

NISOURCE INC/DE

Form 10-Q

August 02, 2016

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 June 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 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

Delaware	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

801 East 86th Avenue	46410
Merrillville, Indiana	(Zip Code)
(Address of principal executive offices)	(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. 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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: 322,185,338 shares outstanding at July 25, 2016.

NISOURCE INC.
 FORM 10-Q QUARTERLY REPORT
 FOR THE QUARTER ENDED JUNE 30, 2016
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DEFINED TERMS

The following is a list of frequently used abbreviations or acronyms that are found in this report:

NiSource Subsidiaries, Affiliates and Former Subsidiaries

CGORC	Columbia Gas of Ohio Receivables Corporation
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.
CPG	Columbia Pipeline Group, Inc.
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
NARC	NIPSCO Accounts Receivable Corporation
NIPSCO	Northern Indiana Public Service Company
NiSource	NiSource Inc.
NiSource Finance	NiSource Finance Corp.

Abbreviations and Other

AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income (Loss)
ASU	Accounting Standards Update
BNS	Bank of Nova Scotia
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
CAA	Clean Air Act
CCRs	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
CO ₂	Carbon Dioxide
CPP	Clean Power Plan
DPU	Department of Public Utilities
DSM	Demand Side Management
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EGUs	Electric Utility Generating Units
ELG	Effluent limitations guidelines
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
GSEP	Gas System Enhancement Program
gwh	Gigawatt hours

DEFINED TERMS (continued)

IDEM	Indiana Department of Environmental Management
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
kV	Kilovolt
LDAF	Local Distribution Adjustment Factor
LDCs	Local distribution companies
LIFO	Last-in, first-out
MATS	Mercury and Air Toxics Standards
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
MPSC	Maryland Public Service Commission
NAAQS	National Ambient Air Quality Standards
NDC	Nationally Determined Contribution
NOL	Net operating loss
NO _x	Nitric oxide and nitrogen dioxide
NSR	New Source Review
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
PHMSA	U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration
PNC	PNC Bank, N.A.
Pure Air	Pure Air on the Lake LP
Separation	The separation of NiSource's natural gas pipeline, midstream and storage business from NiSource's natural gas and electric utility business accomplished through the pro rata distribution by NiSource to holders of its outstanding common stock of all the outstanding shares of common stock of CPG. The Separation was completed on July 1, 2015.
ppb	Parts per billion
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RDAF	Revenue Decoupling Adjustment Factor
SEC	Securities and Exchange Commission
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TSA	Transition Services Agreement
TUAs	Transmission Upgrade Agreements
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

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PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.

Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Revenues				
Gas Distribution	\$294.2	\$305.9	\$1,032.0	\$1,386.6
Gas Transportation	207.8	198.6	509.5	567.8
Electric	391.5	375.6	783.7	770.3
Other	4.1	4.5	9.0	12.1
Total Gross Revenues	897.6	884.6	2,334.2	2,736.8
Cost of Sales (excluding depreciation and amortization)	234.9	250.0	731.4	1,098.2
Total Net Revenues	662.7	634.6	1,602.8	1,638.6
Operating Expenses				
Operation and maintenance	337.6	356.7	692.3	765.8
Depreciation and amortization	136.9	133.5	269.7	258.5
Loss (gain) on sale of assets and impairments, net	(0.2)	(0.2)	(0.3)	0.1
Other taxes	50.2	60.2	121.5	143.5
Total Operating Expenses	524.5	550.2	1,083.2	1,167.9
Operating Income	138.2	84.4	519.6	470.7
Other Income (Deductions)				
Interest expense, net	(86.0)	(98.2)	(176.5)	(191.0)
Other, net	(6.1)	2.3	(5.4)	5.8
Loss on early extinguishment of long-term debt	—	(97.2)	—	(97.2)
Total Other Deductions	(92.1)	(193.1)	(181.9)	(282.4)
Income (Loss) from Continuing Operations before Income Taxes	46.1	(108.7)	337.7	188.3
Income Taxes	17.4	(35.6)	129.3	68.9
Income (Loss) from Continuing Operations	28.7	(73.1)	208.4	119.4
Income (Loss) from Discontinued Operations - net of taxes	(0.1)	45.4	(0.1)	128.2
Net Income (Loss)	28.6	(27.7)	208.3	247.6
Less: Net income attributable to noncontrolling interest	—	8.7	—	15.6
Net Income (Loss) attributable to NiSource	\$28.6	\$(36.4)	\$208.3	\$232.0
Amounts attributable to NiSource:				
Income (Loss) from continuing operations	\$28.7	\$(73.1)	\$208.4	\$119.4
Income (Loss) from discontinued operations	(0.1)	36.7	(0.1)	112.6
Net Income (Loss) attributable to NiSource	\$28.6	\$(36.4)	\$208.3	\$232.0
Basic Earnings (Loss) Per Share				
Continuing operations	\$0.09	\$(0.23)	\$0.65	\$0.38
Discontinued operations	—	0.12	—	0.35
Basic Earnings (Loss) Per Share	0.09	(0.11)	0.65	0.73
Diluted Earnings (Loss) Per Share				
Continuing operations	\$0.09	\$(0.23)	\$0.65	\$0.38
Discontinued operations	—	0.12	—	0.35
Diluted Earnings (Loss) Per Share	\$0.09	\$(0.11)	0.65	\$0.73
Dividends Declared Per Common Share	\$0.165	\$—	\$0.475	\$0.520

