INTEGRYS ENERGY GROUP, INC.
Form 10-Q
May 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

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	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-11337	INTEGRYS ENERGY GROUP, INC. (A Wisconsin Corporation) 200 East Randolph Street Chicago, IL 60601-6207 (312) 228-5400	39-1775292

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 [X] 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.

Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] 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 [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common stock, $1 par value,
79,963,091 shares outstanding at
May 4, 2015

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INTEGRYS ENERGY GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2015
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Acronyms Used in this Quarterly Report on Form 10-Q

AFUDC	Allowance for Funds Used During Construction
AMRP	Accelerated Natural Gas Main Replacement Program
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATC	American Transmission Company LLC
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	United States Generally Accepted Accounting Principles
IBS	Integrys Business Support, LLC
ICC	Illinois Commerce Commission
IES	Integrys Energy Services, Inc.
IRS	United States Internal Revenue Service
ITF	Integrys Transportation Fuels, LLC (doing business as Trillium CNG)
MERC	Minnesota Energy Resources Corporation
MGU	Michigan Gas Utilities Corporation
MISO	Midcontinent Independent System Operator, Inc.
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
N/A	Not Applicable
NSG	North Shore Gas Company
PDI	WPS Power Development LLC
PELLC	Peoples Energy, LLC (formerly known as Peoples Energy Corporation)
PGL	The Peoples Gas Light and Coke Company
PSCW	Public Service Commission of Wisconsin
SEC	United States Securities and Exchange Commission
UPPCO	Upper Peninsula Power Company
WDNR	Wisconsin Department of Natural Resources
WPS	Wisconsin Public Service Corporation

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Forward-Looking Statements

In this report, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. These statements are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future results and conditions. Although we believe that these forward-looking statements and the underlying assumptions are reasonable, we cannot provide assurance that such statements will prove correct.

Forward-looking statements involve a number of risks and uncertainties. Some risks and uncertainties that could cause actual results to differ materially from those expressed or implied in forward-looking statements include those described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, as may be amended or supplemented in Part II, Item 1A of our subsequently filed Quarterly Reports on Form 10-Q (including this report), and those identified below:

- The timing and resolution of rate cases and related negotiations, including recovery of deferred and current costs and the ability to earn a reasonable return on investment, and other regulatory decisions impacting the regulated businesses;
- Federal and state legislative and regulatory changes, including deregulation and restructuring of the electric and natural gas utility industries, financial reform, health care reform, energy efficiency mandates, reliability standards, pipeline integrity and safety standards, and changes in tax and other laws and regulations to which we and our subsidiaries are subject;
- The possibility that the proposed merger with Wisconsin Energy Corporation does not close (including, but not limited to, due to the failure to satisfy the closing conditions), disruption from the proposed merger making it more difficult to maintain our business and operational relationships, and the risk that unexpected costs will be incurred during this process;
- The risk of terrorism or cyber security attacks, including the associated costs to protect our assets and respond to such events;
- The risk of failure to maintain the security of personally identifiable information, including the associated costs to notify affected persons and to mitigate their information security concerns;
- The timely completion of capital projects within estimates, as well as the recovery of those costs through established mechanisms;
- Unusual weather and other natural phenomena, including related economic, operational, and/or other ancillary effects of any such events;
- The impact of unplanned facility outages;
- The risks associated with changing commodity prices, particularly natural gas and electricity, and the available sources of fuel, natural gas, and purchased power, including their impact on margins, working capital, and liquidity requirements;
- The effects of political developments, as well as changes in economic conditions and the related impact on customer energy use, customer growth, and our ability to adequately forecast energy use for our customers;
- Federal and state legislative and regulatory changes relating to the environment, including climate change and other environmental regulations impacting generation facilities and renewable energy standards;
- Costs and effects of litigation and administrative proceedings, settlements, investigations, and claims;
- Changes in credit ratings and interest rates caused by volatility in the financial markets and actions of rating agencies and their impact on our and our subsidiaries' liquidity and financing efforts;
- The ability to retain market-based rate authority;
- The effects, extent, and timing of competition or additional regulation in the markets in which our subsidiaries operate;
- The risk of financial loss, including increases in bad debt expense, associated with the inability of our and our subsidiaries' counterparties, affiliates, and customers to meet their obligations;

- The ability to use tax credit, net operating loss, and/or charitable contribution carryforwards;
- The investment performance of employee benefit plan assets and related actuarial assumptions, which impact future funding requirements;
- The risk associated with the value of goodwill or other intangible assets and their possible impairment;
- Potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed timely or within budgets;
- Changes in technology, particularly with respect to new, developing, or alternative sources of generation;
- The financial performance of ATC and its corresponding contribution to our earnings;
- The timing and outcome of any audits, disputes, and other proceedings related to taxes;
- The effectiveness of risk management strategies, the use of financial and derivative instruments, and the related recovery of these costs from customers in rates;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other factors discussed elsewhere herein and in other reports we file with the SEC.

