

obtained for the proposed change. This request for authorization is limited to NiSource's 50% or more owned Subsidiaries and is not intended to affect aggregate limits or other conditions.

Applicants further propose that a Subsidiary would be able to change the par value, or to change between par value and no par stock, or to change the form of equity from common stock to limited partnership or limited liability company interests or similar instruments, or from such instruments to common stock, without additional Commission approval. Any action by a Utility Subsidiary would be subject to, and would only be taken upon, the receipt of any necessary approvals by the state commission in the state or states where the Utility Subsidiary is incorporated and doing business. In addition, Applicants state that NiSource will be subject to all applicable laws regarding the fiduciary duty of fairness of a majority shareholder to minority shareholders in any such 50% or more owned Subsidiary and NiSource will undertake to ensure that any change comports with such legal requirements.

VII. Financing Subsidiaries

NiSource and the Subsidiaries request authority to organize and acquire the equity securities of one or more corporations, trusts, partnerships or other entities organized specifically for the purpose of financing the activities of NiSource and certain of its Subsidiaries ("Financing Subsidiaries"), in addition to the two previously authorized.²⁰ Specifically, Financing Subsidiaries may be organized to issue Preferred Securities (including but not limited to monthly income preferred securities), Long-term Debt and Short-term Debt to third parties and to transfer the proceeds of the financings to NiSource or other Subsidiaries.

NiSource and Subsidiaries also request authorization to issue their subordinated unsecured notes ("Subordinated Notes") to any Financing Subsidiary to evidence the transfer of financing proceeds by a Financing Subsidiary to its parent company. The principal amount, maturity and interest rate on any such Subordinated Notes will be designed to parallel the amount, maturity and interest or distribution rate on the securities issued by a Financing Subsidiary. The amount of securities issued by any Financing Subsidiary to third parties will be included in the

overall external financing limitation, if any, authorized for the immediate parent company of the Financing Subsidiary. The amount of Subordinated Notes issued by a parent company to its Financing Subsidiary will not be counted against the external financing limitation, to avoid double counting.

VIII. Intermediate Subsidiaries

NiSource requests authority to acquire, directly or indirectly, during the Authorization Period, the securities of one or more additional Intermediate Subsidiaries, which would be organized exclusively for the purpose of acquiring, holding and/or financing the acquisition of the securities of, or other interest in, one or more EWGs or FUCOs, Rule 58 Subsidiaries, ETCs or other non-exempt Nonutility Subsidiaries (as may be authorized in this proceeding or in a separate proceeding).²¹ In addition, NiSource requests that its Intermediate Subsidiaries be permitted to engage in administrative activities and development activities ("Administrative Activities" and "Development Activities," respectively, as defined further below) relating to such subsidiaries. "Administrative Activities" include ongoing personnel, accounting, engineering, legal, financial and other support activities necessary to manage NiSource's investments in Nonutility Subsidiaries. "Development Activities" will be limited to due diligence and design review; market studies; preliminary engineering; site inspection; preparation of bid proposals, including, posting of bid bonds; application for required permits and/or regulatory approvals; acquisition of site options and options on other necessary rights; negotiation and execution of contractual commitments with owners of existing facilities, equipment vendors, construction firms, power purchasers, thermal "hosts," fuel suppliers and other project contractors; negotiation of financing commitments with lenders and other third-party investors; and such other preliminary activities as may be required in connection with the purchase, acquisition, financing or construction of facilities or the acquisition of securities of or interests in new businesses.

NiSource also requests an exemption under section 13(b) of the Act for Intermediate Subsidiaries to provide management, administrative, project

development and operating services to associate companies at fair market prices in the specific circumstances discussed further below. See section XI (Sales of Services and Goods Among Subsidiaries).

Applicants state that investments in Intermediate Subsidiaries may take the form of any combination of the following: (1) Purchases of capital shares, partnership interests, member interests in limited liability companies, trust certificates or other forms of equity interests; (2) capital contributions; (3) open account advances with or without interest; (4) loans; and (5) guarantees issued, provided or arranged, for the securities or other obligations of any Intermediate Subsidiaries. Applicants state, further, that funds for any direct or indirect investment in any Intermediate Subsidiary will be obtained from (1) financings authorized in this proceeding; (2) any appropriate future debt or equity securities issuance authorization of NiSource; and (3) other available cash resources, including proceeds of securities sales by Nonutility Subsidiaries under rule 52.²²

IX. Reorganizations of Nonutility Subsidiaries

NiSource requests approval to consolidate or otherwise reorganize all, or any part, of its direct and indirect ownership interests in Nonutility Subsidiaries and the activities and functions related to such investments. NiSource requests authorization to consolidate, or otherwise reorganize under one or more, direct or indirect, Intermediate Subsidiaries, NiSource's ownership interests in existing and future Nonutility Subsidiaries. The transactions may take the form of a Nonutility Subsidiary selling, contributing or transferring the equity securities of a subsidiary or all or part of such subsidiary's assets as a dividend to an Intermediate Subsidiary, or to another Nonutility Subsidiary and the acquisition, directly or indirectly, of the equity securities or assets of a subsidiary, either by purchase or by receipt of a dividend. The purchasing Nonutility Subsidiary in any transaction structured as an intrasystem sale of equity securities or assets may execute and deliver its promissory note

²² Applicants state that, to the extent that NiSource provides funds or guarantees, directly or indirectly, to an Intermediate Subsidiary that are used to make an investment in any EWG or FUCO or a Rule 58 Subsidiary, the amount of such funds or guarantees will be included in NiSource's "aggregate investment" in such entities, as calculated in accordance with rule 53 or rule 58, as applicable.

²⁰ NiSource, as noted previously, currently owns the stock of two Financing Subsidiaries: NiSource Finance and Capital Markets.

²¹ The Commission has previously authorized Columbia to organize intermediate subsidiary companies to acquire and hold various nonutility subsidiaries. See *Columbia Energy Group, Inc., et al.*, Holding Co. Act Release No. 27099 (Nov. 5, 1999).