

NISOURCE INC/DE
Form 10-Q
May 03, 2016

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 March 31, 2016

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 (I.R.S. Employer
incorporation or organization) Identification
No.)

801 East 86th Avenue 46410
Merrillville, Indiana
(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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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: 321,544,481 shares outstanding at April 25, 2016.

NISOURCE INC.
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 FOR THE QUARTER ENDED MARCH 31, 2016
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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, Affiliates and Former Subsidiaries

CGORC	Columbia Gas of Ohio Receivables Corporation
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.
CPG	Columbia Pipeline Group, Inc.
CPPL	Columbia Pipeline Partners LP
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
NARC	NIPSCO Accounts Receivable Corporation
NIPSCO	Northern Indiana Public Service Company
NiSource	NiSource Inc.
NiSource Finance	NiSource Finance Corp.

Abbreviations and Other

AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income (Loss)
ASU	Accounting Standards Update
BNS	Bank of Nova Scotia
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
CAA	Clean Air Act
CCRs	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
CO ₂	Carbon Dioxide
CPP	Clean Power Plan
DPU	Department of Public Utilities
DSM	Demand Side Management
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
EGUs	Electric Utility Generating Units
ELG	Effluent limitations guidelines
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases

DEFINED TERMS (continued)

GSEP	Gas System Enhancement Program
gwh	Gigawatt hours
IDEM	Indiana Department of Environmental Management
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
kV	Kilovolt
LDAF	Local Distribution Adjustment Factor
LDCs	Local distribution companies
LIFO	Last-in, first-out
MATS	Mercury and Air Toxics Standards
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
MPSC	Maryland Public Service Commission
NAAQS	National Ambient Air Quality Standards
NOL	Net operating loss
NO _x	Nitric oxide and nitrogen dioxide
NSR	New Source Review
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PNC	PNC Bank, N.A.
Pure Air	Pure Air on the Lake LP
Separation	The separation of NiSource's natural gas pipeline, midstream and storage business from NiSource's natural gas and electric utility business accomplished through the pro rata distribution by NiSource to holders of its outstanding common stock of all the outstanding shares of common stock of CPG. The Separation was completed on July 1, 2015.
ppb	Parts per billion
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RDAF	Revenue Decoupling Adjustment Factor
SEC	Securities and Exchange Commission
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TSA	Transition Services Agreement
TUAs	Transmission Upgrade Agreements
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

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PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.

Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months	
	Ended	
	March 31,	
	2016	2015
Net Revenues		
Gas Distribution	\$737.8	\$1,080.7
Gas Transportation	301.7	369.2
Electric	392.2	394.7
Other	4.9	7.6
Total Gross Revenues	1,436.6	1,852.2
Cost of Sales (excluding depreciation and amortization)	496.5	848.2
Total Net Revenues	940.1	1,004.0
Operating Expenses		
Operation and maintenance	354.7	409.1
Depreciation and amortization	132.8	125.0
Loss (gain) on sale of assets and impairments, net	(0.1)	0.3
Other taxes	71.3	83.3
Total Operating Expenses	558.7	617.7
Operating Income	381.4	386.3
Other Income (Deductions)		
Interest expense, net	(90.5)	(92.8)
Other, net	0.7	3.5
Total Other Deductions	(89.8)	(89.3)
Income from Continuing Operations before Income Taxes	291.6	297.0
Income Taxes	111.9	104.5
Income from Continuing Operations	179.7	192.5
Income from Discontinued Operations - net of taxes	—	82.8
Net Income	179.7	275.3
Less: Net income attributable to noncontrolling interest	—	6.9
Net Income attributable to NiSource	\$179.7	\$268.4
Amounts attributable to NiSource:		
Income from continuing operations	\$179.7	\$192.5
Income from discontinued operations	—	75.9
Net Income attributable to NiSource	\$179.7	\$268.4
Basic Earnings Per Share		
Continuing operations	\$0.56	\$0.61
Discontinued operations	—	0.24
Basic Earnings Per Share	\$0.56	\$0.85
Diluted Earnings Per Share		
Continuing operations	\$0.56	\$0.61
Discontinued operations	—	0.24
Diluted Earnings Per Share	\$0.56	\$0.85
Dividends Declared Per Common Share	\$0.31	\$0.52
Basic Average Common Shares Outstanding	320.3	316.6