Except to the extent required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRYS ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)	Three Months Ended March 31	
(Millions, except per share data)	2015	2014
Operating revenues	$1,163.2	$1,638.0
Cost of sales	577.7	975.6
Operating and maintenance expense	261.0	332.6
Depreciation and amortization expense	74.7	70.6
Taxes other than income taxes	25.6	26.9
Operating income	224.2	232.3
Earnings from equity method investments	17.5	22.9
Miscellaneous income	6.6	5.8
Interest expense	38.2	38.9
Other expense	(14.1)	(10.2)
Income before taxes	210.1	222.1
Provision for income taxes	78.9	81.9
Net income from continuing operations	131.2	140.2
Discontinued operations, net of tax	(0.9)	12.9
Net income	130.3	153.1
Preferred stock dividends of subsidiary	(0.8)	(0.8)
Noncontrolling interest in subsidiaries	—	0.1
Net income attributed to common shareholders	$129.5	$152.4
Average shares of common stock		
Basic	80.2	80.2
Diluted	80.8	80.5
Earnings per common share (basic)		
Net income from continuing operations	$1.62	$1.74
Discontinued operations, net of tax	(0.01)	0.16
Earnings per common share (basic)	$1.61	$1.90
Earnings per common share (diluted)		
Net income from continuing operations	$1.61	$1.73
Discontinued operations, net of tax	(0.01)	0.16
Earnings per common share (diluted)	$1.60	$1.89
Dividends per common share declared	$0.68	$0.68

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

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INTEGRYS ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Millions)	Three Months Ended March 31 2015	2014
Net income	$130.3	$153.1
Other comprehensive income (loss), net of tax:		
Cash flow hedges		
Reclassification of net losses (gains) to net income, net of tax of $0.1 million and $0.9 million, respectively	0.1	(0.6)
Defined benefit plans		
Pension and other postretirement benefit costs arising during period, net of tax of an insignificant amount for all periods presented	—	(0.1)
Amortization of pension and other postretirement benefit costs included in net periodic benefit cost, net of tax of $0.5 million and $0.3 million, respectively	0.7	0.3
Defined benefit plans, net	0.7	0.2
Other comprehensive income (loss), net of tax	0.8	(0.4)
Comprehensive income	131.1	152.7
Preferred stock dividends of subsidiary	(0.8)	(0.8)
Noncontrolling interest in subsidiaries	—	0.1
Comprehensive income attributed to common shareholders	$130.3	$152.0

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

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INTEGRYS ENERGY GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)	March 31	December 31
(Millions, except share and per share data)	2015	2014
Assets		
Cash and cash equivalents	$86.4	$ 18.0
Accounts receivable and accrued unbilled revenues, net of reserves of $58.3 and $63.3, respectively	720.8	699.8
Inventories	179.9	327.2
Regulatory assets	86.2	118.9
Assets held for sale	51.5	52.2
Deferred income taxes	39.8	52.4
Prepaid taxes	51.7	136.2
Other current assets	43.0	57.4
Current assets	1,259.3	1,462.1
Property, plant, and equipment, net of accumulated depreciation of $3,330.2 and $3,322.0, respectively	6,928.8	6,827.7
Regulatory assets	1,507.3	1,513.6
Equity method investments	556.0	550.6
Goodwill	655.4	655.4
Other long-term assets	262.2	272.6
Total assets	$11,169.0	$ 11,282.0
Liabilities and Equity		
Short-term debt	$133.3	$ 317.6
Current portion of long-term debt	125.0	125.0
Accounts payable	414.6	490.7
Accrued taxes	108.6	87.7
Regulatory liabilities	171.6	153.7
Liabilities held for sale	13.6	13.8
Other current liabilities	282.1	261.0
Current liabilities	1,248.8	1,449.5
Long-term debt	2,956.3	2,956.3
Deferred income taxes	1,599.5	1,570.0
Deferred investment tax credits	63.6	60.6
Regulatory liabilities	402.4	399.9
Environmental remediation liabilities	573.2	579.9
Pension and other postretirement benefit obligations	271.2	274.6
Asset retirement obligations	485.0	479.1
Other long-term liabilities	155.3	161.3
Long-term liabilities	6,506.5	6,481.7
Commitments and contingencies		
Common stock – $1 par value; 200,000,000 shares authorized; 79,963,091 shares issued; 79,534,171 shares outstanding	80.0	80.0
Additional paid-in capital	2,629.2	2,642.2

