

NISOURCE INC/DE  
Form 10-Q  
October 30, 2014

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, 2014

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  
(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: 315,699,826 shares outstanding at October 23, 2014.

NISOURCE INC.  
 FORM 10-Q QUARTERLY REPORT  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2014  
 Table of Contents

|  | Page      |
|--|-----------|
| <u>Defined Terms</u>   | <u>3</u>  |
| <br>PART I FINANCIAL INFORMATION   |           |
| Item 1. Financial Statements - unaudited   |           |
| <u>Condensed Statements of Consolidated Income (unaudited)</u>                                       | <u>6</u>  |
| <u>Condensed Statements of Consolidated Comprehensive Income (unaudited)</u>                         | <u>7</u>  |
| <u>Condensed Consolidated Balance Sheets (unaudited)</u>   | <u>8</u>  |
| <u>Condensed Statements of Consolidated Cash Flows (unaudited)</u>                                   | <u>10</u> |
| <u>Condensed Statement of Consolidated Common Stockholders' Equity (unaudited)</u>                   | <u>11</u> |
| <u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>                              | <u>12</u> |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>34</u> |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>58</u> |
| Item 4. <u>Controls and Procedures</u>   | <u>58</u> |
| <br>PART II OTHER INFORMATION  |           |
| Item 1. <u>Legal Proceedings</u>   | <u>59</u> |
| Item 1A. <u>Risk Factors</u>   | <u>59</u> |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>60</u> |
| Item 3. <u>Defaults Upon Senior Securities</u>   | <u>60</u> |
| Item 4. <u>Mine Safety Disclosures</u>   | <u>60</u> |
| Item 5. <u>Other Information</u>   | <u>60</u> |
| Item 6. <u>Exhibits</u>  | <u>61</u> |
| <u>Signature</u>   | <u>62</u> |



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         |
| 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, LLC                       |
| CPRC                            | Columbia Gas of Pennsylvania Receivables Corporation |
| Crossroads Pipeline             | Crossroads Pipeline Company                          |
| Hardy Storage                   | Hardy Storage Company, LLC                           |
| 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.                         |
| NEVCO                           | NiSource Energy Ventures, LLC                        |
| NIPSCO                          | Northern Indiana Public Service Company              |
| NiSource                        | NiSource Inc.  |
| NiSource Corporate Services     | NiSource Corporate Services Company                  |
| NiSource Development Company    | NiSource Development Company, Inc.                   |
| NiSource Finance                | NiSource Finance Corp.                               |
| Northern Indiana Fuel and Light | Northern Indiana Fuel and Light Company              |
| NiSource Midstream              | NiSource Midstream Services, LLC                     |
| Pennant                         | Pennant Midstream, LLC                               |

Abbreviations

|       |   |
|-------|---|
| AFUDC | Allowance for funds used during construction  |
| AOC   | Administrative Order by Consent               |
| AOCI  | Accumulated Other Comprehensive Income (Loss) |
| ASU   | Accounting Standards Update                   |
| BBA   | British Banker Association                    |
| Bcf   | Billion cubic feet                            |
| BNS   | Bank of Nova Scotia                           |
| 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                        |

## DEFINED TERMS (continued)

|                 |  |
|-----------------|--|
| CCRs            | Coal Combustion Residuals                      |
| CO <sub>2</sub> | Carbon Dioxide                                 |
| CSAPR           | Cross-State Air Pollution Rule                 |
| DEP             | Department of Environmental Protection         |
| DIMP            | Distribution Integrity Management Program      |
| DPU             | Department of Public Utilities                 |
| DSM             | Demand Side Management                         |
| Dth             | Dekatherm                                      |
| ECR             | Environmental Cost Recovery                    |
| 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            | Generally Accepted Accounting Principles       |
| GAF             | Gas Adjustment Factor                          |
| GCIM            | Gas Cost Incentive Mechanism                   |
| GCR             | Gas cost recovery                              |
| GHG             | Greenhouse gases                               |
| gwh             | Gigawatt hours                                 |
| Hilcorp         | Hilcorp Energy Company                         |
| hp              | Horsepower                                     |
| IDEM            | Indiana Department of Environmental Management |
| INDIEC          | Indiana Industrial Energy Consumers, Inc.      |
| IRP             | Infrastructure Replacement Program             |
| IURC            | Indiana Utility Regulatory Commission          |
| kV              | Kilovolt                                       |
| LDAF            | Local Distribution Adjustment Factor           |
| LDCs            | Local distribution companies                   |
| LIBOR           | London InterBank Offered Rate                  |
| LIFO            | Last-in, first-out                             |
| LNG             | Liquefied Natural Gas                          |
| MATS            | Mercury and Air Toxics Standards               |
| Mcf             | Thousand cubic feet                            |
| MMcf            | Million cubic feet                             |
| MGP             | Manufactured Gas Plant                         |
| MISO            | Midcontinent Independent System Operator       |
| Mizuho          | Mizuho Corporate Bank Ltd.                     |
| MMDth           | Million dekatherms                             |
| mw              | Megawatts                                      |



