

event loans are made to a less than wholly owned Nonutility Subsidiary, Applicants represent that the company will not sell any services to any associate company unless it falls within one of the categories of companies to which goods and services may be sold on a basis other than "at cost," as described below in section XI (Sales of Services and Goods Among Subsidiaries).

### III. Continuation of Money Pool

NiSource, the Utility Subsidiaries and certain Nonutility Subsidiaries request authorization to continue to participate in the Money Pool. The Money Pool participants request authorization, during the Authorization Period, to make unsecured short-term borrowings from the Money Pool, to contribute surplus funds to the Money Pool and to lend and extend credit to (and acquire promissory notes from) one another through the Money Pool. NiSource, directly or indirectly, through NiSource Finance, requests authorization to invest surplus funds and/or lend and extend credit to the participating subsidiaries through the Money Pool.

The following direct and indirect Nonutility Subsidiaries are participants in the Money Pool, in addition to NiSource and Columbia and the ten Utility Subsidiaries:

NiSource Corporate Services Company  
EnergyUSA, Inc. (an Indiana corporation)  
EnergyUSA-TPC Corp.  
EnergyUSA, Inc. (a Massachusetts corporation)  
PEI Holdings, Inc.  
NiSource Capital Markets, Inc.  
NiSource Finance Corp.  
Granite State Transmission, Inc.  
Crossroads Pipeline Company  
NiSource Development Company, Inc.  
NI Energy Services, Inc.  
NiSource Energy Technologies, Inc.  
Columbia Gas Transmission Corporation  
Columbia Gulf Transmission Company  
Columbia Assurance Agency, Inc.  
Columbia Accounts Receivable Corporation  
Columbia Atlantic Trading Corporation  
Columbia Deep Water Services Company  
Columbia Remainder Corporation  
Columbia Energy Services Corporation  
NiSource Insurance Corporation Limited

In addition, Applicants propose that other existing or new nonutility subsidiaries of NiSource may participate in the Money Pool, as investors only, without further approval of the

Commission. NiSource, Columbia, NiSource Finance and Capital Markets will continue to participate in the Money Pool as investors only and not as borrowers. EWGs, FUCOs, and ETCs will be specifically excluded from participating in the Money Pool as borrowers.

The Utility Subsidiaries (other than Columbia Virginia)<sup>17</sup> request authority to make borrowings through the Money Pool in the following maximum amounts at any time outstanding:

Utility subsidiary	Borrowing limit
Northern Indiana .....	\$1,000,000,000
Kokomo .....	50,000,000
NIFL .....	50,000,000
Bay State .....	300,000,000
Northern Utilities <sup>18</sup> .....	50,000,000
Columbia Ohio .....	700,000,000
Columbia Kentucky .....	80,000,000
Columbia Pennsylvania ..	300,000,000
Columbia Maryland .....	50,000,000

Borrowings from the Money Pool by participating Subsidiaries that are authorized to borrow from the Money Pool (i.e., "Eligible Borrowers"), other than Utility Subsidiary borrowers, are exempt under rule 52(b).

### IV. Guarantees

*Parent Guarantees.* NiSource, directly or indirectly, through one or more Financing Subsidiaries, and Columbia request authorization to provide Parent Guarantees of debt securities or contractual obligations of any Subsidiary as may be appropriate in the ordinary course of a Subsidiary's business, in an aggregate principal or nominal amount, in the case of NiSource, not to exceed \$3.5 billion and, in the case of Columbia, not to exceed \$3.5 billion outstanding at any one time. In addition, Applicants state that the amount of any Parent Guarantees of any Subsidiary obligations shall also be subject to the limitations of rule 53(a)(1) or rule 58(a)(1), as applicable. Parent Guarantees may take the form of, among others, direct guarantees, reimbursement undertakings under letters of credit, "keep well" undertakings, indemnification agreements and expense reimbursement agreements. Any Parent Guarantee that is outstanding at the end of the Authorization Period shall remain in force until it expires or terminates in accordance with its terms.

<sup>17</sup> Columbia Virginia borrowings under the Money Pool are exempt under rule 52(a).

<sup>18</sup> Borrowings by Northern Utilities under the Money Pool that are in excess of 10% of its net fixed plant must be approved by the NHPUC and, therefore, would be exempt under rule 52(a).

In addition, NiSource and Columbia request authorization to charge each Subsidiary a fee for each Parent Guarantee. The fee proposed will not be greater than the cost, if any, of obtaining the liquidity necessary to perform on the Parent Guarantee (for example, bank line commitment fees or letter of credit fees, plus other transactional expenses) for the period of time that it remains outstanding.

*Nonutility Subsidiary Guarantees.* In addition to guarantees that may be provided by NiSource or Columbia or by a Financing Subsidiary of either, as described above, Nonutility Subsidiaries (including Financing Subsidiaries without credit support from NiSource or Columbia) request authority to provide, to other Nonutility Subsidiaries, Nonutility Subsidiary Guarantees (i.e., guarantees of indebtedness or contractual obligations, or other forms of credit support, in an aggregate principal amount not to exceed \$2 billion outstanding at any one time, exclusive of any guarantees and other forms of credit support that are exempt under rules 45(b) and 52(b)). Nonutility Subsidiaries request authorization to charge associate companies a fee for each guarantee, determined in the same manner as specified above.

### V. Hedging Transactions

NiSource and the Subsidiaries request authorization to enter into Interest Rate Hedges in order to reduce or manage interest rate cost, subject to certain limitations and restrictions. NiSource and the Subsidiaries also request authorization to enter into Anticipatory Hedges, subject to certain limitations and restrictions.

### VI. Changes in Capitalization of Majority-Owned Subsidiaries

In order to accommodate the proposed sale of capital securities (i.e., common stock or Preferred Stock) transactions and provide for future issues, NiSource and the Subsidiaries request authority to change the terms of any 50% or more owned Subsidiary's authorized capital stock capitalization, or other equity interests, by an amount deemed appropriate by NiSource or other intermediate parent company.<sup>19</sup> Applicants state that the consents of all other shareholders will have been

<sup>19</sup> Applicants state that the portion of an individual Subsidiary's aggregate financing to be effected through the sale of stock to NiSource or another immediate parent company during the Authorization Period cannot be ascertained at this time. The sale of capital securities (i.e., common stock or Preferred Stock) may in some cases exceed the then authorized capital stock of a Subsidiary and a Subsidiary may choose to use capital stock with no par value.

to parallel the lending company's effective cost of capital.