Retained earnings	701.1	626.0
Accumulated other comprehensive loss	(26.8)	(27.6)
Shares in deferred compensation trust	(20.9)	(20.9)
Total common shareholders’ equity	3,362.6	3,299.7
Preferred stock of subsidiary – $100 par value; 1,000,000 shares authorized; 511,882 shares issued; 510,495 shares outstanding	51.1	51.1
Total liabilities and equity	$11,169.0	$ 11,282.0

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

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INTEGRYS ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended March 31	
(Millions)	2015	2014
Operating Activities		
Net income	$130.3	$153.1
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization expense	74.7	71.3
Recoveries and refunds of regulatory assets and liabilities	18.1	54.1
Net unrealized gains on energy contracts	(0.5)	(19.7)
Bad debt expense	9.2	19.3
Pension and other postretirement expense	7.7	7.2
Pension and other postretirement contributions	(2.9)	(68.6)
Deferred income taxes and investment tax credits	45.2	90.3
Equity income, net of dividends	(4.0)	(3.9)
Other	(10.9)	1.1
Changes in working capital		
Collateral on deposit	0.6	(37.0)
Accounts receivable and accrued unbilled revenues	(38.9)	(531.5)
Inventories	146.9	121.6
Other current assets	104.9	(65.3)
Accounts payable	(40.8)	272.1
Temporary LIFO liquidation credit	33.5	150.9
Other current liabilities	51.1	54.7
Net cash provided by operating activities	524.2	269.7
Investing Activities		
Capital expenditures	(208.8)	(159.6)
Capital contributions to equity method investments	(1.7)	(5.1)
Withdrawal of restricted cash from Rabbi trust for qualifying payments	10.9	—
Other	2.1	1.4
Net cash used for investing activities	(197.5)	(163.3)
Financing Activities		
Short-term debt, net	(184.3)	(4.1)
Shares purchased for stock-based compensation	(17.5)	(9.8)
Payment of dividends		
Preferred stock of subsidiary	(0.8)	(0.8)
Common stock	(54.1)	(54.1)
Other	(1.6)	(3.3)
Net cash used for financing activities	(258.3)	(72.1)
Net change in cash and cash equivalents	68.4	34.3
Cash and cash equivalents at beginning of period	18.0	22.3
Cash and cash equivalents at end of period	$86.4	$56.6
Cash paid for interest	$13.9	$13.4
Cash received for income taxes	$(51.1)	$(62.7)

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

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INTEGRYS ENERGY GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO FINANCIAL STATEMENTS (Unaudited)
March 31, 2015

Note 1—Basis of Presentation

As used in these notes, the term "financial statements" refers to the condensed consolidated financial statements. This includes the condensed consolidated statements of income, condensed consolidated statements of comprehensive income, condensed consolidated balance sheets, and condensed consolidated statements of cash flows, unless otherwise noted. In this report, when we refer to "us," "we," "our," or "ours," we are referring to Integrys Energy Group, Inc.

We prepare our financial statements in conformity with the rules and regulations of the SEC for Quarterly Reports on Form 10-Q and in accordance with GAAP. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and footnotes in our Annual Report on Form 10-K for the year ended December 31, 2014. Financial results for an interim period may not give a true indication of results for the year.

In management’s opinion, these unaudited financial statements include all adjustments necessary for a fair presentation of financial results. All adjustments are normal and recurring, unless otherwise noted. All intercompany transactions have been eliminated in consolidation.

Reclassifications

The assets and liabilities associated with the potential sale of certain PDI solar assets were reclassified as held for sale on our December 31, 2014 balance sheet to be consistent with the current period presentation. In addition, the operations of IES's retail energy business were reclassified as discontinued operations on our income statement for the three months ended March 31, 2014. See Note 4, Dispositions, for more information on these sales.