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Basic Average Common Shares Outstanding	321.7	317.5	321.0	317.0
Diluted Average Common Shares	322.9	317.5	322.5	318.0

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Condensed Statements of Consolidated Comprehensive Income (Loss) (unaudited)

(in millions, net of taxes)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net Income (Loss)	\$28.6	\$(27.7)	\$208.3	\$247.6
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale securities ⁽¹⁾	0.8	(1.2)	2.5	(0.3)
Net unrealized gain (loss) on cash flow hedges ⁽²⁾	(53.5)	0.7	(124.2)	1.6
Unrecognized pension and OPEB benefit ⁽³⁾	0.2	2.7	0.5	2.9
Total other comprehensive income (loss)	(52.5)	2.2	(121.2)	4.2
Comprehensive Income (Loss)	\$(23.9)	\$(25.5)	\$87.1	\$251.8
Less: Comprehensive income attributable to noncontrolling interest	—	8.7	—	15.6
Comprehensive Income (Loss) attributable to NiSource	\$(23.9)	\$(34.2)	\$87.1	\$236.2

⁽¹⁾ Net unrealized gain (loss) on available-for-sale securities, net of \$0.4 million tax expense and \$0.7 million tax benefit in the second quarter of 2016 and 2015, respectively, and \$1.3 million tax expense and \$0.2 million tax benefit for the first six months of 2016 and 2015, respectively.

⁽²⁾ Net unrealized gain (loss) on derivatives qualifying as cash flow hedges, net of \$33.0 million tax benefit and \$0.5 million tax expense in the second quarter of 2016 and 2015, respectively, and \$76.6 million tax benefit and \$0.9 million tax expense for the first six months of 2016 and 2015, respectively.

⁽³⁾ Unrecognized pension and OPEB benefit, net of \$0.2 million and \$2.3 million tax expense in the second quarter of 2016 and 2015, respectively, and \$0.3 million and \$2.2 million tax expense for the first six months of 2016 and 2015, respectively.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Condensed Consolidated Balance Sheets (unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Property, Plant and Equipment		
Utility plant	\$19,578.8	\$ 18,946.9
Accumulated depreciation and amortization	(7,040.3)	(6,853.4)
Net utility plant	12,538.5	12,093.5
Other property, at cost, less accumulated depreciation	17.4	18.0
Net Property, Plant and Equipment	12,555.9	12,111.5
Investments and Other Assets		
Unconsolidated affiliates	6.7	6.9
Other investments	190.2	187.7
Total Investments and Other Assets	196.9	194.6
Current Assets		
Cash and cash equivalents	15.7	15.5
Restricted cash	12.3	29.7
Accounts receivable (less reserve of \$31.4 and \$20.3, respectively)	474.1	660.0
Gas inventory	199.0	343.5
Materials and supplies, at average cost	102.6	86.8
Electric production fuel, at average cost	113.1	106.3
Exchange gas receivable	16.2	21.0
Regulatory assets	236.8	206.9
Prepayments and other	89.8	107.5
Total Current Assets	1,259.6	1,577.2
Other Assets		
Regulatory assets	1,601.1	1,599.8
Goodwill	1,690.7	1,690.7
Intangible assets	246.4	253.7
Deferred charges and other	66.6	65.0
Total Other Assets	3,604.8	3,609.2
Total Assets	\$17,617.2	\$ 17,492.5

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Condensed Consolidated Balance Sheets (unaudited) (continued)

