electronic Application of Columbia Gas of Kentucky, Inc. For An Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; And Other Relief* (Ky. PSC Dec. 30, 2024), Order at 46.

IT IS THEREFORE ORDERED that:

1. On or before December 31, 2026, Columbia Kentucky is authorized to enter into Long-Term Promissory Notes to NiSource as discussed herein.
2. On or before December 31, 2026, Columbia Kentucky is authorized to issue and sell its currently authorized and unissued Common Stock, at a \$25 par value per share as discussed herein.
3. The aggregate value of any and all new notes entered in and stocks issued pursuant to this Order shall not to exceed a total of \$73,693,800.
4. The proceeds of the loans shall be used only for the purposes specified in Columbia Kentucky's application.
5. Within 30 days of the execution of the evidences of indebtedness, Columbia Kentucky shall file with the Commission an electronic version of each document.
6. Within 30 days of the execution of the evidences of stock issuance, Columbia Kentucky shall file with the Commission an electronic version of each document.
7. Any documents filed in the future pursuant to ordering paragraphs 3-4 of this Order shall reference this case number and shall be retained in Columbia Kentucky's post-case correspondence file.
8. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Columbia Kentucky's showing of good cause for such extension.
9. This case is closed and removed from the Commission's docket.


10. Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner

ATTEST:


Executive Director



Case No. 2025-00070

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

*John R. Ryan
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

*Melissa Thompson
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

*Columbia Gas of Kentucky, Inc.
290 W Nationwide Blvd
Columbus, OH 43215