DEFINED TERMS (continued)

|                 |  |
|-----------------|--|
| mwh             | Megawatt hours   |
| NAAQS           | National Ambient Air Quality Standards                           |
| NGL             | Natural Gas Liquids  |
| NOV             | Notice of Violation  |
| NO <sub>2</sub> | Nitrogen dioxide   |
| NOx             | Nitrogen oxide   |
| NYMEX           | New York Mercantile Exchange                                     |
| OCI             | Other Comprehensive Income (Loss)                                |
| OPEB            | Other Postretirement Benefits                                    |
| OUCC            | Indiana Office of Utility Consumer Counselor                     |
| PEF             | Pension Expense Factor   |
| Piedmont        | Piedmont Natural Gas Company, Inc.                               |
| PM              | Particulate matter   |
| PNC             | PNC Bank, N.A.   |
| PUC             | Public Utility Commission  |
| PUCO            | Public Utilities Commission of Ohio                              |
| RA              | Resource Adequacy  |
| RAAF            | Residential Assistance Adjustment Factor                         |
| RACT            | Reasonably Available Control Technology                          |
| RBS             | Royal Bank of Scotland, PLC                                      |
| RTO             | Regional Transmission Organization                               |
| SAVE            | Steps to Achieve Virginia's Energy                               |
| SEC             | Securities and Exchange Commission                               |
| SIP             | State Implementation Plan  |
| SO <sub>2</sub> | Sulfur dioxide   |
| TDSIC           | Transmission, Distribution and Storage System Improvement Charge |
| TUAs            | Transmission Upgrade Agreements                                  |
| VIE             | Variable Interest Entities                                       |
| VSCC            | Virginia State Corporation Commission                            |

Table of Contents

## PART I

## ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.

Condensed Statements of Consolidated Income (unaudited)

| (in millions, except per share amounts)                              | Three Months Ended    |          | Nine Months Ended     |           |
|--|-----------------------|----------|-----------------------|-----------|
|  | September 30,<br>2014 | 2013     | September 30,<br>2014 | 2013      |
| Net Revenues   |                       |          |                       |           |
| Gas Distribution   | \$240.3               | \$255.1  | \$1,878.8             | \$1,540.6 |
| Gas Transportation and Storage                                       | 381.7                 | 346.9    | 1,350.3               | 1,181.9   |
| Electric   | 424.6                 | 413.4    | 1,279.4               | 1,175.2   |
| Other  | 77.3                  | 61.4     | 271.0                 | 162.8     |
| Gross Revenues   | 1,123.9               | 1,076.8  | 4,779.5               | 4,060.5   |
| Cost of Sales (excluding depreciation and amortization)              | 230.5                 | 243.0    | 1,663.5               | 1,268.3   |
| Total Net Revenues   | 893.4                 | 833.8    | 3,116.0               | 2,792.2   |
| Operating Expenses   |                       |          |                       |           |
| Operation and maintenance  | 529.5                 | 468.9    | 1,563.8               | 1,375.6   |
| Depreciation and amortization  | 153.0                 | 144.5    | 450.8                 | 431.4     |
| Gain on sale of assets, net  | (2.9 )                | (9.8 )   | (19.3 )               | (10.2 )   |
| Other taxes  | 68.0                  | 64.3     | 242.5                 | 221.7     |
| Total Operating Expenses   | 747.6                 | 667.9    | 2,237.8               | 2,018.5   |
| Equity Earnings in Unconsolidated Affiliates                         | 12.0                  | 10.5     | 32.9                  | 25.6      |
| Operating Income   | 157.8                 | 176.4    | 911.1                 | 799.3     |
| Other Income (Deductions)  |                       |          |                       |           |
| Interest expense, net  | (109.6 )              | (103.7 ) | (327.8 )              | (304.3 )  |
| Other, net   | 9.2                   | 4.7      | 21.2                  | 22.1      |
| Total Other Deductions   | (100.4 )              | (99.0 )  | (306.6 )              | (282.2 )  |
| Income from Continuing Operations before Income Taxes                | 57.4                  | 77.4     | 604.5                 | 517.1     |
| Income Taxes   | 25.9                  | 27.9     | 228.1                 | 179.2     |
| Income from Continuing Operations                                    | 31.5                  | 49.5     | 376.4                 | 337.9     |
| (Loss) Income from Discontinued Operations - net of taxes            | (0.1 )                | 0.1      | (0.6 )                | 7.5       |
| (Loss) Gain on Disposition of Discontinued Operations - net of taxes | —                     | (1.5 )   | —                     | 34.9      |
| Net Income   | \$31.4                | \$48.1   | \$375.8               | \$380.3   |
| Basic Earnings Per Share   |                       |          |                       |           |
| Continuing operations  | \$0.10                | \$0.16   | \$1.19                | \$1.08    |
| Discontinued operations  | —                     | —        | —                     | 0.14      |
| Basic Earnings Per Share   | \$0.10                | \$0.16   | \$1.19                | \$1.22    |
| Diluted Earnings Per Share   |                       |          |                       |           |
| Continuing operations  | \$0.10                | \$0.16   | \$1.19                | \$1.08    |
| Discontinued operations  | —                     | —        | —                     | 0.14      |
| Diluted Earnings Per Share   | \$0.10                | \$0.16   | \$1.19                | \$1.22    |
| Dividends Declared Per Common Share                                  | \$0.26                | \$0.25   | \$1.02                | \$0.98    |
| Basic Average Common Shares Outstanding                              | 315.4                 | 312.8    | 314.9                 | 312.1     |
| Diluted Average Common Shares  | 316.6                 | 313.8    | 316.0                 | 313.0     |

