

VECTREN CORP  
Form 10-Q  
November 03, 2016

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, 2016

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-15467

VECTREN CORPORATION  
(Exact name of registrant as specified in its charter)

INDIANA 35-2086905  
(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.  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.

Class	Number of Shares	Date
Common Stock- Without Par Value	82,868,119	October 31, 2016

### Access to Information

Vectren Corporation makes available all SEC filings and recent annual reports free of charge through its website at [www.vectren.com](http://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:	Investor Relations Contact:
One Vectren Square	David E. Parker
Evansville, Indiana 47708	Director, Investor Relations
	<a href="mailto:vvcir@vectren.com">vvcir@vectren.com</a>

### Definitions

AFUDC: allowance for funds used during construction	IDEM: Indiana Department of Environmental Management
ASC: Accounting Standards Codification	IURC: Indiana Utility Regulatory Commission
ASU: Accounting Standards Update	kV: Kilovolt
BTU / MMBTU: British thermal units / millions of BTU	MCF / BCF: thousands / billions of cubic feet
DOT: Department of Transportation	MDth / MMDth: thousands / millions of dekatherms
EPA: Environmental Protection Agency	MISO: Midcontinent Independent System Operator
FAC: Fuel Adjustment Clause	MW: megawatts
FASB: Financial Accounting Standards Board	MWh / GWh: megawatt hours / thousands of megawatt hours (gigawatt hours)
FERC: Federal Energy Regulatory Commission	OUC: Indiana Office of the Utility Consumer Counselor
GAAP: Generally Accepted Accounting Principles	PUCO: Public Utilities Commission of Ohio
GCA: Gas Cost Adjustment	XBRL: eXtensible Business Reporting Language

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

VECTREN CORPORATION AND SUBSIDIARY COMPANIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited – In millions)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current Assets		
Cash & cash equivalents	\$ 34.4	\$ 74.7
Accounts receivable - less reserves of \$5.4 & \$5.6, respectively	227.9	227.5
Accrued unbilled revenues	94.5	142.5
Inventories	137.3	133.7
Recoverable fuel & natural gas costs	22.9	—
Prepayments & other current assets	63.2	81.0
Total current assets	580.2	659.4
Utility Plant		
Original cost	6,419.8	6,090.4
Less: accumulated depreciation & amortization	2,527.3	2,415.5
Net utility plant	3,892.5	3,674.9
Investments in unconsolidated affiliates	20.4	20.9
Other utility & corporate investments	35.7	31.2
Other nonutility investments	16.1	16.2
Nonutility plant - net	420.8	414.6
Goodwill	293.5	293.5
Regulatory assets	290.0	249.4
Other assets	42.7	39.9
<b>TOTAL ASSETS</b>	<b>\$ 5,591.9</b>	<b>\$ 5,400.0</b>

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

VECTREN CORPORATION AND SUBSIDIARY COMPANIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited – In millions)

	September 30, 2016	December 31, 2015
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 266.3	\$ 248.8
Refundable fuel & natural gas costs	—	7.9
Accrued liabilities	184.8	183.6
Short-term borrowings	131.2	14.5
Current maturities of long-term debt	—	73.0
Total current liabilities	582.3	527.8
Long-term Debt - Net of Current Maturities	1,713.8	1,712.9
Deferred Credits & Other Liabilities		
Deferred income taxes	874.8	805.4
Regulatory liabilities	450.9	433.9
Deferred credits & other liabilities	239.0	236.2
Total deferred credits & other liabilities	1,564.7	1,475.5
Commitments & Contingencies (Notes 7-11)		
Common Shareholders' Equity		
Common stock (no par value) – issued & outstanding 82.9 & 82.8, respectively	727.5	722.8
Retained earnings	1,004.8	962.2
Accumulated other comprehensive (loss)	(1.2	) (1.2
Total common shareholders' equity	1,731.1	1,683.8
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$ 5,591.9</b>	<b>\$ 5,400.0</b>