Note 2—Proposed Merger with Wisconsin Energy Corporation

In June 2014, we entered into an Agreement and Plan of Merger (Agreement) with Wisconsin Energy Corporation (Wisconsin Energy). Under this Agreement, upon the close of the transaction our shareholders will receive 1.128 shares of Wisconsin Energy common stock and $18.58 in cash for each share of our common stock then owned. In addition, under the Agreement all of our unvested stock-based compensation awards will fully vest upon the close of the transaction and will be paid out in cash to award recipients. Upon closing of the transaction, our shareholders will own approximately 28% of the combined company, and Wisconsin Energy shareholders will own approximately 72%.

The combined entity will be named WEC Energy Group, Inc. and will serve natural gas and electric customers across Wisconsin, Illinois, Michigan, and Minnesota.

This transaction was approved unanimously by the Boards of Directors of both companies. It was also approved by the shareholders of both companies. In October 2014, the Department of Justice closed its review of the transaction and the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Act. In April 2015, the transaction was approved by the Federal Communications Commission, the FERC, and the MPSC. On April 30, 2015, the transaction was verbally approved by the PSCW subject to certain conditions. A final written order is expected from the PSCW in May 2015. The transaction is still subject to approvals from the ICC and the MPUC, as well as other customary closing conditions. We expect the merger transaction to close by the end of this summer.

Note 3—Acquisitions

Purchase of Alliant Energy Corporation's Natural Gas Distribution Business in Southeast Minnesota

On April 30, 2015, MERC acquired Alliant Energy Corporation's natural gas distribution business in southeast Minnesota for $13.6 million. The purchase price included a cash payment of $11.0 million and the issuance of a promissory note to Alliant Energy Corporation for $2.6 million. The purchase price was based on the estimated book value as of the closing date and is subject to post-closing adjustments. This transaction was not material to us.

Note 4—Dispositions

Discontinued Operations

See Note 5, Cash and Cash Equivalents, for cash flow information related to discontinued operations.

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Holding Company and Other Segment – Potential Sale of Combined Locks Energy Center (Combined Locks)

We are currently pursuing the sale of Combined Locks, a natural gas-fired co-generation facility located in Wisconsin. Combined Locks had $0.7 million of assets that were classified as held for sale on the balance sheets at March 31, 2015, and December 31, 2014, which included inventories and property, plant, and equipment. During each of the three months ended March 31, 2015, and 2014, we recorded after-tax losses of $0.1 million in discontinued operations related to Combined Locks.

IES Segment – Sale of IES Retail Energy Business

In November 2014, we sold IES's retail energy business to Exelon Generation Company, LLC (Exelon) for $331.8 million, which has been updated for a working capital adjustment made in the first quarter of 2015 and reflected in the tables below. As part of the stock purchase agreement, we provided guarantees expiring during the second quarter of 2015, which supported the IES retail energy business. See Note 12, Guarantees, for more information. We are providing certain administrative and operational services to Exelon during a transition period of up to 15 months after the sale date.

The sale of the retail energy business was the result of a previously announced shift in our strategy to focus on our regulated businesses. Therefore, its results of operations were classified as discontinued operations beginning in the fourth quarter of 2014.

The following table shows the carrying values of the major classes of assets and liabilities included in the sale:

(Millions)	As of the Closing Date in November 2014
Cash and cash equivalents	$7.6
Accounts receivable and accrued unbilled revenues, net of reserves of $1.8	293.4
Inventories	52.2
Current assets from risk management activities	234.8
Other current assets	75.1
Property, plant, and equipment, net of accumulated depreciation of $16.6	4.5
Long-term assets from risk management activities	106.9
Other long-term assets	25.5
Total assets	$800.0
Accounts payable	$186.9
Current liabilities from risk management activities	169.7
Accrued taxes	0.8
Other current liabilities	6.7
Long-term liabilities from risk management activities	79.5
Other long-term liabilities	0.3
Total liabilities	$443.9

Included in the sale were commodity contracts that did not meet the GAAP definition of derivative instruments and, therefore, were not reflected on the balance sheets. In accordance with GAAP, expected gains or losses related to nonderivative commodity contracts are not recognized until the contracts are settled.

The following table shows the components of discontinued operations related to the sale of the IES retail energy business recorded on the income statements for the three months ended March 31:

(Millions)	2015	2014
Revenues	$—	$1,289.6
Cost of sales	—	(1,234.8)
Operating and maintenance expense	(1.2)	(32.0)
Depreciation and amortization expense	—	(0.7)
Taxes other than income taxes	(0.2)	(1.2)
Miscellaneous income	0.1	0.2
Interest expense	—	(0.2)
(Loss) income before taxes	(1.3)	20.9
Benefit (provision) for income taxes	0.5	(7.9)
Discontinued operations, net of tax	$(0.8)	$13.0

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Dispositions

Holding Company and Other Segment – Potential Sale of Certain PDI Solar Assets

In the first quarter of 2015, management began implementing a plan to sell certain solar assets owned by PDI. The potential sale of these assets meets the criteria in the accounting guidance to qualify as held for sale but does not meet the requirements to qualify as discontinued operations. The potential sale of these assets does not represent a shift in our corporate strategy and will not have a major effect on our operations and financial results. Therefore, the results of operations of the PDI solar assets will remain in continuing operations.

