

NISOURCE INC/DE
Form 10-Q
August 03, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2010
or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

Delaware

35-2108964

(State or other jurisdiction of
incorporation or organization)

(I.R.S.
Employer
Identification
No.)

801 East 86th Avenue
Merrillville, Indiana

46410

(Address of principal executive offices) (Zip Code)

(877) 647-5990

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$0.01 Par Value: 277,974,738 shares outstanding at July 30, 2010.

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FOR THE QUARTER ENDED JUNE 30, 2010
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DEFINED TERMS

The following is a list of frequently used abbreviations or acronyms that are found in this report:

NiSource Subsidiaries and Affiliates

Bay State	Bay State Gas Company
Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
CNR	Columbia Natural Resources, Inc.
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission Company
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission, LLC
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Granite State Gas	Granite State Gas Transmission, Inc.
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Millennium	Millennium Pipeline Company, L.L.C.
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corp.
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
Northern Utilities	Northern Utilities, Inc.
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

2010 Health Care Act	The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 signed into law by the President on March 23, 2010 and March 30, 2010, respectively
ACES	American Clean Energy and Security Act of 2009
AFUDC	Allowance for funds used during construction
Ameren	Ameren Services Company
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet

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Board	Board of Directors
BPAE	BP Alternative Energy North America Inc
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CARE	Conservation and Ratemaking Efficiency

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CCGT	Combined Cycle Gas Turbine
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Chesapeake	Chesapeake Appalachia, L.L.C.
Day 2	Began April 1, 2005 and refers to the operational control of the energy markets by MISO, including the dispatching of wholesale electricity and generation, managing transmission constraints, and managing the day-ahead, real-time and financial transmission rights markets
DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental cost tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FTRs	Financial Transmission Rights
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
IDEM	Indiana Department of Environmental Management
IFRS	International Financial Reporting Standards
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last in first out
Mcf	Million cubic feet
MISO	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
MMDth	Million dekatherms
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO ₂	Nitrogen dioxide
NO _x	Nitrogen oxide
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
Piedmont	Piedmont Natural Gas Company, Inc.
PIPP	Percentage of Income Plan

PJM	PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.
PM	particulate matter
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act

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DEFINED TERMS

RSG	Revenue Sufficiency Guarantee
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO ₂	Sulfur dioxide
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS****NiSource Inc.****Condensed Statements of Consolidated Income (Loss)
(unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
<i>(in millions, except per share amounts)</i>				
Net Revenues				
Gas Distribution	\$ 454.3	\$ 444.7	\$ 1,795.4	\$ 2,161.6
Gas Transportation and Storage	264.3	260.2	634.8	656.3
Electric	340.5	285.4	658.4	582.2
Other	112.0	278.3	441.2	590.4
Gross Revenues	1,171.1	1,268.6	3,529.8	3,990.5
Cost of Sales (excluding depreciation and amortization)	439.1	586.8	1,725.4	2,242.3
Total Net Revenues	732.0	681.8	1,804.4	1,748.2
Operating Expenses				
Operation and maintenance	377.1	365.2	816.7	844.7
Depreciation and amortization	151.6	148.2	301.4	291.9
Impairment and loss/(gain) on sale of assets, net	-	0.8	0.1	(1.2)
Other taxes	64.5	53.3	151.4	156.7
Total Operating Expenses	593.2	567.5	1,269.6	1,292.1
Equity Earnings (Loss) in Unconsolidated Affiliates	0.4	(2.6)	7.8	3.8
Operating Income	139.2	111.7	542.6	459.9
Other Income (Deductions)				
Interest expense, net	(98.4)	(105.3)	(197.2)	(195.8)
Other, net	2.6	(0.5)	5.2	(4.7)
Gain/(Loss) on early extinguishment of long-term debt	-	(0.7)	-	2.5
Total Other Deductions	(95.8)	(106.5)	(192.0)	(198.0)
Income from Continuing Operations before Income Taxes	43.4	5.2	350.6	261.9
Income Taxes	15.4	9.2	125.2	106.7
Income/(Loss) from Continuing Operations	28.0	(4.0)	225.4	155.2
Income/(Loss) from Discontinued Operations - net of taxes	0.1	(0.7)	(0.1)	(11.4)
Gain (Loss) on Disposition of Discontinued Operations - net of taxes	-	(0.1)	0.1	(0.2)
Net Income (Loss)	\$ 28.1	\$ (4.8)	\$ 225.4	\$ 143.6