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



VECTREN CORPORATION AND SUBSIDIARY COMPANIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited – In millions, except per share amounts)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015	2016	2015	2016
<b>OPERATING REVENUES</b>				
Gas utility	\$117.7	\$108.5	\$530.8	\$590.1
Electric utility	173.5	164.4	463.3	466.0
Nonutility	339.8	300.6	755.3	774.6
Total operating revenues	631.0	573.5	1,749.4	1,830.7
<b>OPERATING EXPENSES</b>				
Cost of gas sold	29.1	27.3	174.6	235.8
Cost of fuel & purchased power	50.9	47.9	140.3	144.9
Cost of nonutility revenues	110.5	106.8	248.7	264.5
Other operating	256.3	234.3	686.9	690.5
Depreciation & amortization	65.4	65.0	193.4	191.6
Taxes other than income taxes	13.3	12.3	44.8	44.6
Total operating expenses	525.5	493.6	1,488.7	1,571.9
<b>OPERATING INCOME</b>	105.5	79.9	260.7	258.8
<b>OTHER INCOME</b>				
Equity in (losses) of unconsolidated affiliates	(0.1 )	(0.6 )	(0.2 )	(0.6 )
Other income – net	7.6	4.0	22.0	14.7
Total other income	7.5	3.4	21.8	14.1
<b>INTEREST EXPENSE</b>	20.9	21.2	64.3	63.1
<b>INCOME BEFORE INCOME TAXES</b>	92.1	62.1	218.2	209.8
<b>INCOME TAXES</b>	30.7	22.8	76.2	77.7
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	\$61.4	\$39.3	\$142.0	\$132.1
<b>WEIGHTED AVERAGE AND DILUTED COMMON SHARES OUTSTANDING</b>				
<b>BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK</b>	\$0.74	\$0.48	\$1.71	\$1.60
<b>DIVIDENDS DECLARED PER SHARE OF COMMON STOCK</b>	\$0.40	\$0.38	\$1.20	\$1.14

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

VECTREN CORPORATION AND SUBSIDIARY COMPANIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited – In millions)

	Nine Months Ended September 30, 2016    2015	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$142.0	\$132.1
Adjustments to reconcile net income to cash from operating activities:		
Depreciation & amortization	193.4	191.6
Deferred income taxes & investment tax credits	68.9	44.6
Equity in losses of unconsolidated affiliates	0.2	0.6
Provision for uncollectible accounts	5.3	5.9
Expense portion of pension & postretirement benefit cost	2.9	4.7
Other non-cash items - net	2.0	6.3
Changes in working capital accounts:		
Accounts receivable & accrued unbilled revenues	42.3	17.8
Inventories	(3.6 )	(11.8 )
Recoverable/refundable fuel & natural gas costs	(30.8 )	27.1
Prepayments & other current assets	15.0	46.9
Accounts payable, including to affiliated companies	(7.9 )	(36.5 )
Accrued liabilities	1.2	(1.9 )
Unconsolidated affiliate dividends	0.2	0.8
Employer contributions to pension & postretirement plans	(18.6 )	(23.3 )
Changes in noncurrent assets	(32.0 )	(15.8 )
Changes in noncurrent liabilities	(2.2 )	(2.5 )
Net cash provided by operating activities	378.3	386.6
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Long-term debt, net of issuance costs	—	37.5
Dividend reinvestment plan & other common stock issuances	4.6	4.7
Requirements for:		
Dividends on common stock	(99.4 )	(94.3 )
Retirement of long-term debt	(73.0 )	(5.0 )
Net change in short-term borrowings	116.7	(45.4 )
Net cash used in financing activities	(51.1 )	(102.5 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of assets and other collections	16.6	7.4
Requirements for:		
Capital expenditures, excluding AFUDC equity	(381.9 )	(349.4 )
Business acquisitions and other costs	(4.7 )	(14.0 )
Changes in restricted cash	2.5	(9.7 )
Net cash used in investing activities	(367.5 )	(365.7 )
Net change in cash & cash equivalents	(40.3 )	(81.6 )
Cash & cash equivalents at beginning of period	74.7	86.4
Cash & cash equivalents at end of period	\$34.4	