

NISOURCE INC/DE
Form 10-Q
October 30, 2009

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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 September 30, 2009
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

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: 275,754,599 shares outstanding at September 30, 2009.

NISOURCE INC.
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FOR THE QUARTER ENDED September 30, 2009
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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 Energy Services	Columbia Energy Services Corporation
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
CORC	Columbia of Ohio 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
Lake Erie Land	Lake Erie Land 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.
NRC	NIPSCO Receivables Corporation
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

AFUDC	Allowance for funds used during construction
Ameren	Ameren Services Company
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
ASM	Ancillary Services Market
BART	Best Alternative Retrofit Technology
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
CCGT	Combined Cycle Gas Turbine
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Chesapeake	Chesapeake Appalachia, L.L.C.

Table of Contents**DEFINED TERMS (continued)**

CPCN	Certificate of Public Convenience and Necessity
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
DOT	United States Department of Transportation
DSM	Demand Side Management
Dth	Dekatherm
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental cost tracker
EER	Environmental Expense Recovery
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
GCA	Gas cost adjustment
GCR	Gas cost recovery
gwh	Gigawatt hours
hp	Horsepower
IDEM	Indiana Department of Environmental Management
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
MGP	Manufactured gas plant
MISO	Midwest Independent Transmission System Operator
MMDth	Million dekatherms
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NOx	Nitrogen oxide
NPDES	National Pollutant Discharge Elimination System
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other postretirement benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
PCB	Polychlorinated biphenyls
Piedmont	Piedmont Natural Gas Company, Inc.
PIPP	Percentage of Income Plan
PPUC	Pennsylvania Public Utility Commission

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PSC	Public Service Commission
PSD	Prevention of Significant Deterioration
PUCO	Public Utilities Commission of Ohio
RBS	Royal Bank of Scotland LC
RCRA	Resource Conservation and Recovery Act
RSG	Revenue Sufficiency Guarantee
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan

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DEFINED TERMS (continued)

SO2	Sulfur dioxide
tpy	Tons per year
UAFG	Unaccounted For Gas
VaR	Value-at-risk and instrument sensitivity to market factors
VSCC	Virginia State Corporation Commission

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

<i>(in millions, except per share amounts)</i>	Three Months		Nine Months	
	Ended September 30, 2009	2008	Ended September 30, 2009	2008
Net Revenues				
Gas Distribution	\$ 297.3	\$ 548.3	\$ 2,469.0	\$ 3,713.2
Gas Transportation and Storage	242.9	217.6	900.4	811.9
Electric	320.0	379.1	902.2	1,050.8
Other	24.6	38.6	59.9	142.7
Gross Revenues	884.8	1,183.6	4,331.5	5,718.6
Cost of Sales (excluding depreciation and amortization)	227.3	570.2	1,940.4	3,404.0
Total Net Revenues	657.5	613.4	2,391.1	2,314.6
Operating Expenses				
Operation and maintenance	356.9	313.4	1,197.8	1,065.6
Depreciation and amortization	148.7	140.9	440.1	423.8
Impairment and (gain)/loss on sale of assets, net	4.4	(0.4)	2.4	(2.8)
Other taxes	53.7	57.3	208.4	221.7
Total Operating Expenses	563.7	511.2	1,848.7	1,708.3
Equity Earnings in Unconsolidated Affiliates	5.8	3.4	9.6	7.0
Operating Income	99.6	105.6	552.0	613.3
Other Income (Deductions)				
Interest expense, net	(104.8)	(100.1)	(300.4)	(279.1)
Gain on early extinguishment of long-term debt	-	-	2.5	-
Other, net	2.3	20.5	(2.3)	20.1
Total Other Income (Deductions)	(102.5)	(79.6)	(300.2)	(259.0)
Income (Loss) From Continuing Operations Before				
Income Taxes	(2.9)	26.0	251.8	354.3
Income Taxes	6.8	(5.1)	110.5	114.9
Income (Loss) from Continuing Operations	(9.7)	31.1	141.3	239.4
Income (Loss) from Discontinued Operations - net of taxes	0.5	(5.8)	2.1	(218.2)
Loss on Disposition of Discontinued Operations - net of taxes	(6.2)	(5.3)	(15.2)	(104.2)