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 Statements of Consolidated Comprehensive Income (unaudited)

| (in millions, net of taxes)  | Three Months Ended |        | Nine Months Ended |         |
|--|--------------------|--------|-------------------|---------|
|  | September 30,      |        | September 30,     |         |
|  | 2014               | 2013   | 2014              | 2013    |
| Net Income   | \$31.4             | \$48.1 | \$375.8           | \$380.3 |
| Other comprehensive income (loss)  |                    |        |                   |         |
| Net unrealized (loss) gain on available-for-sale securities <sup>(1)</sup> | (0.6 )             | 0.9    | 0.2               | (2.4 )  |
| Net unrealized gain on cash flow hedges <sup>(2)</sup>                     | 0.6                | 0.6    | 1.9               | 2.0     |
| Unrecognized pension and OPEB (cost) benefit <sup>(3)</sup>                | (0.2 )             | 0.1    | (0.1 )            | 5.5     |
| Total other comprehensive (loss) income                                    | (0.2 )             | 1.6    | 2.0               | 5.1     |
| Total Comprehensive Income   | \$31.2             | \$49.7 | \$377.8           | \$385.4 |

<sup>(1)</sup> Net unrealized (loss) gain on available-for-sale securities, net of \$0.3 million tax benefit and \$0.5 million tax expense in the third quarter of 2014 and 2013, respectively, and \$0.1 million tax expense and \$1.3 million tax benefit for the nine months ended 2014 and 2013, respectively.

<sup>(2)</sup> Net unrealized gains on derivatives qualifying as cash flow hedges, net of \$0.4 million tax expense in the third quarter of 2014 and 2013, and \$1.2 million and \$1.3 million tax expense for the nine months ended 2014 and 2013, respectively.

<sup>(3)</sup> Unrecognized pension and OPEB (cost) benefit, net of zero tax benefit and tax expense in the third quarter of 2014 and 2013, respectively, and \$0.7 million tax benefit and \$3.5 million tax expense for the nine months ended 2014 and 2013, respectively.

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)

| (in millions)   | September 30,<br>2014 | December 31,<br>2013 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| Property, Plant and Equipment   |                       |                      |
| Utility plant   | \$24,775.7            | \$23,303.7           |
| Accumulated depreciation and amortization                             | (9,533.2              | ) (9,256.5           |
| Net utility plant   | 15,242.5              | 14,047.2             |
| Other property, at cost, less accumulated depreciation                | 344.0                 | 317.9                |
| Net Property, Plant and Equipment                                     | 15,586.5              | 14,365.1             |
| Investments and Other Assets  |                       |                      |
| Unconsolidated affiliates   | 443.5                 | 373.7                |
| Other investments   | 211.7                 | 204.0                |
| Total Investments and Other Assets                                    | 655.2                 | 577.7                |
| Current Assets  |                       |                      |
| Cash and cash equivalents   | 17.7                  | 26.8                 |
| Restricted cash   | 16.0                  | 8.0                  |
| Accounts receivable (less reserve of \$18.4 and \$23.5, respectively) | 639.3                 | 1,005.8              |
| Gas inventory   | 513.0                 | 354.6                |
| Underrecovered gas and fuel costs                                     | 54.7                  | 46.4                 |
| Materials and supplies, at average cost                               | 106.4                 | 101.2                |
| Electric production fuel, at average cost                             | 48.2                  | 44.6                 |
| Exchange gas receivable   | 80.9                  | 70.6                 |
| Regulatory assets   | 200.1                 | 142.8                |
| Deferred income taxes   | 231.7                 | 175.3                |
| Prepayments and other   | 103.6                 | 183.1                |
| Total Current Assets  | 2,011.6               | 2,159.2              |
| Other Assets  |                       |                      |
| Regulatory assets   | 1,440.9               | 1,522.2              |
| Goodwill  | 3,666.2               | 3,666.2              |
| Intangible assets   | 267.4                 | 275.7                |
| Deferred charges and other  | 82.3                  | 87.8                 |
| Total Other Assets  | 5,456.8               | 5,551.9              |
| Total Assets  | \$23,710.1            | \$22,653.9           |

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)

| (in millions, except share amounts)  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
| <b>CAPITALIZATION AND LIABILITIES</b>  |                       |                      |
| Capitalization   |                       |                      |
| Common Stockholders' Equity  |                       |                      |
| Common stock - \$0.01 par value, 400,000,000 shares authorized; 315,597,089 and 313,675,911 shares outstanding, respectively | \$3.2                 | \$3.2                |
| Additional paid-in capital   | 4,764.7               | 4,690.1              |
| Retained earnings  | 1,339.9               | 1,285.5              |
| Accumulated other comprehensive loss   | (41.6                 | ) (43.6              |
| Treasury stock   | (58.9                 | ) (48.6              |
| Total Common Stockholders' Equity  | 6,007.3               | 5,886.6              |
| Long-term debt, excluding amounts due within one year  | 8,397.4               | 7,593.2              |
| Total Capitalization   | 14,404.7              | 13,479.8             |
| Current Liabilities  |                       |                      |
| Current portion of long-term debt  | 18.7                  | 542.1                |
| Short-term borrowings  | 1,311.1               | 698.7                |
| Accounts payable   | 427.7                 | 619.0                |
| Dividends payable  | 82.1                  | —                    |
| Customer deposits and credits  | 257.1                 | 262.6                |
| Taxes accrued  | 189.3                 | 254.8                |
| Interest accrued   | 81.7                  | 136.4                |
| Overrecovered gas and fuel costs   | 21.2                  | 32.2                 |
| Exchange gas payable   | 143.1                 | 186.4                |
| Deferred revenue   | 6.5                   | 18.5                 |
| Regulatory liabilities   | 79.9                  | 60.2                 |
| Accrued liability for postretirement and postemployment benefits   | 6.2                   | 6.2                  |
| Legal and environmental  | 15.3                  | 32.3                 |
| Other accruals   | 408.6                 | 329.0                |
| Total Current Liabilities  | 3,048.5               | 3,178.4              |
| Other Liabilities and Deferred Credits   |                       |                      |
| Deferred income taxes  | 3,540.8               | 3,277.8              |
| Deferred investment tax credits  | 18.2                  | 20.9                 |
| Deferred credits   | 102.7                 | 91.9                 |
| Deferred revenue   | 20.9                  | 17.1                 |
| Accrued liability for postretirement and postemployment benefits   | 425.6                 | 527.5                |
| Regulatory liabilities   | 1,675.8               | 1,669.8              |
| Asset retirement obligations   | 175.2                 | 174.4                |
| Other noncurrent liabilities   | 297.7                 | 216.3                |
| Total Other Liabilities and Deferred Credits   | 6,256.9               | 5,995.7              |
| Commitments and Contingencies (Refer to Note 16)   | —                     | —                    |
| Total Capitalization and Liabilities   | \$23,710.1            | \$22,653.9           |