Diluted Average Common Shares 322.0 317.4

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 March 31,	
	2016	2015
Net Income	\$179.7	\$275.3
Other comprehensive income (loss):		
Net unrealized gain on available-for-sale securities ⁽¹⁾	1.7	0.9
Net unrealized gain (loss) on cash flow hedges ⁽²⁾	(70.7)	0.9
Unrecognized pension and OPEB benefit ⁽³⁾	0.3	0.2
Total other comprehensive income (loss)	(68.7)	2.0
Comprehensive Income	\$111.0	\$277.3
Less: Comprehensive income attributable to noncontrolling interest	—	6.9
Comprehensive Income attributable to NiSource	\$111.0	\$270.4

⁽¹⁾ Net unrealized gains on available-for-sale securities, net of \$0.9 million and \$0.5 million tax expense in the first quarter of 2016 and 2015, respectively.

⁽²⁾ Net unrealized gain (loss) on derivatives qualifying as cash flow hedges, net of \$43.6 million tax benefit and \$0.4 million tax expense in the first quarter of 2016 and 2015, respectively.

⁽³⁾ Unrecognized pension and OPEB benefit net of \$0.1 million tax expense in the first quarter of 2016 and 2015, respectively.

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 Consolidated Balance Sheets (unaudited)

(in millions)	March 31, 2016	December 31, 2015
ASSETS		
Property, Plant and Equipment		
Utility plant	\$19,206.9	\$ 18,946.9
Accumulated depreciation and amortization	(6,957.3)	(6,853.4)
Net utility plant	12,249.6	12,093.5
Other property, at cost, less accumulated depreciation	17.6	18.0
Net Property, Plant and Equipment	12,267.2	12,111.5
Investments and Other Assets		
Unconsolidated affiliates	6.7	6.9
Other investments	194.8	187.7
Total Investments and Other Assets	201.5	194.6
Current Assets		
Cash and cash equivalents	23.7	15.5
Restricted cash	19.4	29.7
Accounts receivable (less reserve of \$32.5 and \$20.3, respectively)	647.9	660.0
Gas inventory	112.8	343.5
Materials and supplies, at average cost	94.8	86.8
Electric production fuel, at average cost	110.8	106.3
Exchange gas receivable	26.4	21.0
Regulatory assets	226.1	206.9
Prepayments and other	133.5	107.5
Total Current Assets	1,395.4	1,577.2
Other Assets		
Regulatory assets	1,600.7	1,599.8
Goodwill	1,690.7	1,690.7
Intangible assets	250.9	253.7
Deferred charges and other	65.0	65.0
Total Other Assets	3,607.3	3,609.2
Total Assets	\$17,471.4	\$ 17,492.5

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 Consolidated Balance Sheets (unaudited) (continued)

(in millions, except share amounts)

March 31, December 31,
2016 2015

CAPITALIZATION AND LIABILITIES

Capitalization

Common Stockholders' Equity

Common stock - \$0.01 par value, 400,000,000 shares authorized; 321,360,285 and 319,110,083 shares outstanding, respectively

\$ 3.2 \$ 3.2

Additional paid-in capital

5,102.5 5,078.0

Retained deficit

(1,042.9) (1,123.3)

Accumulated other comprehensive loss

(103.8) (35.1)

Treasury stock

(86.7) (79.3)

Total Common Stockholders' Equity

3,872.3 3,843.5

Long-term debt, excluding amounts due within one year

5,905.5 5,948.5

Total Capitalization

9,777.8 9,792.0

Current Liabilities

Current portion of long-term debt

263.8 433.7

Short-term borrowings

845.3 567.4

Accounts payable

392.7 433.4

Dividends payable

49.7 —

Customer deposits and credits

212.8 316.3

Taxes accrued

203.1 183.5

Interest accrued

72.2 129.0

Exchange gas payable

25.8 62.3

Deferred revenue

5.5 6.6

Regulatory liabilities

176.8 231.4

Accrued liability for postretirement and postemployment benefits

4.9 4.9