(in millions, except share amounts)	June 30, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - \$0.01 par value, 400,000,000 shares authorized; 322,004,415 and 319,110,083 shares outstanding, respectively	\$3.2	\$ 3.2
Treasury stock	(87.2) (79.3)
Additional paid-in capital	5,118.3	5,078.0
Retained deficit	(1,067.4) (1,123.3)
Accumulated other comprehensive loss	(156.3) (35.1)
Total Common Stockholders' Equity	3,810.6	3,843.5
Long-term debt, excluding amounts due within one year	5,857.2	5,948.5
Total Capitalization	9,667.8	9,792.0
Current Liabilities		
Current portion of long-term debt	311.9	433.7
Short-term borrowings	1,100.7	567.4
Accounts payable	371.2	433.4
Dividends payable	53.0	—
Customer deposits and credits	186.7	316.3
Taxes accrued	140.9	183.5
Interest accrued	121.4	129.0
Exchange gas payable	37.7	62.3
Regulatory liabilities	142.5	231.4
Legal and environmental	37.3	37.6
Accrued compensation and employee benefits	124.7	141.3
Other accruals	68.2	121.6
Total Current Liabilities	2,696.2	2,657.5
Other Liabilities and Deferred Credits		
Risk management liabilities	221.1	22.6
Deferred income taxes	2,413.3	2,365.3
Deferred investment tax credits	14.1	14.8
Deferred credits	93.6	90.7
Accrued liability for postretirement and postemployment benefits	746.1	759.7
Regulatory liabilities	1,320.6	1,350.4
Asset retirement obligations	257.4	254.0
Other noncurrent liabilities	187.0	185.5
Total Other Liabilities and Deferred Credits	5,253.2	5,043.0
Commitments and Contingencies (Refer to Note 18, "Other Commitments and Contingencies")	—	—
Total Capitalization and Liabilities	\$17,617.2	\$ 17,492.5

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Condensed Statements of Consolidated Cash Flows (unaudited)

Six Months Ended June 30, (in millions)	2016	2015
Operating Activities		
Net Income	\$208.3	\$247.6
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Loss on early extinguishment of debt	—	97.2
Depreciation and amortization	269.7	258.5
Deferred income taxes and investment tax credits	124.3	50.8
Stock compensation expense and 401(k) profit sharing contribution	21.8	29.6
Income (Loss) from discontinued operations - net of taxes	0.1	(128.2)
Amortization of discount/premium on debt	3.6	4.8
AFUDC equity	(5.4)	(4.8)
Other adjustments	(1.7)	7.7
Changes in Assets and Liabilities:		
Accounts receivable	185.0	371.7
Income tax receivable	0.9	(0.6)
Inventories	120.4	148.3
Accounts payable	(83.5)	(254.9)
Customer deposits and credits	(129.7)	(115.7)
Taxes accrued	(41.3)	(23.5)
Interest accrued	(7.6)	(11.6)
Exchange gas receivable/payable	(19.9)	(66.4)
Other accruals	(30.6)	(71.3)
Prepayments and other current assets	19.6	23.3
Regulatory assets/liabilities	(135.6)	281.4
Postretirement and postemployment benefits	(13.4)	(28.1)
Deferred credits	2.9	0.4
Deferred charges and other noncurrent assets	—	4.5
Other noncurrent liabilities	(0.1)	(1.4)
Net Operating Activities from Continuing Operations	487.8	819.3
Net Operating Activities from (used for) Discontinued Operations	(0.7)	296.2
Net Cash Flows from Operating Activities	487.1	1,115.5
Investing Activities		
Capital expenditures	(672.5)	(554.7)
Cash contributions from CPG	—	3,798.2
Proceeds from disposition of assets	3.1	1.5
Restricted cash withdrawals (deposits)	17.4	(0.3)
Other investing activities	(63.0)	(10.2)
Net Investing Activities from (used for) Continuing Operations	(715.0)	3,234.5
Net Investing Activities used for Discontinued Operations	—	(430.0)
Net Cash Flows from (used for) Investing Activities	(715.0)	2,804.5
Financing Activities		
Repayments of long-term debt and capital lease obligations	(207.7)	(1,856.3)
Premiums and other debt related costs	(0.3)	(93.5)
Change in short-term borrowings, net	533.3	(1,435.1)

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Issuance of common stock	10.0	12.4
Acquisition of treasury stock	(7.9)	(20.2)
Dividends paid - common stock	(99.3)	(164.7)
Net Financing Activities from (used for) Continuing Operations	228.1	(3,557.4)
Net Financing Activities from Discontinued Operations	—	108.6
Net Cash Flows from (used for) Financing Activities	228.1	(3,448.8)
Change in cash and cash equivalents from continuing operations	0.9	496.4
Change in cash and cash equivalents used for discontinued operations	(0.7)	(25.2)
Change in cash included in discontinued operations	—	(135.1)
Cash and cash equivalents at beginning of period	15.5	24.9
Cash and Cash Equivalents at End of Period	\$15.7	\$361.0

