

VECTREN UTILITY HOLDINGS INC
Form 10-Q
November 07, 2008

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, 2008

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, Indiana,
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

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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 <input type="checkbox"/> (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, 2008
Class	Number of Shares	Date

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
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 dekatherms	Throughput: combined gas sales and gas transportation volumes

Access to Information

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

Mailing Address:
One Vectren Square
Evansville, Indiana 47708

Phone Number:
(812) 491-4000

Investor Relations Contact:
Steven M. Schein
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sschein@vectren.com

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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)

	September 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 8.0	\$ 11.7
Accounts receivable - less reserves of \$4.2 & \$2.7, respectively	86.4	137.1
Receivables due from other Vectren companies	0.3	17.9
Accrued unbilled revenues	35.0	140.6
Inventories	203.7	134.9
Recoverable fuel & natural gas costs	28.7	-
Prepayments & other current assets	133.6	93.3
Total current assets	495.7	535.5
Utility Plant		
Original cost	4,226.4	4,062.9
Less: accumulated depreciation & amortization	1,590.6	1,523.2
Net utility plant	2,635.8	2,539.7
Investments in unconsolidated affiliates	0.2	0.2
Other investments	23.6	24.7
Nonutility property - net	180.6	176.2
Goodwill	205.0	205.0
Regulatory assets	141.5	151.7
Other assets	9.3	10.7
TOTAL ASSETS	\$ 3,691.7	\$ 3,643.7

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)

	September 30, 2008	December 31, 2007
LIABILITIES & SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 132.3	\$ 138.7
Accounts payable to affiliated companies	48.1	66.9
Payables to other Vectren companies	64.0	34.2
Refundable fuel & natural gas costs	6.9	27.2
Accrued liabilities	211.3	138.9
Short-term borrowings	113.2	385.9
Long-term debt subject to tender	80.0	-
Total current liabilities	655.8	791.8
Long-Term Debt - Net of Current Maturities & Debt Subject to Tender		
	1,065.6	1,062.6
Deferred Income Taxes & Other Liabilities		
Deferred income taxes	323.2	286.9
Regulatory liabilities	313.0	307.2
Deferred credits & other liabilities	101.1	104.8
Total deferred credits & other liabilities	737.3	698.9
Commitments & Contingencies (Notes 10 - 12)		
Common Shareholder's Equity		
Common stock (no par value)	763.0	638.2
Retained earnings	469.9	451.9
Accumulated other comprehensive income	0.1	0.3
Total common shareholder's equity	1,233.0	1,090.4
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	\$ 3,691.7	\$ 3,643.7

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
OPERATING REVENUES				
Gas utility	\$ 143.9	\$ 114.0	\$ 1,002.4	\$ 890.0
Electric utility	147.9	143.6	402.3	361.6
Other	0.6	0.4	1.8	1.3
Total operating revenues	292.4	258.0	1,406.5	1,252.9
OPERATING EXPENSES				
Cost of gas	80.2	52.9	686.0	592.0
Cost of fuel & purchased power	48.7	50.5	143.2	129.5
Other operating	69.2	65.6	217.7	198.4
Depreciation & amortization	41.6	40.4	123.2	119.4
Taxes other than income taxes	11.7	11.3	51.8	49.6
Total operating expenses	251.4	220.7	1,221.9	1,088.9
OPERATING INCOME	41.0	37.3	184.6	164.0
OTHER INCOME - NET	0.7	1.3	4.9	6.2
INTEREST EXPENSE	19.6	20.8	59.5	58.8
INCOME BEFORE INCOME TAXES	22.1	17.8	130.0	111.4
INCOME TAXES	8.5	7.1	49.6	41.8
NET INCOME	\$ 13.6	\$ 10.7	\$ 80.4	\$ 69.6

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)

	Nine Months Ended September 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 80.4	\$ 69.6
Adjustments to reconcile net income to cash from operating activities:		
Depreciation & amortization	123.2	119.4
Deferred income taxes & investment tax credits	39.0	4.1
Expense portion of pension & postretirement periodic benefit cost	1.9	2.9
Provision for uncollectible accounts	11.8	11.5
Other non-cash charges - net	8.9	3.1
Changes in working capital accounts:		
Accounts receivable, including to Vectren companies & accrued unbilled revenue	162.1	121.4
Inventories	(72.2)	(28.3)
Recoverable/refundable fuel & natural gas costs	(49.0)	(7.5)
Prepayments & other current assets	(43.6)	(18.2)
Accounts payable, including to Vectren companies & affiliated companies	12.9	(59.9)
Accrued liabilities	78.3	(15.5)
Changes in noncurrent assets	3.2	(10.2)
Changes in noncurrent liabilities	(14.8)	(19.3)
Net cash flows from operating activities	342.1	173.1
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Capital contribution from parent	124.9	