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, (in millions)                               | 2014      | 2013      |   |
|---|-----------|-----------|---|
| Operating Activities  |           |           |   |
| Net Income  | \$375.8   | \$380.3   |   |
| Adjustments to Reconcile Net Income to Net Cash from Continuing Operations: |           |           |   |
| Depreciation and amortization   | 450.8     | 431.4     |   |
| Net changes in price risk management assets and liabilities                 | 1.9       | 1.9       |   |
| Deferred income taxes and investment tax credits                            | 220.8     | 199.1     |   |
| Deferred revenue  | 1.9       | 1.6       |   |
| Stock compensation expense and 401(k) profit sharing contribution           | 54.6      | 39.7      |   |
| Gain on sale of assets  | (19.3)    | (10.2)    | ) |
| Income from unconsolidated affiliates                                       | (32.3)    | (25.5)    | ) |
| Gain on disposition of discontinued operations - net of taxes               | —         | (34.9)    | ) |
| Loss (Income) from discontinued operations - net of taxes                   | 0.6       | (7.5)     | ) |
| Amortization of debt related costs  | 7.5       | 7.0       |   |
| AFUDC equity  | (15.6)    | (12.7)    | ) |
| Distributions of earnings received from equity investees                    | 27.6      | 19.0      |   |
| Changes in Assets and Liabilities   |           |           |   |
| Accounts receivable   | 362.6     | 318.4     |   |
| Income tax receivable   | 2.1       | 124.6     |   |
| Inventories   | (170.8)   | (103.7)   | ) |
| Accounts payable  | (218.1)   | (177.7)   | ) |
| Customer deposits and credits   | 70.2      | (20.4)    | ) |
| Taxes accrued   | (67.7)    | (68.0)    | ) |
| Interest accrued  | (54.6)    | (62.1)    | ) |
| (Under) Overrecovered gas and fuel costs                                    | (19.2)    | 38.1      | ) |
| Exchange gas receivable/payable   | (53.6)    | 28.1      | ) |
| Other accruals  | (29.7)    | (36.5)    | ) |
| Prepayments and other current assets  | 56.1      | 45.5      |   |
| Regulatory assets/liabilities   | 17.1      | 71.5      |   |
| Postretirement and postemployment benefits                                  | (102.5)   | (95.9)    | ) |
| Deferred credits  | 13.8      | 11.1      |   |
| Deferred charges and other noncurrent assets                                | 1.5       | 11.8      |   |
| Other noncurrent liabilities  | 6.3       | (6.3)     | ) |
| Net Operating Activities from Continuing Operations                         | 887.8     | 1,067.7   |   |
| Net Operating Activities (used for) from Discontinued Operations            | (1.3)     | 10.9      | ) |
| Net Cash Flows from Operating Activities                                    | 886.5     | 1,078.6   |   |
| Investing Activities  |           |           |   |
| Capital expenditures  | (1,441.7) | (1,297.3) | ) |
| Insurance recoveries  | 6.8       | 6.4       |   |
| Proceeds from disposition of assets   | 7.6       | 17.9      |   |
| Restricted cash (deposits) withdrawals                                      | (8.1)     | 28.5      | ) |
| Contributions to equity investees   | (63.8)    | (77.1)    | ) |
| Other investing activities  | (13.0)    | (48.4)    | ) |
| Net Investing Activities used for Continuing Operations                     | (1,512.2) | (1,370.0) | ) |

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|  |          |            |   |
|--|----------|------------|---|
| Net Investing Activities from Discontinued Operations              | —        | 118.7      |   |
| Net Cash Flows used for Investing Activities                       | (1,512.2 | ) (1,251.3 | ) |
| Financing Activities   |          |            |   |
| Issuance of long-term debt   | 748.4    | 815.3      |   |
| Repayments of long-term debt and capital lease obligations         | (517.1   | ) (505.2   | ) |
| Premiums and other debt related costs                              | —        | (3.2       | ) |
| Change in short-term borrowings, net                               | 612.4    | 43.9       |   |
| Issuance of common stock   | 22.4     | 36.1       |   |
| Acquisition of treasury stock                                      | (10.3    | ) (8.0     | ) |
| Dividends paid - common stock                                      | (239.2   | ) (227.6   | ) |
| Net Cash Flows from Financing Activities                           | 616.6    | 151.3      |   |
| Change in cash and cash equivalents used for continuing operations | (7.8     | ) (151.0   | ) |
| Cash contributions (to) from discontinued operations               | (1.3     | ) 129.6    |   |
| Cash and cash equivalents at beginning of period                   | 26.8     | 36.3       |   |
| Cash and Cash Equivalents at End of Period                         | \$17.7   | \$14.9     |   |