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Condensed Statement of Consolidated Equity (unaudited)

(in millions)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2016	\$ 3.2	\$ (79.3)	\$ 5,078.0	\$ (1,123.3)	\$ (35.1)	\$ 3,843.5
Comprehensive Income:						
Net Income	—	—	—	208.3	—	208.3
Other comprehensive loss, net of tax	—	—	—	—	(121.2)	(121.2)
Common stock dividends (\$0.475 per share)	—	—	—	(152.4)	—	(152.4)
Treasury stock acquired	—	(7.9)	—	—	—	(7.9)
Issued:						
Employee stock purchase plan	—	—	2.1	—	—	2.1
Long-term incentive plan	—	—	13.8	—	—	13.8
401(k) and profit sharing issuance	—	—	20.9	—	—	20.9
Dividend reinvestment plan	—	—	3.5	—	—	3.5
Balance as of June 30, 2016	\$ 3.2	\$ (87.2)	\$ 5,118.3	\$ (1,067.4)	\$ (156.3)	\$ 3,810.6

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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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 Inc. ("NiSource" or 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 contain the accounts of the Company and its majority-owned or controlled subsidiaries. The results of operations of the former Columbia Pipeline Group Operations segment have been classified as discontinued operations for all periods presented. See Note 5, "Discontinued Operations," for further information.

Unless otherwise indicated, the information in the Notes to the Condensed Consolidated Financial Statements (unaudited) relates to NiSource's continuing operations.

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, 2015. 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 in this quarterly report on Form 10-Q are adequate to make the information herein not misleading.

2. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 changes the impairment model for most financial assets, replacing the current "incurred loss" model. ASU 2016-13 will require the use of an "expected loss" model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount. NiSource is required to adopt ASU 2016-13 for periods beginning after December 15, 2019, including interim periods. Early adoption is permitted for annual periods beginning after December 15, 2018. NiSource is currently evaluating the impact the adoption of ASU 2016-13 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The pronouncement clarifies implementation guidance in ASU 2014-09 on assessing collectability, noncash consideration and the presentation of sales and other similar taxes collected from customers. ASU 2016-12 has the same effective date and transition requirements as ASU 2015-14, Revenue from Contracts with Customers (Topic 606). NiSource is currently evaluating the impact the adoption of ASU 2016-12 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. Among other provisions, the standard requires that all income tax effects of awards are recognized in the income statement when the awards vest or are settled and also allows an employer to make a policy election to account for forfeitures as they occur. NiSource is required to adopt ASU 2016-09 for periods beginning after December 15, 2016, including interim periods, with early adoption permitted if all

of the amendments are adopted in the same period. Each amendment has varying transition requirements. NiSource expects to adopt ASU 2016-09 in the third quarter of 2016. Upon adoption, NiSource will record, as an adjustment to beginning retained earnings, excess tax benefits generated in years prior to adoption that were previously unrecognized as a result of NiSource being in a net operating loss position. In addition, NiSource expects to record an income tax benefit related to stock-based awards distributed to employees in 2016.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. ASU 2016-08 clarifies the principal versus agent guidance in ASU 2014-09, the new revenue recognition standard. The amendment clarifies how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The amendment also re-frames the indicators to focus on evidence that an entity is acting as a principal rather than an agent. ASU 2016-08 has the same effective date and transition requirements as ASU 2015-14. NiSource is currently evaluating the impact the adoption of ASU 2016-08 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

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

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet. The standard requires that lessees recognize the following for all leases (with the exception of short-term leases, as that term is defined in the standard) at the lease commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. NiSource is required to adopt ASU 2016-02 for periods beginning after December 15, 2018, including interim periods, and the guidance is to be applied with a modified retrospective approach, with early adoption permitted. NiSource is currently evaluating the impact the adoption of ASU 2016-02 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

3. Earnings Per Share

Basic EPS is computed by dividing net income attributable to NiSource 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 attributable to NiSource. The computation of diluted average common shares for the three months ended June 30, 2015 is not presented since NiSource had a loss from continuing operations and a net loss on the Condensed Statements of Consolidated Income (unaudited) during the period and any incremental shares would have had an antidilutive effect on EPS. The computation of diluted average common shares is as follows:

(in thousands)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	2015
Denominator			
Basic average common shares outstanding	321,725	321,003	317,035
Dilutive potential common shares:			
Shares contingently issuable under employee stock plans	124	80	513
Shares restricted under stock plans	1,045		