

## **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. 18-1409-GA-AIS**

### **FINDING AND ORDER**

Entered in the Journal on February 6, 2019

#### **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.

#### **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 12, 2018, 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, 2019, 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 2018 through 2019 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 as reapproved in Case No. 11-5515-GA-ALT and Case No. 16-2422-GA-ALT. 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} 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, 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.

{¶ 7} In addition, Columbia states that it will notify the Commission, within ten days of the ratings action by any one of the nationally recognized ratings agencies, 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. 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.

{¶ 8} On January 17, 2019, Staff filed its review and recommendations. Staff notes that, as stated in the application, Columbia intends to continue to comply with the conditions adopted by the Commission in Case No. 17-1814-GA-AIS. Staff also states that Columbia's proposed methodology for its debt issuances provides a reasonable proxy for a competitive market rate. Staff notes, however, that it is concerned by S&P Global's current credit outlook for NiSource, which can impact the cost of Columbia's Notes, given that NiSource's rating is a direct proxy to establish the market-based rate of the Notes. Accordingly, Staff finds, following its review, that Columbia's application should be approved, with the following condition. Staff recommends that, if for any reason, the credit rating of NiSource is downgraded or placed on credit watch with negative implications within the authorization period granted by the Commission, Columbia shall notify the Commission in this docket within ten days of such occurrence, in order to

permit the Commission to consider whether additional safeguards or conditions should be imposed upon the Company's authorization to borrow through the Notes.

{¶ 9} Upon consideration of the application and Staff's review and recommendations, 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, as modified by Staff, 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.

### 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. 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,

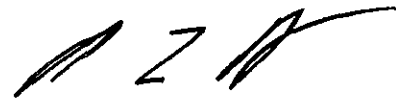
{¶ 14} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of Columbia. It is, further,

{¶ 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,

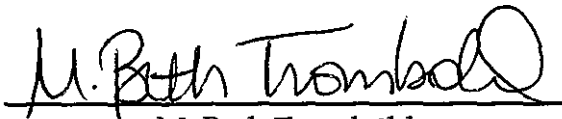
{¶ 16} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO



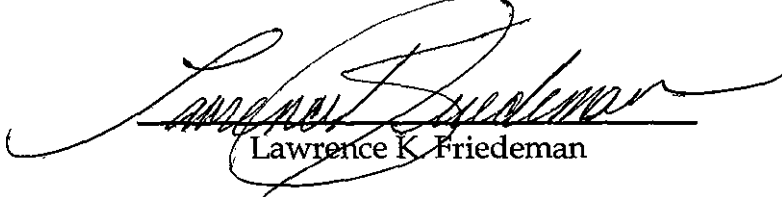
Asim Z. Haque, Chairman



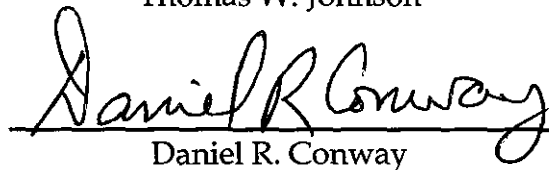
M. Beth Trombold



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