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 Statement of Consolidated Common Stockholders' Equity (unaudited)

| (in millions)                          | Common<br>Stock | Treasury<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Total     |
|--|-----------------|-------------------|----------------------------------|----------------------|--|-----------|
| Balance as of January 1, 2014          | \$3.2           | \$(48.6 )         | \$4,690.1                        | \$1,285.5            | \$(43.6 )  | \$5,886.6 |
| Comprehensive Income:                  |                 |                   |                                  |                      |  |           |
| Net Income                             | —               | —                 | —                                | 375.8                | —  | 375.8     |
| Other comprehensive income, net of tax | —               | —                 | —                                | —                    | 2.0  | 2.0       |
| Common stock dividends                 | —               | —                 | —                                | (321.4 )             | —  | (321.4 )  |
| Treasury stock acquired                | —               | (10.3 )           | —                                | —                    | —  | (10.3 )   |
| Issued:                                |                 |                   |                                  |                      |  |           |
| Employee stock purchase plan           | —               | —                 | 3.0                              | —                    | —  | 3.0       |
| Long-term incentive plan               | —               | —                 | 31.9                             | —                    | —  | 31.9      |
| 401(k) and profit sharing issuance     | —               | —                 | 33.8                             | —                    | —  | 33.8      |
| Dividend reinvestment plan             | —               | —                 | 5.9                              | —                    | —  | 5.9       |
| Balance as of September 30, 2014       | \$3.2           | \$(58.9 )         | \$4,764.7                        | \$1,339.9            | \$(41.6 )  | \$6,007.3 |

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.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

The accompanying Condensed Consolidated Financial Statements (unaudited) for NiSource (the “Company”) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The Condensed Consolidated Financial Statements (unaudited) have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although NiSource believes that the disclosures made are adequate to make the information not misleading.

**Planned Separation of Columbia Pipeline Group and Initial Public Offering of Columbia Pipeline Partners LP**  
On September 28, 2014, NiSource announced that its Board of Directors had approved in principle plans to separate its natural gas pipeline and related businesses into a stand-alone publicly traded company (the “Proposed Separation”). If completed, the Proposed Separation will result in two energy infrastructure companies: NiSource Inc., a fully regulated natural gas and electric utilities company, and Columbia Pipeline Group Inc., a natural gas pipeline, midstream and storage company (“CPG”). The Proposed Separation is expected to occur in mid-2015.

Under the plan for the Proposed Separation, NiSource shareholders would retain their current shares of NiSource stock and receive a pro rata distribution of shares of CPG stock in a transaction that is expected to be tax-free to NiSource and its shareholders.

On September 29, 2014, Columbia Pipeline Partners LP, a wholly owned subsidiary (“CPPL”), filed with the Securities and Exchange Commission a Registration Statement on Form S-1 related to CPPL’s proposed initial public offering of common units representing limited partner interests in CPPL. We expect that CPPL will sell a minority share of its total limited partner interests in the offering, which is expected to occur in the first quarter of 2015. If the proposed offering closes, CPPL’s initial asset would consist of an approximate 14.6% ownership interest in CPG OpCo LP (“Columbia OpCo”), which is the entity that will own substantially all of NiSource’s natural gas transmission, midstream and storage assets. In addition, NiSource, through its ownership of CPG, would indirectly own (a) the remaining ownership interest in Columbia OpCo, (b) the general partner of CPPL, (c) the remaining CPPL limited partner interests that are not sold in the offering and (d) all the incentive distribution rights in CPPL.

## Table of Contents

## ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

## 2. Recent Accounting Pronouncements

In June 2014, the FASB issued ASU 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. NiSource is required to adopt ASU 2014-12 for periods beginning after December 15, 2015, including interim periods, and the guidance is to be applied prospectively, with early adoption permitted. Retroactive application would apply to awards with performance targets outstanding after the beginning of the first annual period presented. The adoption of this guidance will not have a material impact on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NiSource is required to adopt ASU 2014-09 for periods beginning after December 15, 2016, including interim periods, and the new standard is to be applied retrospectively with early adoption not permitted. NiSource is currently evaluating the impact the adoption of ASU 2014-09 will have on its Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited).

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 changes the criteria for reporting a discontinued operation. Under the new pronouncement, a disposal of a part of an organization that has a major effect on its operations and financial results is a discontinued operation. NiSource is required to adopt ASU 2014-08 prospectively for all disposals or components of its business classified as held for sale during fiscal periods beginning after December 15, 2014. NiSource is currently evaluating what impact, if any, adoption of ASU 2014-08 will have on its Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited).