The following table shows the carrying values of the major classes of assets and liabilities included as held for sale on the balance sheets:

(Millions)	March 31, 2015	December 31, 2014
Property, plant, and equipment, net of accumulated depreciation of $22.1 and $21.1, respectively	$31.1	$32.1
Equity method investments	18.5	18.2
Other long-term assets	1.2	1.2
Total assets	$50.8	$51.5
Current liabilities	$0.3	$0.3
Deferred investment tax credits	4.7	5.0
Asset retirement obligations	1.1	1.1
Other long-term liabilities	7.5	7.4
Total liabilities	$13.6	$13.8

Electric Utility Segment – Sale of UPPCO

In August 2014, we sold all of the stock of UPPCO to Balfour Beatty Infrastructure Partners LP for $336.7 million. Following the sale, we are providing certain administrative and operational services to UPPCO during a transition period of 18 to 30 months. The sale of UPPCO was evaluated for accounting purposes prior to our early adoption of ASU 2014-08. UPPCO met the criteria in the accounting guidance to qualify as held for sale but did not meet the requirements to qualify as discontinued operations as WPS has significant continuing cash flows related to certain power purchase transactions with UPPCO that continued after the sale. Therefore, UPPCO's results of operations through the sale date remain in continuing operations.

Note 5—Cash and Cash Equivalents

Short-term investments with an original maturity of three months or less are reported as cash equivalents.

Continuing Operations

Significant noncash transactions related to continuing operations were:

	Three Months Ended March 31	
(Millions)	2015	2014
Construction costs funded through accounts payable	$134.0	$92.3
ITF fueling station sale financed with note receivable	2.8	—
Equity issued for employee stock ownership plan	—	1.7

At March 31, 2015, restricted cash of $12.5 million was recorded within other long-term assets on our balance sheet. This amount was held in the rabbi trust and represents a portion of the required funding for the rabbi trust that was triggered by the announcement of the proposed merger with Wisconsin Energy Corporation. See Note 2, Proposed Merger with Wisconsin Energy Corporation, for more information about the proposed merger. See Note 13, Employee Benefit Plans, for more information on the rabbi trust funding requirements.

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Discontinued Operations

Significant noncash transactions and other information related to discontinued operations are disclosed below. There were no significant investing activities for the periods presented.

	Three Months Ended March 31	
(Millions)	2015	2014
Operating Activities		
Net unrealized gains on energy contracts	$—	$(19.6)
Deferred income taxes and investment tax credits	—	11.5
Other	1.3	6.7

Note 6—Investment in ATC

Our electric transmission investment segment consists of WPS Investments LLC’s ownership interest in ATC, which was approximately 34% at March 31, 2015. ATC is a for-profit, transmission-only company regulated by FERC.

The following table shows changes to our investment in ATC:

	Three Months Ended March 31	
(Millions)	2015	2014
Balance at the beginning of period	$536.7	$508.4
Add: Earnings from equity method investment	17.0	22.5
Add: Capital contributions	1.7	5.1
Less: Dividends received	13.6	18.4
Balance at the end of period	$541.8	$517.6

ATC is currently named in a complaint filed with the FERC requesting a reduction in the base return on equity (ROE) used by MISO transmission owners to 9.15%. ATC's current authorized ROE is 12.2%. Although we are currently unable to determine how the FERC may rule in this complaint, we believe it is probable that a refund will be required upon resolution of this issue, based on rulings in a similar complaint. As a result, our equity earnings and corresponding equity method investment in ATC reflect the impact of a reduction to earnings based on this issue. Our equity earnings for the first quarter of 2015 also included a reduction of $4.8 million related to prior years due to a revision to the estimated refund.

