

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. 17-1814-GA-AIS

FINDING AND ORDER

Entered in the Journal on May 9, 2018

I. SUMMARY

{¶ 1} The Commission approves the application filed by Columbia Gas of Ohio, Inc. for authority to issue long-term notes, as modified by Staff's recommendations and the company's comments.

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} On September 18, 2017, 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, 2018, to

NiSource Inc. (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.

{¶ 5} 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 2017 through 2018 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, including continuation of the Company's infrastructure replacement program, as approved by the Commission in Case No. 08-72-GA-AIR, et al., and Case No. 11-5515-GA-ALT, and as pending approval in Case No. 16-2422-GA-ALT.¹ 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.

{¶ 6} On April 11, 2018, Staff filed its review and recommendations. Staff finds, following its review of Columbia's application, that the application is reasonable and recommends that it be approved, with the following conditions. First, Staff recommends that Columbia be required to file a summary report, in this docket, within 30 days of issuing any Note under the authority granted in this case. The report shall summarize the principal amount of the debt issuance, the terms of the Note, and the underlying purpose of the borrowing; provide supporting documentation showing the calculation of the interest rate of the Note, as well as detail any issuance costs, discounts, or premiums; and include a

¹ On January 31, 2018, the Commission approved the continuation of Columbia's infrastructure replacement program through December 31, 2022. *In re Columbia Gas of Ohio, Inc.*, Case No. 16-2422-GA-ALT, Opinion and Order (Jan. 31, 2018).

45-day view of Bloomberg's C038 index screen or comparable screen showing the rates surrounding the issuance. Next, Staff recommends that Columbia be required to notify the Commission of any change in the credit rating or outlook for NiSource, or any of NiSource's wholly-owned subsidiaries that may be used as a credit rating proxy for the Company, by filing a notification, in this docket, within ten days of the ratings action by any one of the nationally recognized rating agencies.

{¶ 7} Finally, Staff recommends that Columbia be directed to make every effort during this authorization period to align its issuance of any Note to that of any long-term external debt issuance of matching maturity by NiSource, thereby aligning similar interests of low-cost market-rate financing, and avoiding the Company's issuance of debt at a higher rate due to market movements over a short period of time. As a recent example, Staff notes that NiSource issued debt on September 5, 2017, and then Columbia issued debt on September 29, 2017, which resulted in the Company receiving a higher interest rate on its debt due to market movements.

{¶ 8} On April 19, 2018, Columbia filed comments in response to Staff's recommended conditions. Columbia states that it agrees to comply with Staff's first and second recommendations. With respect to Staff's third recommendation, Columbia notes that NiSource secures financing for the corporate system, which does not necessarily align with the Company's liquidity needs. However, based on Staff's recommendation, Columbia proposes to continue to work with NiSource's Treasury Department to discuss the Company's liquidity needs. Columbia agrees that, if the Company 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 adds that the interest rate associated with its debt issuance 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 (currently rated BBB+) on the date of issuance, as outlined in the Company's application. Finally, Columbia notes that, in the event that 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. Columbia requests that the Commission approve the application, as modified by Staff's recommendations and the Company's comments.

{¶ 9} Upon consideration of the application, Staff's review and recommendations, and Columbia's comments, the Commission finds that the amount of the Notes, the terms thereof, and the probable cost to the Company, within the parameters set forth in the application, as modified by Staff and the Company's comments, 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, as modified by Staff's recommendations and Columbia's comments.

III. ORDER

{¶ 10} It is, therefore,

{¶ 11} ORDERED, That Columbia's application be approved, pursuant to the terms and conditions as described in the application, as modified by Staff's recommendations and the Company's comments. It is, further,

{¶ 12} 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,

{¶ 13} 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,

{¶ 14} 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,

{¶ 15} 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,

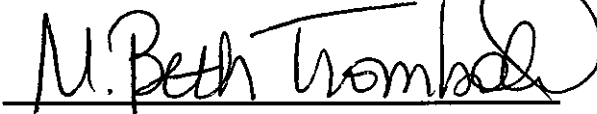
{¶ 16} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

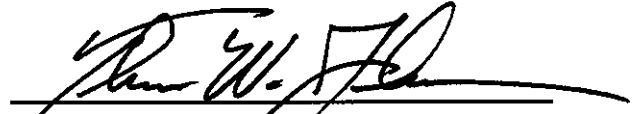
THE PUBLIC UTILITIES COMMISSION OF OHIO



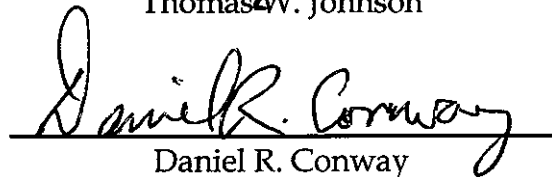
Asim Z. Haque, Chairman



M. Beth Trombold



Thomas W. Johnson



Daniel R. Conway

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Barcy F. McNeal
Secretary