## 3. Earnings Per Share

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

| (in thousands)  | Three Months Ended    |         | Nine Months Ended     |         |
|---|-----------------------|---------|-----------------------|---------|
|   | September 30,<br>2014 | 2013    | September 30,<br>2014 | 2013    |
| Denominator   |                       |         |                       |         |
| Basic average common shares outstanding                 | 315,418               | 312,842 | 314,889               | 312,053 |
| Dilutive potential common shares:                       |                       |         |                       |         |
| Stock options   | 32                    | 112     | 30                    | 102     |
| Shares contingently issuable under employee stock plans | 725                   | 369     | 649                   | 327     |
| Shares restricted under stock plans                     | 451                   | 490     | 438                   | 477     |

|                               |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|
| Diluted Average Common Shares | 316,626 | 313,813 | 316,006 | 312,959 |
|-------------------------------|---------|---------|---------|---------|

## Table of Contents

## ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

## 4. Discontinued Operations and Assets and Liabilities Held for Sale

There were no assets and liabilities of discontinued operations and held for sale on the Condensed Consolidated Balance Sheets (unaudited) at September 30, 2014 and December 31, 2013.

Results from discontinued operations are provided in the following table. These results are primarily from a settlement at NiSource's former exploration and production subsidiary, CER, NiSource's Retail Services business, and NiSource's unregulated natural gas marketing business.

| (in millions)  | Three Months Ended |         | Nine Months Ended |         |
|--|--------------------|---------|-------------------|---------|
|  | September 30,      |         | September 30,     |         |
|  | 2014               | 2013    | 2014              | 2013    |
| Net Revenues from Discontinued Operations                            | \$—                | \$0.4   | \$—               | \$1.3   |
| (Loss) Income from discontinued operations                           | (0.2               | ) 0.1   | (1.0              | ) 12.2  |
| Income tax (benefit) expense   | (0.1               | ) —     | (0.4              | ) 4.7   |
| (Loss) Income from Discontinued Operations - net of taxes            | \$(0.1             | ) \$0.1 | \$(0.6            | ) \$7.5 |
| (Loss) Gain on Disposition of Discontinued Operations - net of taxes | \$—                | \$(1.5  | ) \$—             | \$34.9  |

## 5. Asset Retirement Obligations

Certain costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries are classified as "Regulatory liabilities" on the Condensed Consolidated Balance Sheets (unaudited).

Changes in NiSource's liability for asset retirement obligations for the nine months ended September 30, 2014 and 2013 are presented in the table below:

| (in millions)                                      | 2014    | 2013    |   |
|--|---------|---------|---|
| Balance as of January 1,                           | \$174.4 | \$160.4 |   |
| Accretion expense                                  | 1.2     | 0.9     |   |
| Accretion recorded as a regulatory asset/liability | 6.3     | 6.5     |   |
| Additions  | 2.3     | 9.7     |   |
| Settlements  | (1.4    | ) (1.3  | ) |
| Change in estimated cash flows <sup>(1)</sup>      | (7.6    | ) (0.7  | ) |
| Balance as of September 30,                        | \$175.2 | \$175.5 |   |

<sup>(1)</sup>The change in estimated cash flows for 2014 is primarily attributed to changes in estimated costs to retire pipeline.

Table of Contents

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

6. Regulatory Matters

Gas Distribution Operations Regulatory Matters

**Significant Rate Developments.** On April 30, 2013, Indiana Governor Pence signed Senate Enrolled Act 560 into law. Among other provisions, this legislation provides for cost recovery outside of a base rate proceeding for new or replacement electric and gas transmission, distribution, and storage projects that a public utility undertakes for the purposes of safety, reliability, system modernization, or economic development. Provisions of the TDSIC statute require that, among other things, requests for recovery include a seven-year plan of eligible investments. Once the plan is approved by the IURC, 80 percent of eligible costs can be recovered using a periodic rate adjustment mechanism. The cost recovery mechanism is referred to as a TDSIC mechanism. Recoverable costs include a return on, and of, the investment, including AFUDC, post in service carrying charges, operation and maintenance expenses, depreciation, and property taxes. The remaining 20 percent of recoverable costs are to be deferred for future recovery in the public utility's next general rate case. The periodic rate adjustment mechanism is capped at an annual increase of no more than two percent of total retail revenues. On October 3, 2013, NIPSCO filed its gas TDSIC seven-year plan of eligible investments for a total of approximately \$710 million with the IURC. On April 30, 2014, the IURC issued an order approving NIPSCO's gas TDSIC seven-year plan. On May 29, 2014, the NIPSCO Industrial Group filed a Notice of Appeal with the Indiana Court of Appeals in response to the IURC's April 30, 2014 ruling. Subsequently, the NIPSCO Industrial Group filed a Voluntary Notice of Dismissal, which was granted with prejudice.

On September 12, 2014, Columbia of Ohio filed an application that seeks authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, the expenditures to be incurred in implementing Columbia of Ohio's Pipeline Safety Program. Columbia of Ohio is requesting authority to defer Pipeline Safety Program costs of up to \$15 million annually. Comments are due November 17, 2014, and Reply Comments are due December 2, 2014.

On November 25, 2013, Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with its IRP and DSM Riders. Columbia of Ohio filed its Application on February 28, 2014, requesting authority to increase revenues by approximately \$25.5 million. The parties have settled all issues, and on April 7, 2014 filed a stipulation providing for a revenue increase of approximately \$25.5 million. On April 23, 2014, Columbia of Ohio received approval of its annual infrastructure replacement and demand-side management rider request from the PUCO. New rates became effective April 30, 2014.

