

NISOURCE INC/DE
Form 10-Q
July 31, 2012
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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, 2012

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)

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>35-2108964</u> (I.R.S. Employer Identification No.)
801 East 86th Avenue	
<u>Merrillville, Indiana</u> (Address of principal executive offices)	<u>46410</u> (Zip Code)
<u>(877) 647-5990</u>	

(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.

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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

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

Yes No

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: 284,905,701 shares outstanding at July 25, 2012.

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NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED JUNE 30, 2012

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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

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 Massachusetts	Bay State Gas Company
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, L.L.C.
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.
NiSource Midstream	NiSource Midstream & Minerals Group, L.L.C. and subsidiaries
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

AFUDC	Allowance for funds used during construction
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOI	Accumulated other comprehensive income
ARP	Alternative Regulatory Plan
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet
Board	Board of Directors
BP	BP Alternative Energy North America Inc
BTM	The Bank of Tokyo-Mitsubishi UFJ, LTD.
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
Ccf	Hundred cubic feet

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CERCLA

Comprehensive Environmental Response, Compensation and
Liability Act (also known as Superfund)

CSAPR

Cross-State Air Pollution Rule

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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
ECT	Environmental Cost Tracker
ECR	Environmental Cost Recovery
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
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
MGP	Manufactured Gas Plant
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.
PJM	PJM Interconnection (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
RA	Resource Adequacy
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act

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RDAF
RTO
SEC
SIP
SO2

revenue decoupling adjustment factor
Regional Transmission Organization
Securities and Exchange Commission
State Implementation Plan
Sulfur dioxide

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DEFINED TERMS (continued)

TIRF	Targeted Infrastructure Reinvestment Factor
VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission
WACOG	Weighted Average Cost of Gas

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

<i>(in millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Revenues				
Gas Distribution	\$ 282.6	\$ 500.4	\$ 1,156.3	\$ 1,872.4
Gas Transportation and Storage	356.2	307.3	765.4	710.3
Electric	377.1	349.2	729.7	695.7
Other	32.8	71.4	56.0	181.5
Gross Revenues	1,048.7	1,228.3	2,707.4	3,459.9
Cost of Sales (excluding depreciation and amortization)	241.1	462.5	871.4	1,633.4
Total Net Revenues	807.6	765.8	1,836.0	1,826.5
Operating Expenses				
Operation and maintenance	394.3	400.3	799.7	829.6
Depreciation and amortization	148.0	134.5	294.1	268.8
Impairment and (gain)/loss on sale of assets, net	(1.5)	-	(3.1)	0.7
Other taxes	66.7	67.8	153.5	160.8
Total Operating Expenses	607.5	602.6	1,244.2	1,259.9
Equity Earnings in Unconsolidated Affiliates	8.5	2.3	16.2	5.3
Operating Income	208.6	165.5	608.0	571.9
Other Income (Deductions)				
Interest expense, net	(103.2)	(94.4)	(206.5)	(184.2)
Other, net	2.8	0.6	3.1	3.9
Total Other Deductions	(100.4)	(93.8)	(203.4)	(180.3)
Income from Continuing Operations before Income Taxes	108.2	71.7	404.6	391.6
Income Taxes	37.7	30.9	140.6	141.7
Income from Continuing Operations	70.5	40.8	264.0	249.9
Loss from Discontinued Operations - net of taxes	(1.1)	(0.6)	(1.2)	(0.2)
Net Income	\$ 69.4	\$ 40.2	\$ 262.8	\$ 249.7

Basic Earnings Per Share

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Continuing operations	\$ 0.25	\$ 0.14	\$ 0.93	\$ 0.89
Discontinued operations	-	-	-	-
Basic Earnings Per Share	\$ 0.25	\$ 0.14	\$ 0.93	\$ 0.89
Diluted Earnings Per Share				
Continuing operations	\$ 0.23	\$ 0.14	\$ 0.89	\$ 0.87
Discontinued operations	-	-	-	-
Diluted Earnings Per Share	\$ 0.23	\$ 0.14	\$ 0.89	\$ 0.87
Dividends Declared Per Common Share	\$ 0.24	\$ 0.23	\$ 0.70	\$ 0.69
Basic Average Common Shares Outstanding	284.4	280.2	283.6	279.8
Diluted Average Common Shares	295.8	287.1	294.6	286.2

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Condensed Statements of Consolidated Comprehensive Income (unaudited)

(in millions, net of taxes)

	Three Months Ended June 30,	Six Months Ended June 30,
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