

43215; Columbia Gas Transmission Corporation, located at 12801 Fair Lakes Parkway, Fairfax, Virginia 22030-0146; Columbia Gulf Transmission Company, located at 2603 Augusta, Suite 125, Houston, Texas 77057; Columbia Network Services Corporation and its subsidiary, both located at 1600 Dublin Road, Columbus, Ohio 43215-1082; and NiSource Insurance Corporation Limited (f/k/a Columbia Insurance Corporation, Ltd.), located at 20 Parliament Street, P.O. Box HM 649, Hamilton HM CX, Bermuda (collectively "Applicants"), have filed an application-declaration, as amended ("Application"), under sections 6(a), 7, 9(a), 10, 12(b), (c) and (f) and 13(b) and rules 26(c), 45(a) and (c) and 46. NiSource and its direct and indirect public-utility and nonutility subsidiary companies are seeking to extend, restate and modify their current authorizations under various orders to engage in external and intrasystem financing and related transactions ("Current Orders")⁹ during the period through December 31, 2006 ("Authorization Period") and replace and supersede the Current Orders.

I. Background

NiSource and its wholly owned subsidiary, Columbia, also a registered public-utility holding company, own ten public-utility company subsidiaries: Northern Indiana, Kokomo and NIFL, Bay State,¹⁰ Northern Utilities, Columbia Kentucky, Columbia Maryland, Columbia Ohio, Columbia Pennsylvania and Columbia Virginia (collectively "Utility Subsidiaries"). Together, the Utility Subsidiaries distribute gas at retail in portions of Indiana, Ohio, Virginia, Maryland, Kentucky, Pennsylvania, Massachusetts, New Hampshire and Maine. Northern Indiana also generates, transmits and sells electricity in 21 counties in the northern part of Indiana.

NiSource also holds, directly or indirectly, numerous nonutility subsidiaries and investments. Its principal nonutility subsidiaries are:

NiSource Services, a subsidiary service company; Columbia Gas Transmission Corporation, Columbia Gulf Transmission Company, Granite State Transmission, Inc., and Crossroads Pipeline Company, all of which are engaged in interstate natural gas transportation and storage; PEI Holdings (f/k/a Primary Energy, Inc.), an intermediate subsidiary that owns all of the outstanding common stock of Whiting Clean Energy, Inc., an "exempt wholesale generator" ("EWG") under section 32 of the Act; EnergyUSA, Inc., which serves as the holding company for subsidiaries that are engaged in energy marketing and in providing energy management services; NiSource Development Company, Inc., which holds passive investments in affordable housing projects that qualify for federal income tax credits and in other real estate ventures that are intended to complement NiSource's energy businesses; and NiSource Insurance Corporation Limited, a captive insurance subsidiary. NiSource also owns IWC Resources Corporation, which was previously the holding company for several water distribution companies;¹¹ and two special purpose financing subsidiaries, NiSource Finance and Capital Markets, through which NiSource issues long-term and short-term debt securities. The term "Nonutility Subsidiaries" shall mean each of the direct and indirect nonutility subsidiaries of NiSource (other than Columbia). The term "Nonutility Subsidiaries" also includes any direct or indirect nonutility subsidiary acquired or formed, directly or indirectly, by NiSource after the effective date of the order in this proceeding pursuant to the authorization of the Commission (including the authorizations requested in the Application) or in a transaction that is exempt under the Act (specifically, sections 32, 33 and 34) or the rules (including, specifically, rule 58). The term "Subsidiaries" means the Utility Subsidiaries and the Nonutility Subsidiaries. NiSource, Columbia and the Subsidiaries are sometimes collectively referred to as "Applicants."

NiSource and Columbia and their respective subsidiaries are authorized to engage in a program of external and intrasystem financing, to issue guarantees and other forms of credit support, to organize and acquire the securities of specified types of new

subsidiaries, to pay dividends out of capital and unearned surplus, to reorganize and recapitalize subsidiaries and to engage in other related transactions through December 31, 2003. *See* the Current Orders.

Applicants now request the following authorizations through the Authorization Period:

1. For NiSource to increase its capitalization by issuing and selling, through one or more financing subsidiaries: (i) additional shares of common stock or other rights that are exercisable or exchangeable for or convertible into common stock, (ii) preferred securities (including trust preferred securities) (together "Preferred Securities") and equity-linked securities ("Equity-linked Securities"), and (iii) unsecured long-term debt securities ("Long-term Debt") and unsecured short-term indebtedness ("Short-term Debt");

2. For Columbia to increase its capitalization by issuing additional shares and/or Long-term Debt to NiSource or a financing subsidiary ("Financing Subsidiary"), as further defined below in section VII (Financing Subsidiaries), of NiSource or to third party lenders;

3. For Columbia Maryland to issue and sell, and Columbia to acquire, additional shares of Columbia Maryland's common stock and unsecured and secured Long-term Debt;

4. For NiSource, through Nonutility Subsidiaries, to make loans to less than wholly owned subsidiaries at interest rates and maturities designed to provide a return of not less than its effective cost of capital, in the circumstance where the borrowing Nonutility Subsidiary is not wholly owned by NiSource;

5. To continue the Money Pool and to permit additional Nonutility Subsidiaries to participate, as investors only, without further Commission approval;

6. For NiSource, directly or through Financing Subsidiaries, and Columbia to guarantee indebtedness or contractual obligations or provide other forms of credit support ("Parent Guarantees") on behalf of, or for, their Subsidiaries;

7. For Nonutility Subsidiaries to provide guarantees of indebtedness or contractual obligations, or other credit support, on behalf of, or for, the other Nonutility Subsidiaries ("Nonutility Subsidiary Guarantees");

8. For NiSource, Columbia and the Subsidiaries to enter into interest rate hedging transactions ("Interest Rate Hedges") and or anticipatory hedging transactions ("Anticipatory Hedges") with respect to interest rates;

⁹ *See NiSource, Inc., et al., Holding Co. Act Release Nos. 27263 (Oct. 30, 2000 ("Merger Order")), 27265 (Nov. 1, 2000 (November 1, 2000 Order)), 27361 (Mar. 21, 2001) (authorizing increase in NiSource Short-term Debt from \$2 billion to \$3.4 billion), 27567 (Sept. 12, 2002) (authorizing tax allocation agreement), 27479 (Dec. 19, 2001), 27535 (June 3, 2000) (releasing jurisdiction over Bay State and Northern Utilities money pool participation), 27559 (Aug. 8, 2002) (releasing jurisdiction over Granite State Gas Transmission, Inc., money pool participation); Columbia Energy Group, Inc., et al., Holding Co. Act Release Nos. 26634 (Dec. 23, 1996), 26798 (Dec. 22, 1997), 27035 (June 8, 1999).*

¹⁰ Bay State is also a section 3(a)(2) exempt holding company. *See* SEC File No. 69-340.

¹¹ The principal operating assets of IWC Resources Corporation and its subsidiaries were sold in April 2002 in accordance with the Commission's divestiture order under section 11(b)(1) of the Act. *See* Merger Order.