

**Public Utilities  
Commission**

John R. Kasich, Governor  
Andre T. Porter, Chairman

**Commissioners**

Asim Z. Haque  
Lynn Slaby  
M. Beth Trombold  
Thomas W. Johnson

November 4, 2015

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus OH 43215

RE: *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Issue,  
Sell or Enter into Debt Transactions*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Columbia Gas of Ohio, Inc. for authority to issue long-term debt in Case No. 15-1548-GA-AIS.

*Miriam White* on behalf of:

Doris McCarter  
Division Chief, Forecasting, Markets and Corporate Oversight  
Rates and Analysis Department  
Public Utilities Commission of Ohio

PUCO

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Enclosure  
Cc: Parties of Record

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia       )  
Gas of Ohio, Inc. for Authority to Issue, Sell or    ) Case No. 15-1548-GA-AIS  
Enter into Debt Transactions.                        )

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**Staff Review and Recommendation**

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On September 1, 2015, Columbia Gas of Ohio, Inc. (the Company) filed an application (Application) with the Public Utilities Commission of Ohio (the Commission), pursuant to Sections 4905.40 and 4905.41 of the Ohio Revised Code, seeking authority to issue up to \$300 million of unsecured promissory notes (Notes) through December 31, 2016. The requested authority represents a renewal of the Company's existing \$300 million of authority, which the Commission granted on December 10, 2014 in Case No. 14-1523-GA-AIS.

The Company proposes that the Notes be issued to NiSource Finance Corporation (NFC), a wholly owned subsidiary of NiSource, the Company's ultimate parent company. The Company further proposes that the proceeds from the Notes be used to permanently finance the Company's capital program, to refund a \$30,600,000 note maturing on November 28, 2016, and for other corporate purposes, including the continuation of the Company's Infrastructure Replacement Program.

The proposed Notes would be unsecured and have a maturity of up to 30 years and interest rates that reflect market conditions at the time of issuance for companies with similar financial profiles. The Notes' interest rates would be determined by the corresponding applicable Treasury yield effective on the date each Note is issued plus the yield spread on corresponding maturities for credit risk profiles equivalent to NFC. Underwriting fees, discounts (if any), legal, audit and rating agency fees incurred by NFC would be absorbed at the NFC entity level, and thus not passed on to the Company. The Notes would become callable at par on the one-year anniversary of their issuance date.

The following table summarizes the Company's actual capitalization as of June 30, 2015, and projected capitalization for year end 2015, and pro forma capitalization for 2016 that anticipates the use of remaining requested authority. As of June 30, 2015, the table summarizes the actual capitalization as adjusted for the issuance of \$178 million of new debt in 2015 under current authority and a \$45 million increase in equity. For 2016, the table summarizes maturities of \$30.6 million of existing debt, an additional issuance of \$300 million of the new Notes under the requested authority and a further equity increase of \$112 million.

**Columbia Gas of Ohio, Inc.**  
**Pro-forma Capitalization**

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	<u>Actual</u>		<u>Projected</u>		<u>Pro forma</u>	
	<u>06/30/2015</u>	<u>(%)</u>	<u>12/31/2015</u>	<u>(%)</u>	<u>12/31/2016</u>	<u>(%)</u>
	<u>(000)</u>		<u>(000)</u>		<u>(000)</u>	
Long-Term Debt	\$ 792,273	<u>47%</u>	\$ 890,914	<u>49%</u>	\$ 1,160,314	<u>53%</u>
Common Equity	\$ <u>885,559</u>	<u>53%</u>	\$ <u>930,490</u>	<u>51%</u>	\$ <u>1,042,814</u>	<u>47%</u>
Total Capitalization	\$ <u>1,677,832</u>	<u>100%</u>	\$ <u>1,821,404</u>	<u>100%</u>	\$ <u>2,203,128</u>	<u>100%</u>

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As of June 30, 2015, the Company had \$792,273,000 of outstanding long-term debt. As a result of using its current authority to issue \$178 million of new debt during 2015, coupled with the use of the proposed authority, debt retirements and equity increases, the debt component would be increased to 53% of total capitalization by the end of 2016.

Upon review of the Application, Staff believes it to be reasonable and recommends its approval.