

NISOURCE INC/DE  
Form 10-Q  
August 02, 2011

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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, 2011**

**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 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: 280,613,617 shares outstanding at July 29, 2011.



**NISOURCE INC.**  
**FORM 10-Q QUARTERLY REPORT**  
**FOR THE QUARTER ENDED June 30, 2011**  
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EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

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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.
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**

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
Board	Board of Directors
BP AE	BP Alternative Energy North America Inc
BTMU	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
CARE	Conservation and Ratemaking Efficiency
CCGT	Combined Cycle Gas Turbine
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Chesapeake	Chesapeake Appalachia, L.L.C.
CSAPR	Cross-State Air Pollution Rule

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**DEFINED TERMS**

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 <sub>2</sub>	Nitrogen dioxide
NO <sub>x</sub>	Nitrogen oxide
NSR	New Source Review
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	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
RSG	Revenue Sufficiency Guarantee
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO2	Sulfur dioxide

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**DEFINED TERMS**

VaR	Value-at-risk and instrument sensitivity to market factors
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission
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	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in millions, except per share amounts)</i>	<b>2011</b>	2010	<b>2011</b>	2010
<b>Net Revenues</b>				
Gas Distribution	\$ 500.4	\$ 454.3	\$1,872.4	\$1,795.4
Gas Transportation and Storage	307.3	264.3	710.3	634.8
Electric	349.2	340.5	696.3	658.4
Other	71.4	112.0	181.5	441.2
Gross Revenues	<b>1,228.3</b>	1,171.1	<b>3,460.5</b>	3,529.8
Cost of Sales (excluding depreciation and amortization)	<b>462.5</b>	439.1	<b>1,633.4</b>	1,725.4
Total Net Revenues	<b>765.8</b>	732.0	<b>1,827.1</b>	1,804.4
<b>Operating Expenses</b>				
Operation and maintenance	402.5	377.1	835.0	816.7
Depreciation and amortization	134.5	151.6	273.4	301.4
Impairment and loss on sale of assets, net			0.7	0.1
Other taxes	67.8	64.5	160.8	151.4
Total Operating Expenses	<b>604.8</b>	593.2	<b>1,269.9</b>	1,269.6
<b>Equity Earnings in Unconsolidated Affiliates</b>	<b>2.3</b>	0.4	<b>5.3</b>	7.8
<b>Operating Income</b>	<b>163.3</b>	139.2	<b>562.5</b>	542.6
<b>Other Income (Deductions)</b>				
Interest expense, net	(94.4)	(98.4)	(184.2)	(197.2)
Other, net	0.6	2.6	3.9	5.2
Total Other Deductions	<b>(93.8)</b>	(95.8)	<b>(180.3)</b>	(192.0)
<b>Income from Continuing Operations before Income Taxes</b>	<b>69.5</b>	43.4	<b>382.2</b>	350.6
<b>Income Tax Expense</b>	<b>30.0</b>	15.4	<b>137.9</b>	125.2
<b>Income from Continuing Operations</b>	<b>39.5</b>	28.0	<b>244.3</b>	225.4
(Loss)/Income from Discontinued Operations net of taxes	<b>(0.6)</b>	0.1	<b>(0.2)</b>	(0.1)
Gain on Disposition of Discontinued Operations net of taxes				0.1

<b>Net Income</b>	<b>\$ 38.9</b>	\$ 28.1	<b>\$ 244.1</b>	\$ 225.4
<b>Basic Earnings Per Share</b>				
Continuing operations	<b>\$ 0.14</b>	\$ 0.10	<b>\$ 0.87</b>	\$ 0.81
Discontinued operations				
<b>Basic Earnings Per Share</b>	<b>\$ 0.14</b>	\$ 0.10	<b>\$ 0.87</b>	\$ 0.81
<b>Diluted Earnings Per Share</b>				
Continuing operations	<b>\$ 0.14</b>	\$ 0.10	<b>\$ 0.85</b>	\$ 0.81
Discontinued operations				
<b>Diluted Earnings Per Share</b>	<b>\$ 0.14</b>	\$ 0.10	<b>\$ 0.85</b>	\$ 0.81
<b>Dividends Declared Per Common Share</b>	<b>\$ 0.23</b>	\$ 0.23	<b>\$ 0.69</b>	\$ 0.69
<b>Basic Average Common Shares Outstanding</b>	<b>280.2</b>	277.6	<b>279.8</b>	277.3
<b>Diluted Average Common Shares</b>	<b>287.1</b>	278.4	<b>286.2</b>	278.0

