

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
COLUMBIA GAS OF OHIO, INC. FOR  
AUTHORITY TO ISSUE, SELL, OR ENTER  
INTO DEBT TRANSACTIONS.

CASE NO. 19-1555-GA-AIS

## FINDING AND ORDER

Entered in the Journal on December 18, 2019

### I. SUMMARY

{¶ 1} The Commission approves the application filed by Columbia Gas of Ohio, Inc. for authority to issue long-term notes.

### II. DISCUSSION

{¶ 2} Columbia Gas of Ohio, Inc. (Columbia or Company) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.40 permits a public utility to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of more than 12 months, when authorized by the Commission. Pursuant to R.C. 4905.40(A)(1), the public utility may issue notes or other evidences of indebtedness when it is necessary for, among other things, the construction, completion, extension, renewal, or improvement of its facilities and, under R.C. 4905.40(A)(2), for reorganization or readjustment of its indebtedness and capitalization, among other purposes. The application process for obtaining Commission authorization is outlined in R.C. 4905.41. The application must include the amount, purpose, and terms of the financial arrangement, as well as the total assets and liabilities of the public utility.

{¶ 4} In Case No. 18-1409-GA-AIS, the Commission authorized Columbia to issue and sell long-term notes, not to exceed \$300 million through December 31, 2019, to NiSource

Inc. (NiSource) or any of NiSource's wholly-owned subsidiaries.<sup>1</sup> *In re Columbia Gas of Ohio, Inc.*, Case No. 18-1409-GA-AIS, Finding and Order (Feb. 6, 2019).

{¶ 5} On August 6, 2019, in the above-captioned case, Columbia filed an application and supporting attachments pursuant to R.C. 4905.40 and 4905.41. Columbia requests authority to issue and sell long-term notes (Notes), not to exceed \$300 million through December 31, 2020, to NiSource or any of NiSource's wholly-owned subsidiaries. According to Columbia, the Notes will be issued with maturities of up to 30 years, bear an interest rate corresponding to the price offered by companies with financial profiles similar to NiSource, and reflect the market conditions at the time of issuance. Columbia explains that the Notes' interest rate will be determined by utilizing the utility bond yields on the Bloomberg C038 index screen or comparable screen for utilities rated the same as NiSource, which is currently rated BBB+, on the date of issuance.

{¶ 6} In the application, Columbia states that a portion of the proceeds to be realized from the proposed sale of the Notes will be applied to the Company's 2019 through 2020 construction program. Columbia notes that construction expenditures are required for the acquisition of property and for the construction, completion, extension, and improvement of the Company's facilities. Columbia further states that the proceeds will also be used to enable the Company to pay its existing long-term debt obligations on an unsecured basis; to organize or readjust its indebtedness and capitalization; or to fund other corporate purposes permitted by law.

{¶ 7} Columbia also indicates in the application that the Company will provide a summary report within 30 days of issuing any Note under the requested authority. According to Columbia, the report will summarize the principal amount of the debt issuance, the terms of the Note, and the underlying purpose of the borrowing, while also including supporting documentation showing the calculation of the interest rate of the Note,

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<sup>1</sup> NiSource Gas Distribution Group, Inc. (NGD) owns 100 percent of the outstanding common stock of Columbia. NGD is a wholly-owned subsidiary of NiSource.

as well as detail of any issuance costs, discounts, or premiums. Columbia notes that the report will include a 45-day view (29 days prior to the issuance, the date of issuance, and 15 days following the issuance) of Bloomberg's C038 index screen (or comparable screen as described in the application) showing the rates surrounding the issuance.

{¶ 8} In addition, Columbia states that it will notify the Commission, within ten days, of any downgrading of NiSource's credit rating or placing of NiSource on a credit watch with negative implications by any nationally recognized ratings agency. Finally, Columbia indicates that it will work with NiSource's Treasury Department to determine the Company's liquidity needs. Columbia states that, if it has a need to issue debt within 30 days before or after a NiSource external long-term debt issuance of matching maturity, the Company will make every effort to issue debt on the same day as NiSource's debt issuance announcement date. Columbia notes that the interest rate associated with its debt issuance will be determined by utilizing the methodology addressed above. Columbia further notes that, in the event the Company's or NiSource's liquidity needs unexpectedly change, the Company may need to issue debt without aligning that debt issuance with a NiSource debt issuance of matching maturity.

{¶ 9} On December 3, 2019, Staff filed its review and recommendation. Staff states that, pursuant to the authority granted by the Commission in Case No. 18-1409-GA-AIS, which expires on December 31, 2019, Columbia has issued \$80 million in notes. According to Staff, Columbia does not anticipate the need to issue any additional debt in 2019. Staff adds that, regarding the expected issuance of long-term debt to NiSource in 2020, Columbia intends to continue to comply with the conditions imposed on its current authority, as summarized above. As in the prior case, Staff believes that Columbia's methodology, including the use of the Bloomberg C038 index screen (or comparable screen), for its debt issuances provides a reasonable proxy for a competitive market rate. Additionally, Staff notes that Standard & Poor's current credit outlook is negative for NiSource, which is a concern because the credit ratings of NiSource influence the cost of Columbia's debt. Staff states, however, that NiSource would need to be dropped by three credit ratings to lose its

status as an investment grade issuer. Following its review and analysis of the application, Staff concludes that Columbia's request for authority to issue and sell long-term Notes appears reasonable and should be approved.

{¶ 10} Upon consideration of the application and Staff's review and recommendation, the Commission finds that the amount of the Notes, the terms thereof, and the probable cost to Columbia, within the parameters set forth in the application, do not appear to be unjust or unreasonable. In addition, based on the information contained in the application, the purposes to which the proceeds from the Notes shall be applied, and the use of the Notes, appear to be reasonably required by Columbia to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the application should be approved.

### III. ORDER

{¶ 11} It is, therefore,

{¶ 12} ORDERED, That Columbia's application be approved, pursuant to the terms and conditions as described in the application. It is, further,

{¶ 13} ORDERED, That Columbia shall apply the proceeds from the Notes for the purposes set forth in this Finding and Order and otherwise pursuant to the provisions of R.C. 4905.40. It is, further,

{¶ 14} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of the Notes for future ratemaking treatment. It is, further,

{¶ 15} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of Columbia. It is, further,

{¶ 16} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the Notes on the part of the state of Ohio. It is, further,

{¶ 17} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 18} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

*Approving:*

Sam Randazzo, Chairman  
M. Beth Trombold  
Lawrence K. Friedeman  
Daniel R. Conway  
Dennis P. Deters

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**Case No(s). 19-1555-GA-AIS**

Summary: Finding & Order that the Commission approves the application filed by Columbia Gas of Ohio, Inc.  
for authority to issue long-term notes. electronically filed by Docketing Staff on behalf of Docketing.