

VECTREN UTILITY HOLDINGS INC
Form 10-Q
May 07, 2009

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 March 31, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 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 (IRS Employer Identification No.)
organization)

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. x 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 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	April 30, 2009
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	Steven M. Schein
Evansville, Indiana 47708		Vice President, Investor Relations
		sschein@vectren.com

Definitions

AFUDC: allowance for funds used during construction	MMBTU: millions of British thermal units
APB: Accounting Principles Board	MW: megawatts
EITF: Emerging Issues Task Force	MWh / GWh: megawatt hours / thousands of megawatt hours (gigawatt hours)
FASB: Financial Accounting Standards Board	OCC: Ohio Office of the Consumer Counselor
FERC: Federal Energy Regulatory Commission	OUCC: Indiana Office of the Utility Consumer Counselor
IDEM: Indiana Department of Environmental Management	PUCO: Public Utilities Commission of Ohio

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IURC: Indiana Utility Regulatory
Commission

SFAS: Statement of Financial Accounting
Standards

MCF / BCF: thousands / billions of cubic feet USEPA: United States Environmental Protection
Agency

MDth / MMDth: thousands / millions of Throughput: combined gas sales and gas
dekatherms transportation volumes

MISO: Midwest Independent System Operator

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 13.9	\$ 52.5
Accounts receivable - less reserves of \$4.7 & \$4.5, respectively	155.8	164.0
Receivables due from other Vectren companies	0.9	4.7
Accrued unbilled revenues	67.7	167.2
Inventories	71.4	84.6
Recoverable fuel & natural gas costs	-	3.1
Prepayments & other current assets	25.8	103.1
Total current assets	335.5	579.2
Utility Plant		
Original cost	4,411.2	4,335.3
Less: accumulated depreciation & amortization	1,642.7	1,615.0
Net utility plant	2,768.5	2,720.3
Investments in unconsolidated affiliates	0.2	0.2
Other investments	25.0	24.1
Nonutility property - net	180.7	182.4
Goodwill - net	205.0	205.0
Regulatory assets	102.2	115.7
Other assets	5.0	11.2
TOTAL ASSETS	\$ 3,622.1	\$ 3,838.1

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

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

	March 31, 2009	December 31, 2008
LIABILITIES & SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 86.5	\$ 212.5
Accounts payable to affiliated companies	34.4	72.8
Payables to other Vectren companies	38.0	69.0
Refundable fuel & natural gas costs	25.7	4.1
Accrued liabilities	180.2	147.7
Short-term borrowings	33.1	191.9
Long-term debt subject to tender	80.0	80.0
Total current liabilities	477.9	778.0
Long-Term Debt - Net of Current Maturities & Debt Subject to Tender		
	1,105.9	1,065.1
Deferred Income Taxes & Other Liabilities		
Deferred income taxes	340.4	332.1
Regulatory liabilities	318.2	315.1
Deferred credits & other liabilities	101.3	104.9
Total deferred credits & other liabilities	759.9	752.1
Commitments & Contingencies (Notes 8 - 10)		
Common Shareholder's Equity		
Common stock (no par value)	763.0	763.0
Retained earnings	515.3	479.8
Accumulated other comprehensive income	0.1	0.1
Total common shareholder's equity	1,278.4	1,242.9
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	\$ 3,622.1	\$ 3,838.1

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

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VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited – In millions, except per share data)

	Three Months Ended March 31,	
	2009	2008
OPERATING REVENUES		
Gas utility	\$ 527.4	\$ 633.6
Electric utility	125.0	127.2
Other	0.4	0.6
Total operating revenues	652.8	761.4
OPERATING EXPENSES		
Cost of gas sold	354.6	462.0
Cost of fuel & purchased power	47.0	46.0
Other operating	79.3	74.0
Depreciation & amortization	43.9	40.7
Taxes other than income taxes	22.8	26.2
Total operating expenses	547.6	648.9
OPERATING INCOME	105.2	112.5
OTHER INCOME - NET	1.5	2.0
INTEREST EXPENSE	18.7	20.8
INCOME BEFORE INCOME TAXES	88.0	93.7
INCOME TAXES	31.8	35.7
NET INCOME	\$ 56.2	\$ 58.0