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>	<b>June 30, 2011</b>	December 31, 2010
<b>ASSETS</b>		
<b>Property, Plant and Equipment</b>		
Utility Plant	<b>\$19,783.8</b>	\$19,494.9
Accumulated depreciation and amortization	<b>(8,602.9)</b>	(8,492.6)
Net utility plant	<b>11,180.9</b>	11,002.3
Other property, at cost, less accumulated depreciation	<b>114.1</b>	94.7
Net Property, Plant and Equipment	<b>11,295.0</b>	11,097.0
<b>Investments and Other Assets</b>		
Assets of discontinued operations and assets held for sale	<b>2.3</b>	7.9
Unconsolidated affiliates	<b>197.2</b>	200.9
Other investments	<b>150.8</b>	139.7
Total Investments and Other Assets	<b>350.3</b>	348.5
<b>Current Assets</b>		
Cash and cash equivalents	<b>59.9</b>	9.2
Restricted cash	<b>154.6</b>	202.9
Accounts receivable (less reserve of \$42.0 and \$37.4, respectively)	<b>638.3</b>	1,079.3
Income tax receivable	<b>1.2</b>	99.0
Gas inventory	<b>278.0</b>	298.2
Underrecovered gas and fuel costs	<b>24.7</b>	135.7
Materials and supplies, at average cost	<b>87.0</b>	83.8
Electric production fuel, at average cost	<b>44.9</b>	46.0
Price risk management assets	<b>116.0</b>	159.5
Exchange gas receivable	<b>118.2</b>	62.7
Regulatory assets	<b>121.9</b>	151.8
Prepayments and other	<b>100.4</b>	120.8
Total Current Assets	<b>1,745.1</b>	2,448.9
<b>Other Assets</b>		
Price risk management assets	<b>190.6</b>	240.3
Regulatory assets	<b>1,622.2</b>	1,650.4
Goodwill	<b>3,677.3</b>	3,677.3
Intangible assets	<b>303.1</b>	308.6

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Postretirement and postemployment benefits assets	<b>42.0</b>	35.1
Deferred charges and other	<b>120.7</b>	132.7
Total Other Assets	<b>5,955.9</b>	6,044.4
<b>Total Assets</b>	<b>\$19,346.3</b>	\$19,938.8

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>	<b>June 30, 2011</b>	December 31, 2010
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization</b>		
Common Stockholders' Equity		
Common stock \$0.01 par value, 400,000,000 shares authorized; 280,472,662 and 278,855,291 shares issued and outstanding, respectively	\$ 2.8	\$ 2.8
Additional paid-in capital	4,132.9	4,103.9
Retained earnings	952.6	901.8
Accumulated other comprehensive loss	(54.5)	(57.9)
Treasury stock	(30.4)	(27.4)
<b>Total Common Stockholders' Equity</b>	<b>5,003.4</b>	4,923.2
Long-term debt, excluding amounts due within one year	6,340.0	5,936.1
<b>Total Capitalization</b>	<b>11,343.4</b>	10,859.3
<b>Current Liabilities</b>		
Current portion of long-term debt	30.0	34.2
Short-term borrowings	870.4	1,382.5
Accounts payable	316.2	581.8
Dividends payable	64.6	0.1
Customer deposits and credits	183.1	318.1
Taxes accrued	179.5	221.1
Interest accrued	114.4	114.4
Overrecovered gas and fuel costs	121.4	11.8
Price risk management liabilities	135.0	173.9
Exchange gas payable	155.4	266.1
Deferred revenue	5.0	6.8
Regulatory liabilities	83.5	92.9
Accrued liability for postretirement and postemployment benefits	23.3	23.3
Temporary LIFO liquidation credit	0.3	
Legal and environmental reserves	46.0	86.0
Other accruals	230.0	336.4
<b>Total Current Liabilities</b>	<b>2,558.1</b>	3,649.4
<b>Other Liabilities and Deferred Credits</b>		
Price risk management liabilities	127.8	181.6
Deferred income taxes	2,369.1	2,209.7
Deferred investment tax credits	31.3	33.7
Deferred credits	75.5	68.6