On September 16, 2013, Columbia of Massachusetts filed its Peak Period GAF for the period November 1, 2013 through April 30, 2014, and its Peak Period 2012-2013 GAF Reconciliation. On January 17, 2014, Columbia of Massachusetts filed a revision to the GAF effective February 1, 2014, and on February 18, 2014, Columbia of Massachusetts filed its second revision to the GAF effective March 1, 2014, to eliminate Columbia of Massachusetts's projected Peak Period under-collection of \$50.0 million. On February 28, 2014, the Massachusetts DPU approved a revised GAF subject to further review and reconciliation to recover approximately \$25 million of the anticipated under-collection and defer recovery of the remaining \$25 million to November 2014 through April 2015, and thus, this deferred amount has been incorporated into the proposed GAF as filed on September 16, 2014, in Columbia of Massachusetts's 2014-2015 Peak Period GAF filing.

On August 4, 2014, Columbia of Massachusetts filed its 2014-2015 Peak Period LDAF and on September 16, 2014, Columbia of Massachusetts filed its 2014 PEF and its 2014 RAAF, each with a proposed effective date of November 1, 2014. Columbia of Massachusetts expects approval of the 2014-2015 LDAF by October 31, 2014. Columbia of Massachusetts also expects approval of the 2014 PEF and 2014 RAAF by October 31, 2014, subject to further investigation and reconciliation.

On April 16, 2013, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of \$30.1 million. Pursuant to the procedural schedule for this case, on September 3, 2013, Columbia of Massachusetts filed its updated revenue requirement of \$29.5 million and on October 16, 2013, filed an updated cost of service for \$30 million. A final revenue requirement update of \$29.9 million was filed on December 16, 2013. On February 28, 2014, the Massachusetts DPU issued an order granting an annual revenue requirement increase of \$19.3 million effective March 1, 2014, and the compliance filing associated with the order has been approved.

On March 21, 2014, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately \$54.1 million annually. The case is driven by Columbia of Pennsylvania's capital investment program which exceeds \$180 million in both 2014 and 2015 as well as new pipeline safety-related operation and maintenance expenditures. Columbia of Pennsylvania seeks Pennsylvania PUC approval to implement additional rates to recover costs that are projected to be incurred after the implementation of those new rates, as authorized by the Pennsylvania General Assembly with the passage of Act 11 of

Table of Contents

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

2012. Columbia of Pennsylvania's filing seeks to implement rates in December 2014 under which Columbia of Pennsylvania would immediately begin to recover costs that are projected for the twelve-month period ending December 31, 2015. On September 5, 2014, the parties to the rate case filed a joint petition which seeks approval of a full settlement. If the settlement is approved, Columbia of Pennsylvania will be authorized to increase its annual base revenues by \$32.5 million. The administrative law judge assigned to the case issued a Recommended Decision on October 17, 2014, in which he recommended that the settlement be approved, without modification. A final order from the Pennsylvania PUC is expected in the fourth quarter of 2014.

On April 30, 2014, Columbia of Virginia filed a base rate case with the VSCC seeking an annual revenue increase of \$31.8 million, which includes \$6.9 million in annual revenues currently collected as a separate infrastructure replacement rider on customers' bills under the Virginia SAVE Plan Act. The SAVE rider will be reset to zero and these revenues will be moved into non-gas base rates, resulting in a proposed net revenue increase of \$24.9 million per year. Columbia of Virginia also seeks to recover costs related to its implementation of pipeline safety programs and forward looking adjustments to its capital investments and changes in operating costs projected to occur during the rate year ending September 30, 2015. In addition, Columbia of Virginia is proposing a change from volumetric based (Mcf) billing to thermal based (Btu) billing. The VSCC issued a procedural order in the case on May 28, 2014 which scheduled the case for hearing on December 9, 2014. New rates are subject to refund and became effective October 1, 2014.

Cost Recovery and Trackers. A significant portion of the distribution companies' revenue is related to the recovery of gas costs, the review and recovery of which occurs via standard regulatory proceedings. All states require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. NiSource distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

Certain operating costs of the NiSource distribution companies are significant, recurring in nature, and generally outside the control of the distribution companies. Some states allow the recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the distribution companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include GCR adjustment mechanisms, tax riders, gas energy efficiency programs, and bad debt recovery mechanisms.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Increases in the expenses that are subject to trackers result in a corresponding increase in net revenues and therefore have essentially no impact on total operating income results.

Certain NiSource distribution companies have completed rate proceedings involving infrastructure replacement or are embarking upon regulatory initiatives to replace significant portions of their operating systems that are nearing the end of their useful lives. Each LDC's approach to cost recovery may be unique, given the different laws, regulations and precedent that exist in each jurisdiction.

As further discussed above, NIPSCO has approval from the IURC to recover certain costs for transmission, distribution and storage system improvements. On August 28, 2014, NIPSCO filed its gas TDSIC-1 with the IURC for ratemaking and accounting relief associated with the eligible investments, which included \$4.4 million of net capital expenditures for the period ended June 30, 2014. This filing includes changes to the revenue requirement mechanism

to be consistent with the IURC order in the electric TDSIC case and revised seven-year plan eligible investment projections. An order is expected in the first quarter of 2015.

#### Columbia Pipeline Group Operations Regulatory Matters

**Significant Rate Developments.** On January 30, 2014, Columbia Transmission received FERC approval of its December 2013 filing to recover costs associated with the first year of its comprehensive system modernization program. During 2013, Columbia Transmission completed more than 30 individual projects representing a total investment of about \$300 million. The program includes replacement of aging pipeline and compressor facilities, enhancements to system inspection capabilities, and improvements in real-time analytics and control systems. Recovery of the 2013 investments began on February 1, 2014. The second year of the program includes planned modernization investments of approximately \$330 million. Columbia Transmission and its customers have agreed to the initial five years of the comprehensive modernization program, with an opportunity to mutually extend the agreement.

