

VECTREN UTILITY HOLDINGS INC
Form 10-Q
November 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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: 1-16739

VECTREN UTILITY HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

INDIANA 35-2104850
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

One Vectren Square, Evansville, IN 47708
(Address of principal executive offices)
(Zip Code)

812-491-4000
(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. xYes 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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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 (Do not check if a smaller reporting company) 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- Without Par Value	10	October 31, 2010
Class	Number of Shares	Date

Access to Information

Vectren Corporation makes available all SEC filings and recent annual reports, including those of its wholly owned subsidiaries, free of charge through its website at www.vectren.com as soon as reasonably practicable after electronically filing or furnishing the reports to the SEC, or by request, directed to Investor Relations at the mailing address, phone number, or email address that follows:

Mailing Address:	Phone Number:	Investor Relations Contact:
One Vectren Square	(812) 491-4000	Robert L. Goocher
Evansville, Indiana 47708		Treasurer and Vice President, Investor Relations
		rgoocher@vectren.com

Definitions

AFUDC: allowance for funds used during construction MMBTU: millions of British thermal units

FASB: Financial Accounting Standards Board MW: megawatts

FERC: Federal Energy Regulatory Commission MWh / GWh: megawatt hours / thousands of megawatt hours (gigawatt hours)

IDEM: Indiana Department of Environmental Management OCC: Ohio Office of the Consumer Counselor

IURC: Indiana Utility Regulatory Commission OUCC: Indiana Office of the Utility Consumer Counselor

MCF / BCF: thousands / billions of cubic feet PUCO: Public Utilities Commission of Ohio

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MDth / MMDth: thousands / millions of
dekatherms

USEPA: United States Environmental Protection
Agency

MISO: Midwest Independent System Operator Throughput: combined gas sales and gas
transportation volumes

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
 CONSOLIDATED BALANCE SHEETS
 (Unaudited – In millions)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash & cash equivalents	\$4.8	\$6.2
Accounts receivable - less reserves of \$2.9 & \$4.0, respectively	64.7	108.1
Receivables due from other Vectren companies	1.0	0.7
Accrued unbilled revenues	29.7	115.4
Inventories	136.5	127.9
Recoverable fuel & natural gas costs	12.5	-
Prepayments & other current assets	84.4	69.2
Total current assets	333.6	427.5
Utility Plant		
Original cost	4,737.4	4,601.4
Less: accumulated depreciation & amortization	1,808.7	1,722.6
Net utility plant	2,928.7	2,878.8
Investments in unconsolidated affiliates	0.2	0.2
Other investments	29.8	31.4
Nonutility property - net	169.7	171.8
Goodwill - net	205.0	205.0
Regulatory assets	101.9	104.1
Other assets	5.0	4.3
TOTAL ASSETS	\$3,773.9	\$3,823.1

The accompanying notes are an integral part of these consolidated financial statements.

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VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited – In millions)

	September 30, 2010	December 31, 2009
LIABILITIES & SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$83.2	\$133.1
Accounts payable to affiliated companies	22.4	54.1
Payables to other Vectren companies	25.2	53.6
Refundable fuel & natural gas costs	-	22.3
Accrued liabilities	129.0	131.4
Short-term borrowings	26.0	16.4
Long-term debt subject to tender	-	51.3
Total current liabilities	285.8	462.2
Long-Term Debt - Net of Current Maturities & Debt Subject to Tender		
	1,304.8	1,254.8
Deferred Income Taxes & Other Liabilities		
Deferred income taxes	453.0	418.0
Regulatory liabilities	331.6	322.2
Deferred credits & other liabilities	88.7	91.2
Total deferred credits & other liabilities	873.3	831.4
Commitments & Contingencies (Notes 10 - 12)		
Common Shareholder's Equity		
Common stock (no par value)	774.6	769.9
Retained earnings	535.3	504.7
Accumulated other comprehensive income	0.1	0.1
Total common shareholder's equity	1,310.0	1,274.7
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	\$3,773.9	\$3,823.1

The accompanying notes are an integral part of these consolidated financial statements.

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VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited – In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
OPERATING REVENUES				
Gas utility	\$101.8	\$93.4	\$692.8	\$759.9
Electric utility	173.2	143.0	469.1	400.7
Other	0.4	0.4	1.2	1.2
Total operating revenues	275.4	236.8	1,163.1	1,161.8
OPERATING EXPENSES				
Cost of gas sold	32.4	28.0	371.7	440.6
Cost of fuel & purchased power	64.5	50.1	180.3	147.4
Other operating	70.5	69.9	223.3	227.9
Depreciation & amortization	47.2	45.9	140.5	134.8
Taxes other than income taxes	11.2	10.8	45.1	46.2
Total operating expenses	225.8	204.7	960.9	996.9
OPERATING INCOME	49.6	32.1	202.2	164.9
OTHER INCOME - NET	0.9	2.1	3.9	6.1
INTEREST EXPENSE	20.4	20.2	61.0	58.9
INCOME BEFORE INCOME TAXES	30.1	14.0	145.1	112.1
INCOME TAXES	11.4	5.3	54.8	40.6
NET INCOME	\$18.7	\$8.7	\$90.3	\$71.5

The accompanying notes are an integral part of these consolidated financial statements.

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VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – In millions)

	Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$90.3	\$71.5
Adjustments to reconcile net income to cash from operating activities:		
Depreciation & amortization	140.5	134.8
Deferred income taxes & investment tax credits	31.8	51.3
Expense portion of pension & postretirement periodic benefit cost	3.1	3.1
Provision for uncollectible accounts	12.9	14.7
Other non-cash charges - net	10.0	7.3
Changes in working capital accounts:		
Accounts receivable, including to Vectren companies & accrued unbilled revenue	115.9	219.6
Inventories	(8.6)	(29.4)
Recoverable/refundable fuel & natural gas costs	(34.8)	33.1
Prepayments & other current assets	(14.9)	38.9
Accounts payable, including to Vectren companies & affiliated companies	(111.4)	(191.7)
Accrued liabilities	0.2	(25.5)
Changes in noncurrent assets	(9.3)	(5.1)
Changes in noncurrent liabilities	(18.4)	(38.7)
Net cash flows from operating activities	207.3	283.9
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Additional capital contribution from Parent	4.6	5.5
Proceeds from long-term debt	-	161.1
Requirements for:		