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Deferred revenue		0.3
Accrued liability for postretirement and postemployment benefits	<b>919.6</b>	1,039.6
Regulatory liabilities and other removal costs	<b>1,624.8</b>	1,595.8
Asset retirement obligations	<b>138.9</b>	138.8
Other noncurrent liabilities	<b>157.8</b>	162.0
Total Other Liabilities and Deferred Credits	<b>5,444.8</b>	5,430.1
<b>Commitments and Contingencies (Refer to Note 19)</b>		
<b>Total Capitalization and Liabilities</b>	<b>\$19,346.3</b>	\$19,938.8

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 Statements of Consolidated Cash Flows (unaudited)**

Six Months Ended June 30, ( <i>in millions</i> )	2011	2010
<b>Operating Activities</b>		
Net Income	\$ 244.1	\$ 225.4
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	273.4	301.4
Net changes in price risk management assets and liabilities	15.3	4.4
Deferred income taxes and investment tax credits	132.1	38.6
Deferred revenue	(2.6)	(17.2)
Stock compensation expense and 401(k) profit sharing contribution	17.2	6.0
Loss on sale of assets		0.1
Loss on impairment of assets	0.7	
Income from unconsolidated affiliates	(4.4)	(7.8)
Gain on disposition of discontinued operations net of taxes		(0.1)
Loss from discontinued operations net of taxes	0.2	0.1
Amortization of debt related costs	4.2	5.4
AFUDC equity	(1.9)	(3.7)
Distributions of earnings received from equity investee	9.9	7.9
Changes in Assets and Liabilities:		
Accounts receivable	434.6	245.1
Income tax receivable	97.8	24.8
Inventories	13.7	147.6
Accounts payable	(250.4)	(235.4)
Customer deposits and credits	(134.9)	(104.7)
Taxes accrued	(40.7)	6.2
Interest accrued		5.3
Over (Under) recovered gas and fuel costs	220.7	(252.3)
Exchange gas receivable/payable	(166.2)	(51.3)
Other accruals	(26.3)	(30.5)
Prepayments and other current assets	20.6	28.1
Regulatory assets/liabilities	28.3	98.3
Postretirement and postemployment benefits	(118.9)	1.7
Deferred credits	6.3	(3.6)
Deferred charges and other noncurrent assets	12.1	4.6
Other noncurrent liabilities	(4.8)	2.9
Net Operating Activities from Continuing Operations	780.1	447.3
Net Operating Activities used for Discontinued Operations	(44.1)	(44.8)
<b>Net Cash Flows from Operating Activities</b>	<b>736.0</b>	<b>402.5</b>
<b>Investing Activities</b>		
Capital expenditures	(445.0)	(336.9)
Insurance recoveries		0.5

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Proceeds from disposition of assets	<b>9.4</b>	0.3
Restricted cash withdrawals (deposits)	<b>48.3</b>	(38.0)
Contributions to equity investees	<b>(0.1)</b>	(0.3)
Other investing activities	<b>(36.0)</b>	(19.9)
Net Investing Activities used for Continuing Operations	<b>(423.4)</b>	(394.3)
Net Investing Activities from Discontinued Operations		0.4
<b>Net Cash Flow used for Investing Activities</b>	<b>(423.4)</b>	(393.9)
<b>Financing Activities</b>		
Issuance of long-term debt	<b>395.3</b>	
Retirement of long-term debt	<b>(13.0)</b>	(5.2)
Premiums and other debt related costs	<b>(8.2)</b>	
Change in short-term borrowings, net	<b>(512.2)</b>	109.8
Issuance of common stock	<b>7.9</b>	6.8
Acquisition of treasury stock	<b>(3.0)</b>	(1.4)
Dividends paid common stock	<b>(128.7)</b>	(127.6)
<b>Net Cash Flow used for Financing Activities</b>	<b>(261.9)</b>	(17.6)
Change in cash and cash equivalents from continuing operations	<b>94.8</b>	35.4
Cash contributions to discontinued operations	<b>(44.1)</b>	(44.4)
Cash and cash equivalents at beginning of period	<b>9.2</b>	16.4
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 59.9</b>	\$ 7.4

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