Table of Contents

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

**Cost Recovery Trackers.** A significant portion of the regulated transmission and storage companies' revenue is related to the recovery of their operating costs, the review and recovery of which occurs via standard regulatory proceedings with the FERC under section 4 of the Natural Gas Act. However, certain operating costs of the NiSource regulated transmission and storage companies are significant and recurring in nature, such as fuel for compression and lost and unaccounted for gas, which is settled in-kind and reflected net of recoveries in operating expenses. The FERC allows for the recovery of such costs via cost tracking mechanisms. These tracking mechanisms allow the transmission and storage companies' rates to fluctuate in response to changes in certain operating costs or conditions as they occur to facilitate the timely recovery of its costs incurred. The tracking mechanisms involve a rate adjustment that is filed at a predetermined frequency, typically annually, with the FERC and is subject to regulatory review before new rates go into effect. Other such costs under regulatory tracking mechanisms include third-party pipeline transportation, electric compression, certain environmental related expenses, and certain operational purchases and sales of natural gas.

**Electric Operations Regulatory Matters**

**Significant Rate Developments.** On July 19, 2013, NIPSCO filed its electric TDSIC, further discussed above, with the IURC. The filing included the seven-year plan of eligible investments for a total of approximately \$1.1 billion with the majority of the spend occurring in years 2016 through 2020. On February 17, 2014, the IURC issued an order approving NIPSCO's seven-year plan of eligible investments. The Order also granted NIPSCO ratemaking relief associated with the eligible investments through a rate adjustment mechanism. On March 10, 2014, the OUCC filed a Petition for Reconsideration with the IURC, and the IURC denied that Petition for Reconsideration on May 7, 2014. In addition, the NIPSCO Industrial Group and the OUCC have filed Notices of Appeal with the Indiana Court of Appeals in response to the IURC's ruling, which are still pending.

On November 12, 2013, several industrial customers, including INDIEC, filed a complaint at the FERC regarding the 12.38% base ROE used to set the MISO Transmission Owners' transmission rates and requested a reduction in the base ROE to 9.15%. The complaint requested that FERC limit the capital structure of MISO Transmission Owners to no more than 50% common equity for ratemaking purposes and that FERC eliminate incentive adders for membership in a RTO. On October 16, 2014, FERC issued an Order that dismissed the portions of the complaint that challenged Transmission Owner capital structures and incentive adders; set the base ROE for hearing and suspended to allow for settlement; set a refund effective date of November 12, 2013; and directed the parties to the new two-step discounted cash flow methodology established by FERC in Opinion No. 531 in Docket No. EL11-77-001. NIPSCO is unable to estimate the impact of this complaint or the timing of any potential impact at this time.

**Cost Recovery and Trackers.** A significant portion of NIPSCO's revenue is related to the recovery of fuel costs to generate power and purchased power. These costs are recovered through a FAC, a standard, quarterly, "summary" regulatory proceeding in Indiana.

Certain operating costs of the Electric Operations are significant, recurring in nature, and generally outside the control of NIPSCO. The IURC allows for recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for NIPSCO to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include electric energy efficiency programs, MISO non-fuel costs and revenues, federally mandated costs, resource capacity charges, and environmental related costs.

NIPSCO has approval from the IURC to recover certain environmental related costs through an ECT. Under the ECT, NIPSCO is permitted to recover (1) AFUDC and a return on the capital investment expended by NIPSCO to implement environmental compliance plan projects through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM. On August 1, 2014, NIPSCO filed ECR-24 which included \$658.4 million of net capital expenditures for the period ended June 30, 2014. An order is expected in the fourth quarter of 2014.

As further discussed above, NIPSCO has approval from the IURC to recover certain costs for transmission and distribution system improvements. On August 28, 2014, NIPSCO filed its electric TDSIC-1 with the IURC for ratemaking and accounting relief associated with the eligible investments, which included \$19.4 million of net capital expenditures for the period ended June 30, 2014. An order is expected in the fourth quarter of 2014.

## Table of Contents

## ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

## 7. Fair Value

## A. Fair Value Measurements

Recurring Fair Value Measurements. The following tables present financial assets and liabilities measured and recorded at fair value on NiSource's Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of September 30, 2014 and December 31, 2013:

| Recurring Fair Value Measurements<br>September 30, 2014 (in millions) | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance as of<br>September 30, 2014 |
|---|--|---|--|-------------------------------------|
| Assets  |  |   |  |                                     |
| Price risk management assets:   |  |   |  |                                     |
| Commodity financial price risk programs                               | \$0.7  | \$—   | \$—  | \$0.7                               |
| Available-for-sale securities   | 31.6   | 103.6   | —  | 135.2                               |
| Total   | \$32.3   | \$103.6   | \$—  | \$135.9                             |
| Liabilities   |  |   |  |                                     |
| Price risk management liabilities:                                    |  |   |  |                                     |
| Commodity financial price risk programs                               | \$3.5  | \$—   | \$0.9  | \$4.4                               |
| Total   | \$3.5  | \$—   | \$0.9  | \$4.4                               |
| Recurring Fair Value Measurements<br>December 31, 2013 (in millions)  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance as of<br>December 31, 2013  |
| Assets  |  |   |  |                                     |
| Price risk management assets:   |  |   |  |                                     |
| Commodity financial price risk programs                               | \$2.1  | \$—   |  |                                     |