Net Income (Loss)	\$ (15.4)	\$ 20.0	\$ 128.2	\$ (83.0)
Basic Earnings (Loss) Per Share				
Continuing operations	\$ (0.03)	\$ 0.11	\$ 0.52	\$ 0.87
Discontinued operations	(0.02)	(0.03)	(0.05)	(1.17)
Basic Earnings (Loss) Per Share	\$ (0.05)	\$ 0.08	\$ 0.47	\$ (0.30)
Diluted Earnings (Loss) Per Share				
Continuing operations	\$ (0.03)	\$ 0.10	\$ 0.51	\$ 0.86
Discontinued operations	(0.02)	(0.03)	(0.04)	(1.16)
Diluted Earnings (Loss) Per Share	\$ (0.05)	\$ 0.07	\$ 0.47	\$ (0.30)
Dividends Declared Per Common Share	\$ 0.23	\$ 0.23	\$ 0.92	\$ 0.92
Basic Average Common Shares Outstanding	275.4	274.0	274.8	274.0
Diluted Average Common Shares	275.4	275.5	277.3	275.4

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>	September 30, 2009	December 31, 2008
ASSETS		
Property, Plant and Equipment		
Utility Plant	\$ 18,774.2	\$ 18,356.8
Accumulated depreciation and amortization	(8,286.3)	(8,080.8)
Net utility plant	10,487.9	10,276.0
Other property, at cost, less accumulated depreciation	94.2	112.1
Net Property, Plant and Equipment	10,582.1	10,388.1
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	175.4	178.3
Unconsolidated affiliates	149.5	86.8
Other investments	128.2	117.9
Total Investments and Other Assets	453.1	383.0
Current Assets		
Cash and cash equivalents	83.8	20.6
Restricted cash	64.5	79.9
Accounts receivable (less reserve of \$33.1 and \$43.9, respectively)	442.3	1,027.0
Income tax receivable	295.7	
Gas inventory	528.2	511.8
Underrecovered gas and fuel costs	11.2	180.2
Materials and supplies, at average cost	94.1	95.1
Electric production fuel, at average cost	69.5	63.7
Price risk management assets	2.3	118.3
Exchange gas receivable	79.0	371.6
Regulatory assets	287.3	314.9
Assets of discontinued operations and assets held for sale	473.7	416.8
Prepayments and other	131.6	217.7
Total Current Assets	2,563.2	3,417.6
Other Assets		
Price risk management assets	77.9	95.7

Regulatory assets	1,579.3	1,640.4
Goodwill	3,677.3	3,677.3
Intangible assets	322.4	330.6
Postretirement and postemployment benefits assets	10.5	10.3
Deferred charges and other	125.3	123.5
 Total Other Assets	 5,792.7	 5,877.8
 Total Assets	 \$ 19,391.1	 \$ 20,066.5

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)**

	September	December
	30,	31,
<i>(in millions, except share amounts)</i>	2009	2008

CAPITALIZATION AND LIABILITIES**Capitalization**

Common Stockholders' Equity		
Common stock - \$0.01 par value, 400,000,000 shares authorized; 275,754,599 and 274,261,799 shares issued and outstanding, respectively	\$ 2.8	\$ 2.7
Additional paid-in capital	4,043.2	4,020.3
Retained earnings	776.3	901.1
Accumulated other comprehensive loss	(58.3)	(172.0)
Treasury stock	(24.2)	(23.3)
Total Common Stockholders' Equity	4,739.8	4,728.8
Long-term debt, excluding amounts due within one year	6,560.7	5,943.9
Total Capitalization	11,300.5	10,672.7