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

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

	Three Months Ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 56.2	\$ 58.0
Adjustments to reconcile net income to cash from operating activities:		
Depreciation & amortization	43.9	40.7
Deferred income taxes & investment tax credits	7.7	8.9
Expense portion of pension & postretirement periodic benefit cost	1.0	0.6
Provision for uncollectible accounts	4.0	4.6
Other non-cash charges - net	3.7	1.0
Changes in working capital accounts:		
Accounts receivable, including to Vectren companies & accrued unbilled revenue	107.5	(13.5)
Inventories	13.2	80.4
Recoverable/refundable fuel & natural gas costs	24.7	(3.4)
Prepayments & other current assets	75.7	66.9
Accounts payable, including to Vectren companies & affiliated companies	(190.7)	(69.9)
Accrued liabilities	32.8	88.5
Changes in noncurrent assets	16.9	7.2
Changes in noncurrent liabilities	(8.3)	(0.1)
Net cash flows from operating activities	188.3	269.9
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of common stock	-	-
Proceeds from long term debt	41.0	171.4
Additional capital contribution		
Requirements for:		
Dividends to parent	(20.7)	(20.8)
Retirement of long-term debt, including premiums paid	(0.6)	(103.2)
Net change in short-term borrowings	(158.8)	(250.3)
Net cash flows from financing activities	(139.1)	(202.9)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from other investing activities	0.1	0.1
Requirements for:		
Capital expenditures, excluding AFUDC equity	(87.1)	(56.7)
Other investing activities	(0.8)	(1.0)
Net cash flows from investing activities	(87.8)	(57.6)
Net change in cash & cash equivalents	(38.6)	9.4
Cash & cash equivalents at beginning of period	52.5	11.7
Cash & cash equivalents at end of period	\$ 13.9	\$ 21.1

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

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VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Nature of Operations

Vectren Utility Holdings, Inc. (the Company or Utility Holdings), an Indiana corporation, was formed on March 31, 2000 to serve as the intermediate holding company for Vectren Corporation's (Vectren) for three operating public utilities: Indiana Gas Company, Inc. (Indiana Gas or Vectren North), Southern Indiana Gas and Electric Company (SIGECO or Vectren South), and the Ohio operations (VEDO or Vectren Ohio). Utility Holdings also has other assets that provide information technology and other services to the three utilities. Vectren, an Indiana corporation, is an energy holding company headquartered in Evansville, Indiana and was organized on June 10, 1999. Both Vectren and Utility Holdings are holding companies as defined by the Energy Policy Act of 2005 (Energy Act).

Indiana Gas provides energy delivery services to over 567,000 natural gas customers located in central and southern Indiana. SIGECO provides energy delivery services to over 141,000 electric customers and approximately 111,000 gas customers located near Evansville in southwestern Indiana. SIGECO also owns and operates electric generation to serve its electric customers and optimizes those assets in the wholesale power market. Indiana Gas and SIGECO generally do business as Vectren Energy Delivery of Indiana. The Ohio operations provide energy delivery services to approximately 317,000 natural gas customers located near Dayton in west central Ohio. The Ohio operations are owned as a tenancy in common by Vectren Energy Delivery of Ohio, Inc. (VEDO), a wholly owned subsidiary of Utility Holdings (53 percent ownership), and Indiana Gas (47 percent ownership). The Ohio operations generally do business as Vectren Energy Delivery of Ohio.

2. Basis of Presentation

The interim consolidated condensed financial statements included in this report have been prepared by the Company, without audit, as provided in the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted as provided in such rules and regulations. The information in this report reflects all adjustments which are, in the opinion of management, necessary to fairly state the interim periods presented, inclusive of adjustments that are normal and recurring in nature. These consolidated condensed financial statements and related notes should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2008, filed with the Securities and Exchange Commission on March 2, 2009, on Form 10-K. Because of the seasonal nature of the Company's utility operations, the results shown on a quarterly basis are not necessarily indicative of annual results.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Subsidiary Guarantor and Consolidating Information

The Company's three operating utility companies, SIGECO, Indiana Gas, and VEDO are guarantors of Utility Holdings' \$515 million in short-term credit facilities, of which \$33 million is outstanding at March 31, 2009, and Utility Holdings' \$823 million unsecured senior notes outstanding at March 31, 2009. The guarantees are full and unconditional and joint and several, and Utility Holdings has no subsidiaries other than the subsidiary guarantors. However, Utility Holdings does have operations other than those of the subsidiary guarantors. Pursuant

to Item 3-10 of Regulation S-X, disclosure of the results of operations and balance sheets of the subsidiary guarantors separate from the parent company's operations is required. Following are consolidating financial statements including information on the combined operations of the subsidiary guarantors separate from the other operations of the parent company. Pursuant to a tax sharing agreement with Vectren, tax effects, which are calculated on a separate return basis, are recorded at the parent (Utility Holdings) level.

