

NISOURCE INC/DE
Form 10-Q
October 28, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

35-2108964
(I.R.S. Employer
Identification No.)

801 East 86th Avenue
Merrillville, Indiana
(Address of principal executive offices)

46410
(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: 281,111,006 shares outstanding at September 30, 2011.

Table of Contents

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED September 30, 2011

Table of Contents

	Page
<u>Defined Terms</u>	3
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements - unaudited</u>	
<u>Condensed Statements of Consolidated Income (unaudited)</u>	5
<u>Condensed Consolidated Balance Sheets (unaudited)</u>	6
<u>Condensed Statements of Consolidated Cash Flows (unaudited)</u>	8
<u>Condensed Statements of Consolidated Comprehensive Income (unaudited)</u>	9
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	10
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	48
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	73
Item 4. <u>Controls and Procedures</u>	73
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	74
Item 1A. <u>Risk Factors</u>	75
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	75
Item 3. <u>Defaults Upon Senior Securities</u>	75
Item 4. <u>(Removed and Reserved)</u>	75
Item 5. <u>Other Information</u>	75
Item 6. <u>Exhibits</u>	76
<u>Signature</u>	77

Table of Contents

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 Services, LLC
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
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
Ccf	Hundred cubic feet
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act (also known as Superfund)

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Chesapeake
CSAPR
Day 2

Chesapeake Appalachia, L.L.C.
Cross-State Air Pollution Rule
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

3

Table of Contents**DEFINED TERMS**

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
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
NO2	Nitrogen dioxide
NOx	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.
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
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SIP	State Implementation Plan
SO2	Sulfur dioxide

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VaR
VIE
VSCC

Value-at-risk and instrument sensitivity to market factors
Variable Interest Entities
Virginia State Corporation Commission

4

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Revenues				
Gas Distribution	\$ 326.7	\$ 327.0	\$ 2,199.1	\$ 2,122.4
Gas Transportation and Storage	283.3	270.7	993.6	905.5
Electric	404.7	397.7	1,101.0	1,056.1
Other	54.0	142.7	235.5	583.9
Gross Revenues	1,068.7	1,138.1	4,529.2	4,667.9
Cost of Sales (excluding depreciation and amortization)	323.1	420.0	1,956.5	2,145.4
Total Net Revenues	745.6	718.1	2,572.7	2,522.5
Operating Expenses				
Operation and maintenance	407.1	382.1	1,242.1	1,198.8
Depreciation and amortization	134.9	153.1	408.3	454.5
Impairment and loss on sale of assets, net	0.4	1.1	1.1	1.2
Other taxes	59.2	62.0	220.0	213.4
Total Operating Expenses	601.6	598.3	1,871.5	1,867.9
Equity Earnings in Unconsolidated Affiliates	3.5	3.5	8.8	11.3
Operating Income	147.5	123.3	710.0	665.9
Other Income (Deductions)				
Interest expense, net	(95.7)	(97.6)	(279.9)	(294.8)
Other, net	1.6	2.1	5.5	7.3
Total Other Deductions	(94.1)	(95.5)	(274.4)	(287.5)
Income from Continuing Operations before Income Taxes	53.4	27.8	435.6	378.4
Income Tax Expense (Benefit)	17.1	(5.6)	155.0	119.6
Income from Continuing Operations	36.3	33.4	280.6	258.8
Loss from Discontinued Operations net of taxes	(1.6)	(0.2)	(1.8)	(0.3)
Gain on Disposition of Discontinued Operations net of taxes				0.1
Net Income	\$ 34.7	\$ 33.2	\$ 278.8	\$ 258.6
Basic Earnings (Loss) Per Share				
Continuing operations	\$ 0.13	\$ 0.12	\$ 1.00	\$ 0.93

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Discontinued operations	(0.01)		(0.01)	
Basic Earnings Per Share	\$ 0.12	\$ 0.12	\$ 0.99	\$ 0.93
Diluted Earnings (Loss) Per Share				
Continuing operations	\$ 0.13	\$ 0.12	\$ 0.98	\$ 0.93
Discontinued operations	(0.01)			