Current Liabilities

Current portion of long-term debt	433.8	469.3
Short-term borrowings	200.0	1,163.5
Accounts payable	214.0	606.9
Dividends declared	63.5	-
Customer deposits	124.9	125.6
Taxes accrued	148.0	206.5
Interest accrued	87.5	120.1
Overrecovered gas and fuel costs	456.4	35.9
Price risk management liabilities	44.6	237.5
Exchange gas payable	240.1	555.5
Deferred revenue	8.7	4.3
Regulatory liabilities	42.6	40.4
Accrued liability for postretirement and postemployment benefits	7.8	6.4
Liabilities of discontinued operations and liabilities held for sale	273.4	158.1
Legal and environmental reserves	209.5	375.1
Other accruals	354.9	486.1
Total Current Liabilities	2,909.7	4,591.2

Other Liabilities and Deferred Credits

Price risk management liabilities	3.6	17.9
Deferred income taxes	2,001.5	1,576.4

Deferred investment tax credits	41.3	46.1
Deferred credits	70.1	76.7
Deferred revenue	7.9	6.2
Accrued liability for postretirement and postemployment benefits	1,172.3	1,238.5
Liabilities of discontinued operations and liabilities held for sale	160.8	174.9
Regulatory liabilities and other removal costs	1,433.8	1,386.1
Asset retirement obligations	134.0	126.0
Other noncurrent liabilities	155.6	153.8
Total Other Liabilities and Deferred Credits	5,180.9	4,802.6
Commitments and Contingencies (Refer to Note 16)	-	-
Total Capitalization and Liabilities	\$ 19,391.1	\$ 20,066.5

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)**

Nine Months Ended September 30, <i>(in millions)</i>	2009	2008
Operating Activities		
Net Income	\$ 128.2	\$ (83.0)
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Gain on Early Extinguishment of Debt	(2.5)	-
Depreciation and Amortization	440.1	423.8
Net Changes in Price Risk Management Assets and Liabilities	1.5	21.7
Deferred Income Taxes and Investment Tax Credits	354.4	92.3
Deferred Revenue	4.4	(17.4)
Stock Compensation Expense	8.3	7.2
Gain on Sale of Assets	(2.0)	(4.4)
Loss on Impairment of Assets	4.4	1.6
Income from Unconsolidated Affiliates	(9.2)	(20.3)
Loss on Disposition of Discontinued Operations - Net of Taxes	15.2	104.2
Loss (Income) from Discontinued Operations - Net of Taxes	(2.1)	218.2
Amortization of Discount/Premium on Debt	9.9	5.7
AFUDC Equity	(0.6)	(4.7)
Changes in Assets and Liabilities:		
Accounts Receivable	522.2	387.6
Income Tax Receivable	(295.7)	-
Inventories	(22.9)	(248.0)
Accounts Payable	(299.1)	(244.2)
Customer Deposits	(0.7)	7.6
Taxes Accrued	48.8	(45.4)
Interest Accrued	(32.6)	2.5
(Under) Overrecovered Gas and Fuel Costs	589.4	(165.3)
Exchange Gas Receivable/Payable	(22.8)	6.1
Other Accruals	(104.0)	(17.8)
Prepayments and Other Current Assets	10.8	(12.9)
Regulatory Assets/Liabilities	70.1	(89.1)
Postretirement and Postemployment Benefits	(61.1)	8.1
Deferred Credits	(5.4)	2.3
Deferred Charges and Other NonCurrent Assets	0.2	(42.1)
Other NonCurrent Liabilities	12.1	(18.3)
Net Operating Activities from Continuing Operations	1,359.3	276.0
Net Operating Activities used for Discontinued Operations	(239.1)	(25.7)
Net Cash Flows from Operating Activities	1,120.2	250.3
Investing Activities		
Capital Expenditures	(585.7)	(707.5)
Sugar Creek Facility Purchase	-	(329.7)

Insurance Recoveries	61.4	28.1
Proceeds from Disposition of Assets	2.4	