Basic Earnings (Loss) Per Share								
Continuing operations	\$	0.10	\$	(0.01)	\$	0.81	\$	0.57
Discontinued operations		-		-		-		(0.04)
Basic Earnings (Loss) Per Share	\$	0.10	\$	(0.01)	\$	0.81	\$	0.53
Diluted Earnings (Loss) Per Share								
Continuing operations	\$	0.10	\$	(0.01)	\$	0.81	\$	0.56
Discontinued operations		-		-		-		(0.04)
Diluted Earnings (Loss) Per Share	\$	0.10	\$	(0.01)	\$	0.81	\$	0.52
Dividends Declared Per Common Share	\$	0.23	\$	0.23	\$	0.69	\$	0.69
Basic Average Common Shares Outstanding		277.6		274.7		277.3		274.4
Diluted Average Common Shares		278.4		274.7		278.0		277.0

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ITEM 1. FINANCIAL STATEMENTS (continued)****NiSource Inc.****Condensed Consolidated Balance Sheets (unaudited)**

<i>(in millions)</i>	June 30, 2010	December 31, 2009
ASSETS		
Property, Plant and Equipment		
Utility Plant	\$ 19,314.2	\$ 19,041.1
Accumulated depreciation and amortization	(8,547.3)	(8,387.1)
Net utility plant	10,766.9	10,654.0
Other property, at cost, less accumulated depreciation	33.1	34.0
Net Property, Plant and Equipment	10,800.0	10,688.0
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	8.8	14.6
Unconsolidated affiliates	141.8	165.8
Other investments	128.0	129.2
Total Investments and Other Assets	278.6	309.6
Current Assets		
Cash and cash equivalents	7.4	16.4
Restricted cash	212.7	174.7
Accounts receivable (less reserve of \$60.5 and \$39.6, respectively)	568.9	808.6
Income tax receivable	26.4	24.9
Gas inventory	230.6	384.8
Underrecovered gas and fuel costs	110.3	40.2
Materials and supplies, at average cost	99.4	102.3
Electric production fuel, at average cost	52.9	59.9
Price risk management assets	188.9	173.3
Exchange gas receivable	109.1	72.5
Regulatory assets	168.2	238.3
Assets of discontinued operations and assets held for sale	-	1.4
Prepayments and other	118.6	126.3
Total Current Assets	1,893.4	2,223.6
Other Assets		
Price risk management assets	240.2	237.6
Regulatory assets	1,696.2	1,644.1

Goodwill	3,677.3	3,677.3
Intangible assets	314.1	319.6
Postretirement and postemployment benefits assets	22.9	19.8
Deferred charges and other	125.4	152.1
Total Other Assets	6,076.1	6,050.5
Total Assets	\$ 19,048.1	\$ 19,271.7

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents**ITEM 1. FINANCIAL STATEMENTS (continued)****NiSource Inc.****Condensed Consolidated Balance Sheets (unaudited) (continued)**

<i>(in millions, except share amounts)</i>	June 30, 2010	December 31, 2009
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - \$0.01 par value, 400,000,000 shares authorized; 277,818,711 and 276,638,021 shares issued and outstanding, respectively	\$ 2.8	\$ 2.8
Additional paid-in capital	4,080.4	4,057.6
Retained earnings	899.5	865.5
Accumulated other comprehensive loss	(60.4)	(45.9)
Treasury stock	(27.4)	(25.9)
 Total Common Stockholders' Equity	 4,894.9	 4,854.1
Long-term debt, excluding amounts due within one year	5,977.3	5,969.1
 Total Capitalization	 10,872.2	 10,823.2
 Current Liabilities		
Current portion of long-term debt	718.8	719.7
Short-term borrowings	212.8	103.0
Accounts payable	278.9	502.3
Dividends payable	64.1	0.2
Customer deposits and credits	196.5	301.2
Taxes accrued	227.8	212.9
Interest accrued	130.6	125.4
Overrecovered gas and fuel costs	38.1	220.4
Price risk management liabilities	206.9	190.1
Exchange gas payable	207.1	222.2
Deferred revenue	10.1	27.3
Regulatory liabilities	83.6	43.8
Accrued liability for postretirement and postemployment benefits	7.6	23.6
Liabilities of discontinued operations and liabilities held for sale	-	0.6
Temporary LIFO liquidation credit	6.4	-
Legal and environmental reserves	83.9	146.1
Other accruals	244.2	310.8
 Total Current Liabilities	 2,717.4	 3,149.6
 Other Liabilities and Deferred Credits		
Price risk management liabilities	177.9	170.2
Deferred income taxes	2,074.3	2,018.2
Deferred investment tax credits	36.6	39.6

Deferred credits	75.4	72.4
Deferred revenue	0.2	