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Condensed Consolidating Balance Sheet as of March 31, 2009 (in millions):

ASSETS	Subsidiary Guarantors	Parent Company	Eliminations	Consolidated
Current Assets				
Cash & cash equivalents	\$ 9.5	\$ 4.4	\$ -	\$ 13.9
Accounts receivable - less reserves	155.4	0.4	-	155.8
Intercompany receivables	88.2	131.6	(219.8)	-
Receivables due from other Vectren companies	0.7	0.2	-	0.9
Accrued unbilled revenues	67.7	-	-	67.7
Inventories	65.7	5.7	-	71.4
Recoverable fuel & natural gas costs	-	-	-	-
Prepayments & other current assets	25.7	31.7	(31.6)	25.8
Total current assets	412.9	174.0	(251.4)	335.5
Utility Plant				
Original cost	4,411.2	-	-	4,411.2
Less: accumulated depreciation & amortization	1,642.7	-	-	1,642.7
Net utility plant	2,768.5	-	-	2,768.5
Investments in consolidated subsidiaries	-	1,199.9	(1,199.9)	-
Notes receivable from consolidated subsidiaries	-	698.3	(698.3)	-
Investments in unconsolidated affiliates	0.2	-	-	0.2
Other investments	19.5	5.5	-	25.0
Nonutility property - net	4.3	176.4	-	180.7
Goodwill - net	205.0	-	-	205.0
Regulatory assets	77.3	24.9	-	102.2
Other assets	7.7	0.2	(2.9)	5.0
TOTAL ASSETS	\$ 3,495.4	\$ 2,279.2	\$ (2,152.5)	\$ 3,622.1

LIABILITIES & SHAREHOLDER'S EQUITY	Subsidiary Guarantors	Parent Company	Eliminations	Consolidated
Current Liabilities				
Accounts payable	\$ 82.1	\$ 4.4	\$ -	\$ 86.5
Accounts payable to affiliated companies	34.4	-	-	34.4
Intercompany payables	16.1	0.1	(16.2)	-
Payables to other Vectren companies	37.2	0.8	-	38.0
Refundable fuel & natural gas costs	25.7	-	-	25.7
Accrued liabilities	196.4	15.4	(31.6)	180.2
Short-term borrowings	-	33.1	-	33.1
Intercompany short-term borrowings	115.5	88.1	(203.6)	-
Current maturities of long-term debt	-	-	-	-
Long-term debt subject to tender	80.0	-	-	80.0
Total current liabilities	587.4	141.9	(251.4)	477.9
Long-Term Debt				
Long-term debt - net of current maturities & debt subject to tender	284.4	821.5	-	1,105.9
Long-term debt due to VUHI	698.3	-	(698.3)	-
Total long-term debt - net	982.7	821.5	(698.3)	1,105.9
Deferred Income Taxes & Other Liabilities				

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Deferred income taxes	316.2	24.2	-	340.4
Regulatory liabilities	313.7	4.5	-	318.2
Deferred credits & other liabilities	95.5	8.7	(2.9)	101.3
Total deferred credits & other liabilities	725.4	37.4	(2.9)	759.9
Common Shareholder's Equity				
Common stock (no par value)	776.3	763.0	(776.3)	763.0
Retained earnings	423.5	515.3	(423.5)	515.3
Accumulated other comprehensive income	0.1	0.1	(0.1)	0.1
Total common shareholder's equity	1,199.9	1,278.4	(1,199.9)	1,278.4
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	\$ 3,495.4	\$ 2,279.2	\$ (2,152.5)	\$ 3,622.1

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Condensed Consolidating Balance Sheet as of December 31, 2008 (in millions):