Financial data for all of ATC is included in the following tables:

	Three Months Ended March 31	
(Millions)	2015	2014
Income statement data		
Revenues	$152.4	$163.3
Operating expenses	80.0	78.6
Other expense	24.4	21.6
Net income	$48.0	$63.1

(Millions)	March 31, 2015	December 31, 2014
Balance sheet data		
Current assets	$69.4	$66.4
Noncurrent assets	3,779.3	3,728.7
Total assets	$3,848.7	$3,795.1

Current liabilities	$325.7	$313.1
Long-term debt	1,701.0	1,701.0
Other noncurrent liabilities	188.9	163.8
Shareholders' equity	1,633.1	1,617.2
Total liabilities and shareholders' equity	$3,848.7	$3,795.1

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Note 7—Inventories

PGL and NSG price natural gas storage injections at the calendar year average of the costs of natural gas supply purchased. Withdrawals from storage are priced on the Last-in, First-out (LIFO) cost method. For interim periods, the difference between current projected replacement cost and the LIFO cost for quantities of natural gas temporarily withdrawn from storage is recorded as a temporary LIFO liquidation debit or credit. At March 31, 2015, we had a temporary LIFO liquidation credit of $33.5 million recorded within other current liabilities on our balance sheet. Due to seasonality requirements, PGL and NSG expect interim reductions in LIFO layers to be replenished by year end.

Note 8—Goodwill and Other Intangible Assets

We had no changes to the carrying amount of goodwill during the three months ended March 31, 2015, and 2014.

The identifiable intangible assets other than goodwill listed below are part of other long-term assets on the balance sheets.

	March 31, 2015			December 31, 2014		
(Millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets						
Contractual service agreements [1]	$15.6	$ (5.1)	$10.5	$15.6	$ (4.3)	$11.3
Customer-owned equipment modifications [2]	4.0	(1.2)	2.8	4.0	(1.2)	2.8
Intellectual property [3]	3.4	(0.9)	2.5	3.4	(0.8)	2.6
Nonregulated easements [4]	3.9	(1.5)	2.4	3.9	(1.4)	2.5
Compressed natural gas fueling contract assets [5]	5.6	(3.8)	1.8	5.6	(3.6)	2.0
Customer-related [6]	1.9	(0.4)	1.5	1.9	(0.3)	1.6
Other	0.5	(0.3)	0.2	0.5	(0.3)	0.2
Total	$34.9	$ (13.2)	$21.7	$34.9	$ (11.9)	$23.0
Unamortized intangible assets						
MGU trade name	$5.2	$ —	$5.2	$5.2	$ —	$5.2
Trillium trade name [7]	3.5	—	3.5	3.5	—	3.5
Pinnacle trade name [7]	1.5	—	1.5	1.5	—	1.5
Other	0.4	—	0.4	—	—	—
Total intangible assets	$45.5	$ (13.2)	$32.3	$45.1	$ (11.9)	$33.2

(1) Represents contractual service agreements that provide for major maintenance and protection against unforeseen maintenance costs related to the combustion turbine generators at the Fox Energy Center. The remaining weighted-average amortization period for these intangible assets at March 31, 2015, was approximately four years.

(2) Relates to modifications made by PDI and ITF to customer-owned equipment. These intangible assets are amortized on a straight-line basis, with a remaining weighted-average amortization period at March 31, 2015, of approximately nine years.

(3) Represents the fair value of intellectual property at ITF related to a system for more efficiently compressing natural gas to allow for faster fueling. The remaining amortization period for these intangible assets at March 31, 2015, was approximately seven years.

(4) Relates to easements supporting a pipeline at PDI. The easements are amortized on a straight-line basis, with a remaining amortization period at March 31, 2015, of approximately nine years.

(5) Represents the fair value of ITF contracts acquired in September 2011. The remaining amortization period for these intangible assets at March 31, 2015, was approximately six years.

(6) Represents customer relationship assets associated with ITF's compressed natural gas fueling operations. The remaining weighted-average amortization period for customer-related intangible assets at March 31, 2015, was approximately 12 years.

(7) Trillium USA (Trillium) and Pinnacle CNG Systems (Pinnacle) are wholly-owned subsidiaries of ITF.

The table below shows the amortization we recorded:

	Three Months Ended March 31	
(Millions)	2015	2014
Amortization recorded in cost of sales	$0.3	$0.3
Amortization recorded in depreciation and amortization expense	0.7	0.7
Amortization recorded in regulatory assets	0.3	—

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The following table shows our estimated amortization for the next five years, including amounts recorded through March 31, 2015:

	For the Year Ending December 31				
(Millions)	2015	2016	2017	2018	2019
Amortization to be recorded in cost of sales	$1.1	$0.9	$0.9	$0.8	$0.6
Amortization to be recorded in depreciation and amortization expense	3.0				